

BY-LAWS
OF THE
PINE KNOLL TOWNES PHASE II
ASSOCIATION
CARTERET COUNTY, NORTH CAROLINA

ARTICLE ONE
PLAN OF UNIT OWNERSHIP

1. Unit Ownership. The property located on Bogue Banks, in Carteret County, State of North Carolina, and more particularly described in the DECLARATION to which these BY-LAWS are attached has been submitted to the provisions of Chapter 47A of the North Carolina General Statutes entitled "Unit Ownership Act" by the DECLARATION recorded in the Office of the Register of Deeds of Carteret County, State of North Carolina, simultaneously herewith, and shall hereinafter be known as "PINE KNOLL TOWNES PHASE II" (hereinafter called "CONDOMINIUM").
2. Applicability of By-Laws. The provisions of these BY-LAWS are applicable to the Property of the CONDOMINIUM and to the use and occupancy thereof. The term "Property" as used herein shall include the land, the buildings and all other improvements thereon (including the Units, the common areas and facilities, and the limited common areas and facilities), owned in fee simple absolute, and all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith, all of which are submitted to the provisions of said Chapter 47A of the North Carolina General Statutes, entitled "Unit Ownership Act".
3. Application. All present and future owners, mortgagees, lessees and occupants of Units and their employees, and any other persons who may use the facilities of the Property in any manner are subject to the DECLARATION, these BY-LAWS, and Rules and Regulations made pursuant hereto, and any amendment to these BY-LAWS upon the same being passed and duly set forth in an amended DECLARATION, duly recorded.

The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a Unit shall constitute an agreement that these BY-LAWS (and any Rules and Regulations made pursuant hereto) and the provisions of the DECLARATION, as they may be amended from time to time, are accepted, ratified, and will be complied with.
4. Office and Agent. The initial office of the CONDOMINIUM and of the BOARD OF DIRECTORS shall be located at Post Office Box 164, Atlantic Beach, North Carolina, and the agent of the ASSOCIATION at such address shall be CHARLES H. SLEDGE, JR.

ARTICLE TWO
UNIT OWNERS

1. Membership Qualification. All owners of Units of the PINE KNOLL TOWNES PHASE II project shall constitute the PINE KNOLL TOWNES PHASE II ASSOCIATION (hereafter called "ASSOCIATION"). The owner of any Unit upon acquiring title thereto shall automatically become a member of the ASSOCIATION and shall remain a member thereof until such time as his ownership of such Unit ceases for any reason, at which time his membership in the ASSOCIATION shall automatically cease. Provided that the Developer of the project shall be deemed the owner of any Unit or Units in the project which are not yet titled in the name of the initial owner.

Book 40-1

Page 47

2. Owners' Meetings.

- A. Place of Meetings. All meetings of the ASSOCIATION of the CONDOMINIUM shall be held at the property or at such other place within the State of North Carolina shall be designated in a notice of the meeting.
- B. Organizational Meeting. The first meeting of the Unit Owners to organize the CONDOMINIUM shall be held as soon as practical after recording of the DECLARATION, BY-LAWS and MAPS, and upon Ten (10) days written notice given by BALWADE, INC., the Corporation which shall have developed the property.
- C. Annual Meetings. An annual meeting of the ASSOCIATION shall be held at 7:00 o'clock P.M. on the first Tuesday of February of each year, if not a legal holiday, and if a legal holiday, then at the same time on the next day following not a legal holiday for the purpose of electing members of the BOARD OF DIRECTORS, and for the transaction of such other business as may be properly brought before the meeting.
- D. Special Meetings. Special meetings of the Unit Owners may be called at any time by the BOARD OF DIRECTORS or upon the written request of not less than 25% in common interest, in the aggregate, of the Unit Owners.
- E. Substitute Annual Meetings. If the annual meeting shall not be held on the day designated by the BY-LAWS, a substitute annual meeting may be called in accordance with the provisions of Section 2D of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.
- F. Notice of Meetings. A notice of all ASSOCIATION meetings stating the time and place and the objects for which the meeting is called, shall be given by the President or Secretary unless waived in writing. Such notice shall be in writing to each member at his address as it appears on the books of the ASSOCIATION, and shall be mailed not less than twenty (20) days nor more than fifty (50) days prior to the date of the meeting stated in the Notice. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived before or after meeting.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat, unless it is a matter other than the election of DIRECTORS on which the vote of Unit Owners is expressly required by the provisions of the North Carolina Unit Ownership Act. In the case of a special meeting the notice of meeting shall specifically state the purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for not less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

