

AMENDED BY-LAWS

OF

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TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the association is TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC. The principal office of the Association shall be located at Villa 131, Topsail Reef Condominiums, North Topsail Shores, Sneads Ferry, North Carolina, but meetings of members and directors may be held at such places within the State of North Carolina, County of Onslow, as may be designated by the Board of Directors of the Association. These By-Laws provide for the self-government of TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., in accordance with the Articles of Incorporation filed with the Secretary of the State of North Carolina and the Declaration of Condominium for TOPSAIL REEF CONDOMINIUMS recorded in the office of the Register of Deeds, Onslow County, North Carolina.

ARTICLE II

DEFINITIONS

1. "Association" shall mean and refer to TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., it's successors, and assigns.

2. "Common Areas" shall mean all real property owned as tenants in common by all the lot and unit owners and managed by the Association for the common use and enjoyment of said owners.

3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any unit which is a part of TOPSAIL REEF CONDOMINIUMS, but excluding those having such interest merely as security for the performance of an obligation.

4. "Declaration" shall mean and refer to the Declaration and Covenants, Conditions and Restrictions of TOPSAIL REEF CONDOMINIUMS of record in the office of the Register of Deeds of Onslow County, North Carolina.

5. "Member" shall mean and refer to those persons entitled to membership in the Association by virtue of ownership of one or more units in TOPSAIL REEF CONDOMINIUMS.

6. "Unit" shall mean and refer to individual enclosed living spaces and accessory spaces and areas as defined in N.C.G.S. 47A-3(12), and the improvements situate thereon,

excluding any land or improvements designated as Common Areas.

7. "Assessment" shall mean and refer to a Member's share of the common expenses assessed against each unit by the Association in the manner provided for in the Declaration and these By-Laws.

8. "Development" shall mean and refer to the entire undertaking pursuant to the Declaration and these By-Laws which shall commence with the filing of the Declaration and continue thereafter until terminated as provided for therein.

ARTICLE III

MEMBERSHIP AND PROPERTY RIGHTS

1. Members. Every person, firm, association, corporation, and other legal entity who is a record owner or co-owner of the fee simple title to any Unit shall be a Member of the Association; provided however, that any person, firm, association, corporation, or legal entity who holds such title or interest merely as a security for the performance of an obligation (including but not limited to mortgages or trustees under deeds of trust) shall not be a Member of the Association.

2. Change of Membership. Change of membership shall be accomplished by recording in the Onslow County Registry, a deed or other instrument establishing a record title to a Unit, and delivery to the office of the Association a copy of such instrument. The membership of the prior Unit owner shall be thereby terminated.

3. Rights of Membership. Each Member shall be entitled to the use and enjoyment of the Common Areas and facilities as provided in the Declaration, subject however to the right of the Association to:

a. Promulgate Rules and Regulations governing such use and enjoyment;

b. Suspend the use and enjoyment of the Common Areas as provided in section 5 of this ARTICLE III.

Any Member may delegate his rights of enjoyment of the Common Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property. The rights and privileges of such delegates are subject to suspension to the same extent as those of the Member.

4. Obligations of Member. It shall be the obligation and responsibility of each Member to:

a. Provide unobstructed access to said Member's Unit to the Property Manager and other employees and agents of the Association for the purposes of maintenance, safety, and protecting the integrity of the Units of other Members of the Association;

b. Prevent the development of any unclean, unsightly, or unkempt conditions of the limited and general Common Areas.

5. Suspension of Rights. The Membership and voting rights of any Member may be suspended by the Board of Directors for any period during which any assessment against the Unit, to which his Membership is appurtenant remains unpaid; but upon payment of such assessment, and any interest accrued thereon, his rights and privileges shall be immediately and automatically restored.