- G. Quorum. A quorum at ASSOCIATION meetings shall consist of persons holding at least fifty (50%) per cent or more of the total number of Units entitled to vote therein. The subsequent joinder of a Unit Owner in the action taken at a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize the meeting, it cannot be broken by the subsequent withdrawal of a Unit Owner or Owners. The Unit Owners present may adjourn the meeting despite the absence of a quorum.

H. Voting Rights. Voting shall be on a percentage basis, and the percentage of the total vote to which each Unit is entitled shall be the percentage of the common interests assigned to such Unit in the DECLARATION. Votes may be cast in person or by proxy by the respective Unit Owners as shown in the record of ownership of the ASSOCIATION. An executor, administrator, guardian or trustee may vote in person or by proxy at any meeting of the ASSOCIATION the percentage of vote for any Unit owned or controlled by him in such capacity, whether or not the same shall have been transferred to his name in the ASSOCIATION'S record of ownership, provided that he shall first present evidence satisfactory to the Secretary that he owns or controls such Unit in such capacity. The vote for any Unit owned of record by two or more persons may be exercised by any one of them present at any meeting in the absence of protest by the other or others, and in case of protest, each co-tenant shall be entitled to only a share of such vote in proportion to his share of ownership in such Unit. If a Unit is owned by a Corporation, the person entitled to cast the vote for the Unit shall be designated by a certificate signed by President or Vice-President, and attested by the Secretary or Assistant Secretary and filed with the Secretary of the ASSOCIATION.

Votes may be cast in person or by proxy. A proxy may be made by any person entitled to vote and shall be valid only for the particular meeting designated therein, and must be filed with the Secretary of the ASSOCIATION before the appointed time of the meeting or any adjournment thereof. The total number of votes of all voting members shall be 100, and each Owner or group owners (including the BOARD OF DIRECTORS if the BOARD OF DIRECTORS, or its designee, shall then hold title to one or more Units) shall be entitled to the number of vote equal to the total of the percentage of ownership in the common areas and facilities applicable to him or their Unit ownership as set forth in the DECLARATION.

- I. Cumulative Voting. In all elections for members of the BOARD OF DIRECTORS, each voting member shall be entitled to vote on a cumulative voting basis and the candidates receiving the highest number of offices to be filled shall be deemed to be elected.
- J. Waiver of Notice. Any Unit Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Unit Owner at any meeting of the Unit Owners shall constitute a waiver of notice by him of the time and place thereof except where a Unit Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Unit Owners are present at any meeting of the Unit Owners, no notice shall be required and any business may be transacted at such meeting.
- K. Informal Action By Unit Owners. Any action which may be taken at a meeting of the Unit Owners may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, (that is, the voting members) and filed with the Secretary of the ASSOCIATION to be kept in the CONDOMINIUM Minute Book.
- L. Order of Business. The order of business at all meetings of the ASSOCIATION shall be as follows:
 - (a) Roll Call.
 - (b) Proof of notice of meeting.
 - (c) Reading of minutes of preceding meeting.

- (d) Report of officers.
- (e) Report of committees.
- (f) Election of directors.
- (g) Unfinished business.
- (h) New business.

ARTICLE THREE
BOARD OF DIRECTORS

1. General Powers. The BOARD OF DIRECTORS shall be by cumulative voting by secret ballot at each annual meeting and any special meeting called for the purpose. DIRECTORS shall hold office for a period of three (3) years until their respective successors have been elected, subject to removal as herein provided, except that at the first annual meeting one-third of the DIRECTORS shall be elected for one (1) year, one-third for two (2) years, and one-third for three (3) years.

2. Number, Term and Qualification. The BOARD OF DIRECTORS shall consist of three (3) persons, each of whom shall be over the age of twenty-one (21), and one of whom shall be designated as CHAIRMAN. The size of the BOARD OF DIRECTORS may be increased or decreased from time to time upon the affirmative vote of a majority of the total of the Unit Owners, provided however, that the BOARD OF DIRECTORS shall not be less than three (3) in number. At the first election, one member shall be elected to serve for a term of two (2) years, and one member shall be elected to serve for a term of two (2) years, and one member shall be elected to serve for a term of three (3) years. At all subsequent elections, members of the BOARD OF DIRECTORS shall be elected for a term of three (3) years. The BOARD OF DIRECTORS may be enlarged in multiples of three (3) so that the term of one-third of the BOARD OF DIRECTORS shall expire each year.

Each member of the BOARD OF DIRECTORS shall be one of the owners or co-owner or a spouse of an owner or co-owner; provided however, that in the event an owner is a Corporation, partnership, trust or other legal entity other than a natural person or persons, then any officer or DIRECTOR of such Corporation, partner or partnership, beneficiary of such trust or manager of such legal entity, shall be eligible to serve as a member of the BOARD OF DIRECTORS.

For so long as the Developer owns fifty (50%) per cent of the aggregate Unit space, it shall select and designate members of the BOARD OF DIRECTORS, who need not be Unit Owners, to serve until the first meeting of the Unit Owners.

3. Election of Board of Directors. Except as provided in Sections 2 and 5 of this Article, the BOARD OF DIRECTORS shall be elected at the annual meeting of the ASSOCIATION, and those persons who receive the highest number of votes shall be deemed to have been elected.
4. Removal. DIRECTORS may be removed from office with or without cause by affirmative vote of the Unit Owners having a majority of the total votes entitled to vote at an election of DIRECTORS. However, unless the entire BOARD OF DIRECTORS is removed, an individual DIRECTOR may not be removed if the number of Unit Owners voting against the removal would be sufficient to elect a DIRECTOR if such Unit Owners voted cumulatively at an annual election. If any DIRECTORS are so removed, new DIRECTORS may be elected at the same meeting.
5. Vacancies. A vacancy occurring in the BOARD OF DIRECTORS, including DIRECTORSHIP not filled by the Unit Owners, may be filled by a majority of the remaining DIRECTORS, though less than a quorum, or by the sole remaining DIRECTOR, but a vacancy created by an increase in the authorized number of DIRECTORS shall be filled only by election at an annual meeting or a special meeting of Unit Owners called for that purpose. Voting members may elect a DIRECTOR at any time to fill any vacancy not filled by the DIRECTORS.

6. Compensation. The BOARD OF DIRECTORS shall receive no compensation for their services unless expressly allowed by the BOARD OF DIRECTORS at the direction of the Unit Owners having a majority of the total votes.
7. Executive Committees. The BOARD OF DIRECTORS may, by resolution adopted by a majority of the number of DIRECTORS fixed by these BY-LAWS, designate two or more DIRECTORS to constitute an Executive Committee, which committee to the extent provided in such resolution shall have and may exercise all of the authority of the BOARD OF DIRECTORS in the management of the CONDOMINIUM.
8. Meetings, Notice, and Quorum. 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 at least one such meeting shall be held during each year. Notice of regular meetings of the Board shall be given to each DIRECTOR, personally or by mail, telephone or telegraph, at least one day prior to the date of such meeting.

Special meetings of the BOARD OF DIRECTORS may be called by the CHAIRMAN on at least eight (8) hours' notice to each DIRECTOR, given personally or by telephone or telegraph, which notice shall state the time, place and purpose of such meeting. Special meetings of the Board shall be called by the CHAIRMAN or Secretary in like manner and with like notice on the written request of at least two (2) DIRECTORS.

Before or at any meeting of the BOARD OF DIRECTORS, any DIRECTOR may in writing waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a DIRECTOR at any meeting of the Board shall be a waiver of notice to him of such meeting. If all the DIRECTORS are present at any meeting of the Board, no notice thereof shall be required, and any business may be transacted at such meeting.