Further, if the Rules and Regulations governing the use of the Common Areas and the conduct of the persons thereon have been adopted and published, as authorized in these By-Laws, the rights and privileges of any person in violation thereof may be suspended at the discretion of the Board of Directors for a period not to exceed thirty (30) days for any single violation, except for non-payment of any assessment, but if the violation is of a continuing nature, such rights and privileges may be suspended indefinitely until such time as the violation is abated. No such action shall be taken by the Board of Directors until the Unit owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

6. Votes. Each Unit shall be entitled to one (1) vote. When more than one person holds title, the vote for each Unit shall be exercised as the co-owners among themselves determine. When one or more co-owners signs a proxy or purports to vote for his or her co-owners, such vote shall be counted unless one or more the other co-owners is present and objects to such vote; or if not present, submits a written objection to such vote.

ARTICLE IV

MEETINGS OF MEMBERS

1. Place of Meetings. All meetings of Unit owners of the Association shall be held at such place convenient to the Members as may be designated by the Board of Directors.

2. Annual Meetings. All annual meetings of the Unit owners of the Association shall be held on the last Saturday of April in each year. At each annual meeting, the election of Directors shall take place. If the election of Directors shall not be held at the annual meeting or any adjournments of such meeting, the Board shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting, the Unit owners may elect the Directors and transact other business with the same force and effect as at an annual meeting duly called and held. All proxies validly received for the originally scheduled meeting shall remain in full force and effect for any such adjourned meeting or special meeting, and new proxies may be received for any such subsequent meeting.

3. Special Meetings. Special meetings of Unit owners may be called by the President or the Board of Directors, and shall be called upon the written request of Unit owners representing not less than one-third (1/3) of all the votes entitled to be cast at such meeting. Such notice or request shall state the purpose of such meeting and the matters proposed to be acted upon. No special meeting may be called to consider any matter which is substantially the same as a matter voted upon at any meeting of the Unit owners held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board of Directors.

4. Notice of Meetings. Written notice of each meeting of Unit owners shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice at least fourteen (14) days before each annual meeting to each Unit owner entitled to vote thereat, addressed to the Unit owners address last appearing on the books of the Association, or supplied by such Unit owner to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting. Waiver by a Unit owner in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice. Attendance at a meeting by a Unit owner, whether in person or represented by proxy, shall be deemed a waiver by such Unit owner of the time, date and place thereof unless such owner specifically objects to lack of proper notice. Attendance at a special meeting shall also be a waiver of all business transacted at such meeting unless an objection is raised before said business is so transacted.

5. Quorum. The presence at the meeting of Unit owners entitled to cast, or of proxies entitled to cast, fifty percent (50%) of the votes of the Association shall constitute a quorum for any action except as otherwise provided in the Declaration or these By-Laws. In the absence of a quorum, the persons holding votes present, in person or by proxy, and entitled to vote may, by majority vote, adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting originally called. Notice of any adjourned meeting of the Unit owners shall not be required to be given, other than an announcement at the meeting, except when expressly required by law. No publication of any notice of a meeting of the Unit owners shall be required.

6. Organization. At each meeting of the Association, the President, or in his absence, the Vice-President, or in the absence of both of them, a person chosen by a majority vote of the Unit owners present in person or represented by proxy and entitled to vote, shall act as a chairperson, and the Secretary, or in his absence, a person whom the

chairperson shall appoint, shall act as Secretary of the meeting.

7. Voting. Except as otherwise required by the Certificate of Incorporation, the Declaration of Condominium, or any law, a quorum being present, a majority of votes represented, in person or by proxy, shall be sufficient on those matters which are to be voted on by the Unit owners. The election of Directors shall be by ballot. Unless determined by a majority of the votes of the Unit owners present at such meeting, in person or by proxy, or determined by the chairperson of the meeting to be advisable, the vote on any other question need not be by ballot.