At all meetings of the BOARD OF DIRECTORS a majority of the total number of DIRECTORS established by these BY-LAWS shall constitute a quorum for the transaction of business, and the acts of a majority of the DIRECTORS present at any meeting at which a quorum is present shall be the acts of the Board. If less than a quorum shall be present at any meeting of the Board, 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 as originally called may be transacted without further notice.
9. Fidelity Bonds. The BOARD OF DIRECTORS may require that all officers, employees and agents of the ASSOCIATION handling or responsible for its funds, shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the ASSOCIATION as a common expense.
10. Liability of Board of Directors. The members of the BOARD OF DIRECTORS shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners shall indemnify and hold harmless each of the members of the BOARD OF DIRECTORS against all contractual liability to others arising out of contracts made by the BOARD OF DIRECTORS on behalf of the CONDOMINIUM unless any such contract shall have been made in bad faith or contrary to the provisions of the DECLARATION or of these BY-LAWS. It is intended that the members of the BOARD OF DIRECTORS shall have no personal liability with respect to any contract made by them on behalf of the CONDOMINIUM. It is also intended that the liability of any Unit Owner arising out of any contract made by the BOARD OF DIRECTORS or out of the aforesaid indemnity in favor of the members of the BOARD OF DIRECTORS shall be limited to such proportion of the total liability thereunder as his interest in

the common elements bears to the interests of all the Unit Owners in the common elements. Every agreement made by the BOARD OF DIRECTORS on behalf of the CONDOMINIUM shall provide that the members of the BOARD OF DIRECTORS, or the managing agent, or the manager, as the case may be, are acting only as agents for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the common elements bears to the interest of all Unit Owners in the common elements.

11. Powers and Duties. The BOARD OF DIRECTORS shall have the powers and duties necessary for the administration of the affairs of the CONDOMINIUMS and may do all such acts and things, except such acts as by law or by the DECLARATION or by these BY-LAWS may not be delegated to the BOARD OF DIRECTORS. Such powers and duties of the BOARD OF DIRECTORS shall include, but shall not be limited to, the following:
- A. Operation, care, upkeep and maintenance of the common areas and facilities.
 - B. Determination of the common expenses required for the affairs of the CONDOMINIUM, including, without limitation, the operation and maintenance of the Property.
 - C. Collection of the common charges from the Unit Owners.
 - D. Employment and dismissal of the personnel necessary for the maintenance and operation of the common areas and facilities.
 - E. At the direction of the Unit Owners having a majority of the total votes, the adoption and amendment of such reasonable rules and regulations as it may deem advisable for the maintenance, conservation, and beautification of the Property, and for the health, comfort, safety, and general welfare of the owners and occupants of the Property. Written notice of such rules and regulations shall be given to all owners and occupants and the entire Property shall at all times be maintained subject to such rules and regulations.
 - F. Opening of bank accounts on behalf of the ASSOCIATION and designating the signatories required therefor.
 - G. Purchasing or leasing or otherwise acquiring in the name of the BOARD OF DIRECTORS, or its designee, corporate or otherwise, on behalf of all Unit Owners, Units offered for sale or lease or surrendered by their owners to the BOARD OF DIRECTORS as provided by the DECLARATION.
 - H. Purchasing of Units at foreclosure or other judicial sales in the name of the BOARD OF DIRECTORS, or its designee, corporate or otherwise, on behalf of all Unit Owners.
 - I. Selling, mortgaging, voting appurtenant to or otherwise dealing with Units acquired by the BOARD OF DIRECTORS or its designee, corporate or otherwise, on behalf of all Unit Owners, subject to the DECLARATION and other applicable restrictions.
 - J. Organizing corporations or other entities to act as designees of the BOARD OF DIRECTORS in acquiring possession or title to Units on behalf of all Unit Owners.
 - K. Maintaining and repairing any Unit, if such maintenance

or repair is necessary in the discretion of the BOARD OF DIRECTORS or by operation of applicable restrictions to protect the common areas and facilities or any other portion of the buildings, and an Owner of any Unit has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair delivered or mailed by the BOARD OF DIRECTORS to said Owner, provided that the BOARD OF DIRECTORS shall levy a special assessment against such owner for the costs of said maintenance or repair.

- L. Entering any Unit when necessary in connection with any maintenance or construction for which the BOARD OF DIRECTORS is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the occupant as practicable, and any such expense shall be treated as a common expense.
- M. Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the BOARD OF DIRECTORS.
- N. Obtaining of insurance for the Property, including the Units, pursuant to provisions of the DECLARATION.
- O. Making of repairs, additions and improvements to or alterations of the Property and repairs to and restoration of the Property in accordance with the other provisions of these BY-LAWS and the DECLARATION, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

ARTICLE FOUR

OFFICERS

- 1. Number and Designation. The principal officers of the ASSOCIATION shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by, and in the case of the President, from 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. Any two or more offices may be held by the same person except the offices of President and Secretary.
- 2. Election and Term. The officers of the ASSOCIATION shall be elected annually by the BOARD OF DIRECTORS at its annual meeting and shall hold office at the pleasure of the BOARD OF DIRECTORS.
- 3. Removal. Any officer may be removed either with or without cause by vote of a majority of the members of the BOARD OF DIRECTORS and his successor elected, at any regular meeting of the BOARD OF DIRECTORS or any special meeting called for such purpose.
- 4. President. The President shall be the chief executive officer of the ASSOCIATION and shall preside at all meetings of the ASSOCIATION and of the BOARD OF DIRECTORS. Subject to the control of the BOARD OF DIRECTORS he shall exercise general supervision and direction over the management and conduct of the business and affairs of the ASSOCIATION. He shall also have such other powers and duties as may be provided by these BY-LAWS or assigned to him from time to time by the BOARD OF DIRECTORS.
- 5. Vice-President. The Vice-President shall assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. He shall also have such other powers and duties as may be assigned to him from time to time by the BOARD OF DIRECTORS.

6. Secretary. The Secretary shall attend and keep the minutes of all the meetings of the ASSOCIATION and of the BOARD OF DIRECTORS, give all notices thereof as provided by these BY-LAWS, maintain and keep a continuous and accurate record of ownership of all apartments, have charge of such books, documents and records of the ASSOCIATION as the BOARD OF DIRECTORS may direct, and in general, perform all the duties incident to the office of Secretary.
7. Treasurer. The Treasurer shall maintain and keep the financial records and books of account of the ASSOCIATION, prepare regular reports thereof and be responsible for the proper deposit and custody in the name of the ASSOCIATION of all its funds and securities.
8. Auditor. The ASSOCIATION shall appoint annually a public accountant or accounting firm as auditor, who shall not be an officer of the ASSOCIATION nor own any interest in any apartment, to audit the books and financial records of the ASSOCIATION.
9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary and the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall in general perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the BOARD OF DIRECTORS.
10. Compensation. The Compensation, if any, of all officers and employees of the ASSOCIATION shall be fixed by the BOARD OF DIRECTORS. This provision shall not preclude the BOARD OF DIRECTORS from employing a DIRECTOR as an employee of the ASSOCIATION nor preclude the contracting with a DIRECTOR for the management of the CONDOMINIUM.