8. Proxies. Unit owners shall be permitted to vote by proxy with respect to all elections of Directors and all amendments to the Certificate of Incorporation, the Declaration of Condominium, or any other matter which is to come before a meeting of the Unit owners. All proxies shall be in writing, signed by the Unit owner (or in the case of joint owners by any one of them), or by his or their duly authorized representative, and delivered to the Secretary of the Association, or such other person as the President may designate. Proxies may be revoked at any time prior to the opening of the polls. All proxies shall be substantially in the form prescribed by the Board of Directors, and if not in such form, shall be deemed invalid which determination shall be made in the sole and absolute discretion of the Board of Directors.

9. Member in Good Standing. A Member shall be deemed to be in good standing and "entitled to vote" at any annual meeting or at any special meeting of the Association, if and only if, he shall have fully paid all installments due for assessments made or levied against him and his Unit by the Board of Directors, as hereinafter provided, together with all interest, costs, attorney's fees, penalties, and other expenses, if any, properly charged to him and his Unit, at least three (3) days prior to the date fixed for such meeting.

10. Judges. If at any meeting of the Unit owners a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two judges to act thereon with respect to such vote. Such judges shall report the number of voters represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and when the voting is completed, shall ascertain and report the number of votes respectively for and against the questions; but as to the election of Directors, the number of votes received by each candidate need not be reported. Reports of judges shall be delivered by them to the chairperson of the meeting who shall then announce the results. The judges shall be Members of the Association.

ARTICLE V

BOARD OF DIRECTORS

1. Express and Implied Powers and Duties. The property, affairs, and business of the Association shall be managed by the Board of Directors, which shall have all those powers granted to it by the Certificate of Incorporation, the Declaration of Condominium, these By-Laws, and by law.

2. Number and Qualifications. The Board shall consist of seven (7) Directors who shall be owners or co-owners of at least one Unit in TOPSAIL REEF CONDOMINIUMS. No more than one co-owner in a co-owner situation shall be entitled to hold office as a Director.

3. Term of Office. Each Director shall hold office for a term of three (3) years and until his or her successor has been duly elected and qualified, or until removed in the manner elsewhere provided.

4. Removal. Any Director may be removed by a majority of the Unit owners, with or without cause, at any duly held regular or special meeting of the Unit owners, provided that the notice of the meeting expressly includes this item of business on the agenda. Moreover, any Director who has had three (3) consecutive unexcused absences from regularly scheduled Board meetings may be removed by a vote of a majority of the other Directors. Any Director whose removal has been proposed shall be given the opportunity to be heard at the meeting.

5. Vacancies. In the event of the death, resignation, or removal of a Director, his successor shall be elected by the remaining members of the Board of Directors, and shall serve for the unexpired term of his predecessor.

6. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties, only to the extent as authorized by a majority vote of the Board of Directors.

7. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could have taken at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same force and effect as though taken at a meeting of the Board of Directors. Such written consent shall be filed with the Minutes of the Board of Directors.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

1. Nomination for election to the Board of Directors shall be made by the Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairperson, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the President of the Association at a meeting of the Board of Directors at least sixty (60) days prior to the annual meeting of the Unit owners, to serve until the next Nominating Committee is appointed in the succeeding year. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. The nominations shall be made at least thirty (30) days prior to the annual meeting. Each nominee shall be given a reasonable opportunity to communicate his qualifications to the membership prior to the election.

2. Election. Election to the Board of Directors shall be by secret ballot. At such election, the voting Members, or their proxies, may cast one (1) vote for each vacancy. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII

MEETINGS OF DIRECTORS

1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly, at such place and time as may be fixed from time to time by resolution of the Board. The newly elected Board shall meet and organize within ten (10) days after each annual meeting.

2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any four (4) Directors, after not less than seven (7) days notice to each Director.

3. Quorum. A majority of the number of the Directors shall constitute a quorum for the transaction of business. Every act done or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board. If at any meeting of the Board there shall be less than a quorum present, the majority of those present shall adjourn the meeting to a new date.

4. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a Minute Book recording therein all resolutions adopted by the Board of Directors and a record

of all transactions and proceedings occurring at such meetings. Roberts Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, the Articles of Incorporation, or these By-Laws.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

1. Powers. The Board of Directors shall have the power without limitation to:

a. Adopt and publish rules and regulations governing the use of the Common Areas and facilities and the personal conduct of the Members and their guests and tenants thereon, and to establish penalties for the infraction thereof;

b. Suspend the voting rights and right of use of the recreational facilities of a Member as set forth in ARTICLE III, Section 5 of these By-Laws;

c. Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, Articles of Incorporation, or the Declaration of Condominium;

d. Employ a Property Manager, by contract or otherwise, to oversee, supervise, and carry out the responsibilities of the Board;

e. Hire, pay, supervise, and discharge the personnel necessary to be employed, and provide the equipment and materials necessary in order to properly maintain and operate the Common Areas;

f. Employ professional counsel and to obtain advice from persons, firms, or corporations such as, but not limited to, landscape architects, architects, engineers, lawyers, and accountants, when deemed necessary.

2. Duties. It shall be the affirmative and perpetual obligation and duty of the Board of Directors to perform the following:

a. Cause to be kept a complete record of all its acts and corporate affairs, and to present a summary report thereof to the Members at the annual meeting or at any special meeting when requested in writing by Members entitled to cast at least one-third (1/3) of the total votes of the Association;

b. Supervise all officers, agents, and employees of the Association, and to see that their duties are properly performed;

c. To fix the amount of assessment and the manner of payment thereof against each Unit in accordance with the terms of the Declaration of Condominium, and to send written notice of any change in assessment or manner of payment of

same to every Unit owner subject thereto at least thirty (30) days in advance of such assessment payment period;

d. File a lien against any property for which assessments are not paid within thirty (30) days after due date, and to institute a foreclosure action against such property after six (6) months from said due date. The Board may also bring an action at law against the owner personally obligated to pay the same;

e. Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

f. Procure and maintain broad form insurance against loss by fire, lightning, windstorm, flood, water and other risks normally included within all risk extended coverage, if obtainable, including vandalism and malicious mischief, insuring all improvements existing on the property, and covering the interest of the Association, the Board, Unit owners, and institutional lenders as their respective interests may appear, in an amount equal to the full replacement value of such improvements (exclusive of foundations and footings), without deduction for depreciation. Prior to obtaining any proposal of fire insurance or any renewal thereof, the Board shall obtain a qualified appraisal at least every three (3) years of the full replacement value of the Units and Common Areas and the improvements located thereon, without deduction for depreciation, for the purposes of determining the amount of fire insurance to be effected pursuant to this subparagraph. The amount of any deductible shall be determined by the Board, in its sole discretion;

g. Procure and maintain, to the extent obtainable, public liability insurance for personal injury and death from accidents occurring within the Common Areas (and other areas which the Board may deem advisable) and the defense of any actions brought as a result of injury or death of a person or damage to property, occurring within such Common Areas, and not arising by reason of any act or negligence of any individual Unit owner. Such insurance shall be in such limits as the Board may, from time to time, determine, covering each member of the Board, and all employees of the Association;

h. Act as insurance trustees in the collection and disbursement of hazard insurance proceeds, as provided for in the Declaration of Condominium;

i. Procure and maintain liability insurance indemnifying the Directors and Officers of the Association against liability for errors and omissions occurring in connection with the performance of their duties;

j. Procure and maintain worker's compensation and North Carolina disability benefits insurance as required by law;

k. Cause all Officers and employees having fiscal responsibilities to be bonded;

1. Prepare an annual budget by which to govern the spending of the Association.

ARTICLE IX

OFFICERS AND THEIR DUTIES

1. Enumeration of Officers. The principal officers of the Association shall be a President, a Vice-President, both of whom shall be members of the Board of Directors, a Secretary and a Treasurer, both of whom need not be members of the Board of Directors, but must be Members of the Association. The Board may also appoint Assistant Secretaries, Assistant Treasurers and such other subordinate officers, as in its judgement may be necessary. Such subordinate officers shall hold office for such period, have such authority, and perform such duties as the Board may require. Any two (2) offices, except that of President and Vice-President, may be held by one person.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first Board of Directors meeting following each annual meeting of the Unit owners.