ARTICLE FIVE

ADMINISTRATION OF THE PROPERTY

1. Determination of Common Expenses and Fixing of Common Charges. The BOARD OF DIRECTORS shall from time to time, and at least annually, prepare a budget for the CONDOMINIUM determine the amount of the common charges payable by the Unit Owners to meet the common expenses of the CONDOMINIUM, and allocate and assess such common charges among the Unit Owners according to their respective common interests. The common expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the BOARD OF DIRECTORS pursuant to the provisions of the DECLARATION. The common expenses may also include such amounts as the BOARD OF DIRECTORS may deem proper for the operation and maintenance of the Property, including, without limitation, an amount for working capital of the CONDOMINIUM, for a general operating reserve, for a reserve fund for replacements and to make up any deficit in the common expenses for any prior year. The common expenses may also include such amounts as may be required for the purchase or lease by the BOARD OF DIRECTORS or its designee, corporate or otherwise, on behalf of all Unit Owners, of any Unit whose Owner has elected to sell or lease such Unit or of any Unit which is to be sold at a foreclosure or other judicial sale. The BOARD OF DIRECTORS shall advise all Unit Owners, promptly, in writing, of the amount of common charges payable by each of them, respectively as determined by the BOARD OF DIRECTORS, as aforesaid, and shall furnish copies of each budget on which such common charges are based, to all Unit Owners and to their mortgagees.
2. Payment of Common Charges. All Unit Owners shall be obligated to pay the common charges assessed by the BOARD OF DIRECTORS pursuant to the provisions of Section 1 of this Article Five at such time or times as the BOARD OF DIRECTORS shall determine.

No Unit Owner shall be liable for the payment of any part of the common charges assessed against his Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the DECLARATION and applicable restrictions of record) of such Unit, together with his interest in the common areas and facilities as defined in the DECLARATION. A purchaser of a Unit shall be jointly and severally liable with the seller for the payment of common charges assessed against such Unit prior to the acquisition by purchaser of such Unit without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor. Provided that a mortgagee or other purchaser of a Unit at a foreclosure sale of such Unit shall not be liable for and such Unit shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale. Such unpaid common charges shall be deemed to be common charges collectible from all of the Unit Owners including such purchaser, his successor and assigns.

3. Collection of Assessments. The BOARD OF DIRECTORS shall assess common charges against the Unit Owners from time to time and at least annually, and shall take prompt action to collect any common charge due from any Unit Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof.
4. Default in Payment of Common Charges. In the event of default by any Unit Owner in paying to the BOARD OF DIRECTORS the common charges as determined by the BOARD OF DIRECTORS, such Unit Owner shall be obligated to pay interest at the maximum legal rate on such common charges from the due date thereof, together with all expenses, including attorneys' fees (if permitted by law), incurred by the BOARD OF DIRECTORS in any proceeding brought to collect such unpaid common charges. The BOARD shall have the right and duty to attempt to recover such charges, together with interest thereon, and the expenses of the proceeding, including attorneys' fees in any action to recover the same brought against such Unit Owner, or by foreclosure of the lien on such Unit in like manner as a Note, Deed of Trust or Mortgage of real property.
5. Foreclosure of Liens for Unpaid Common Charges. In any action brought by the BOARD OF DIRECTORS to foreclose on a Unit because of unpaid common charges, the Unit Owner shall be required to pay a reasonable rental for the use of his Unit and the Plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The BOARD OF DIRECTORS, acting on behalf of all Unit Owners, or on behalf of any one or more individual Unit Owners if so instructed, shall have the power to purchase such Unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same subject, however, to applicable restrictions of record and the provisions of the DECLARATION. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.
6. Statement of Common Charges. The BOARD OF DIRECTORS shall promptly provide any Unit Owner so requesting the same in writing, with a written statement of all unpaid common charges due from such Unit Owner.
7. Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the BOARD OF DIRECTORS the breach of any BY-LAW contained herein, or the breach of any provision of the DECLARATION, shall give the BOARD OF DIRECTORS the right, in addition to any other rights set forth in these BY-LAWS, (a) to enter the Unit in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the BOARD OF DIRECTORS shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