3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall resign, or shall be removed, or is otherwise disqualified to serve.

4. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

6. Duties of Officers. The duties of the officers are as follows:

President

a. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have

all of the general powers and duties which are usually vested in the office of President of an Association.

Vice-President

b. The Vice-President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Director to so do on an interim basis.

Secretary and Treasurer

c. The Secretary and Treasurer shall perform such duties commensurate with their respective offices as the Board of Directors may direct from time to time.

ARTICLE X

COMMITTEES

The Board of Directors may appoint such committees as may be deemed appropriate in carrying out its purpose.

ARTICLE XI

BOOKS AND RECORDS

The books, records, and papers of the Association shall, during reasonable business hours, upon written request, be subject to inspection by any Unit owner, mortgagee or trustee under a deed of trust. The Declaration of Condominium, the Articles of Incorporation, and the By-Laws of the Association shall be available for inspection, upon reasonable request, by any Member at the principal office of the Association, where copies may be purchased at a reasonable cost.

ARTICLE XII

ASSESSMENTS

As more fully provided in the Declaration of Condominium, each Unit owner is obligated to pay the Association such sums as are assessed against the Unit owners under the terms of said Declaration, which

by the Board, the funds so transferred shall be returned to the Reserve for Replacement Account within one (1) year from the date of such transfer.

3. Depositories. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board, and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board, provided that a management agreement may include among its provisions authority for a manager to sign checks on behalf of the Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

ARTICLE XIV

AMENDMENTS

1. These By-Laws may be amended at a regular or special meeting of the Unit owners by a vote of a majority of a quorum of Unit owners present or by proxy.

2. In case of any conflict between the Declaration of Condominium and these By-Laws, the Declaration shall control.

IN WITNESS WHEREOF, TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC. does hereby adopt the foregoing as the amended By-Laws of said Association, the Members by a vote of a majority of a quorum of Members present in person or by proxy having voted in favor thereof, at a regular annual meeting of said Members, and has affixed its hand and seal this 11th day of ~~April, 1987.~~

January, 1991.

TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC.

By *George E. Vaughan III*
George E. Vaughan, III, President

Denise Frazier
Denise Frazier, Assistant Secretary



STATE OF NORTH CAROLINA :

COUNTY OF ONSLOW :

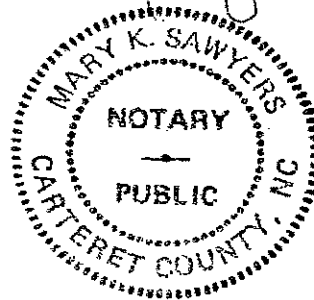
I, Mary K. Sawyers (Dennis), do hereby certify that personally came before me, George E. Vaughan, III, who, being by me duly sworn, says that he is the President of TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., and that the seal affixed to the foregoing instrument in writing is the corporation seal of the said TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., and that said writing was signed and sealed by him, in behalf of said corporation, by its authority duly given; and the said George E. Vaughan, III acknowledged the said writing to be the act and deed of said corporation.

WITNESS my hand and seal, this 14th day of January, ~~1989~~ 1991.

Mary K. Sawyers (Dennis)

My commission expires:

6-24-92



NORTH CAROLINA, ONSLOW COUNTY
The foregoing certificate(s) of

Mary K. Sawyers (Dennis)

Notary(ies) Public is (are) certified to be correct. This instrument was presented for registration and recorded in this office in Book 993 Page 252 This 14th day of February 19 91 A.D., at 12:25 o'clock P. M.

Mildred M. Brown
Register of Deeds, Onslow County

By

Register of Deeds