8. Maintenance and Repair. (a) All maintenance and any repairs to any Unit, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse or neglect of the owner of such Unit) shall be made by the owner of such Unit. Each Unit Owner shall be responsible for all damages to any and all other Units and/or to the common areas and facilities that his failure to do so may engender. (b) All maintenance, repairs and replacements to the common areas and facilities, whether located inside or outside of the Units (unless necessitated by the negligence, misuse or neglect of a Unit Owner) shall be made by the BOARD OF DIRECTORS and be charged to all the Unit Owners as a common expense.
9. Additions, Alterations or Improvements by Unit Owners. No Unit Owner shall make any structural addition, alteration, or improvement in or to his Unit, without the prior written consent thereto of the BOARD OF DIRECTORS. The BOARD OF DIRECTORS shall have the obligation to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement in such Unit Owner's Unit, within the stipulated time shall constitute a consent by the BOARD OF DIRECTORS to the proposed addition, alteration or improvement.
10. Right of Access. A Unit Owner shall grant a right of access to his Unit to the managing agent and/or any other person authorized by the BOARD OF DIRECTORS or the managing agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his Unit and threatening another Unit or a common area and facility, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other common areas and facilities in his Unit or elsewhere in the building or to correct any condition which violates the provisions of any mortgage covering another Unit, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.
11. Water Charges and Sewer Rents. Water shall be supplied to all of the Units and the common areas and facilities through one or more meters, and the ASSOCIATION shall pay, as a common expense, all charges for water consumed on the Property, including the Units, together with all related sewer rents, if any, arising therefrom, promptly after the bills for the same shall have been rendered. In the event of a proposed sale of a Unit by the owner thereof, the BOARD OF DIRECTORS on request of the selling Unit Owner shall execute and deliver to the purchaser of such Unit or to the purchaser's title insurance company, a letter agreeing to pay all charges for water and rents affecting the Property as of the date of closing of title to such Unit, promptly after such charges have been billed by the Water Department.
12. Electricity. Electricity shall be supplied by the public utility company serving the area directly to each Unit through a separate meter and each Unit Owner shall be required to pay the bills for electricity consumed or used in his Unit. The electricity serving the common areas and facilities shall be separately metered, and the BOARD OF DIRECTORS shall pay all bills for electricity consumed in any portions of the common areas and facilities as a common expense.

ARTICLE SIX RECORDS AND AUDITS

1. Records and Audits. The BOARD OF DIRECTORS shall keep or cause to be kept, detailed records of the actions of the BOARD OF DIRECTORS, minutes of the meetings of the BOARD OF DIRECTORS, minutes of the meetings of the Unit Owners, and financial

records and books of account of the CONDOMINIUM, including a chronological listing of receipts and expenditures, as well as a separate account for each Unit which, among other things, shall contain the amount of each assessment of the common charges against such Unit, the date when due, the amounts paid thereon, and the balance remaining unpaid. The financial record and books of account shall be available for examination by all the Unit Owners, their duly authorized agents or attorneys at convenient hours on working days that shall be set and announced for general knowledge. A written report summarizing all receipts and expenditures of the CONDOMINIUM shall be available to all Unit Owners on or before the 15th day of the third month following the close of each fiscal year covering the preceding year. In addition, an annual report of the receipts and expenditures of the CONDOMINIUM certified by an independent certified public accountant, shall be rendered by the BOARD OF DIRECTORS to all Unit Owners and to all mortgagees of Units who have requested the same, promptly after the end of each fiscal year.

ARTICLE SEVEN PARLIAMENTARY RULES

1. Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of proceedings except where the DECLARATION or the laws of the State of North Carolina require a different method of procedure.

ARTICLE EIGHT AMENDMENTS

1. Proposals. Amendments to the BY-LAWS shall be proposed by either a majority of the BOARD OF DIRECTORS or by fifty (50%) per cent of the Unit Owners of the CONDOMINIUM. The proposed amendment must be reduced to writing and must be accompanied by the consent of the holders of first mortgages, if any, on the Units and by the opinion of legal counsel as to whether the amendment is permitted under the DECLARATION. It shall be included in the notice of any meeting at which action is to be taken thereon.
2. Resolutions. A resolution adopting a proposed amendment may be proposed by either the BOARD OF DIRECTORS or by the Unit Owners and approved by the Unit Owners at a meeting called for this purpose. Unit Owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Such approvals must be by the majority of the Unit Owners who in the aggregate own not less than fifty (50%) per cent of the common interest.
3. Adoption. An amendment when adopted shall become effective only after being recorded with the recording officer in the same place where the CONDOMINIUM documents are recorded.

ARTICLE NINE FISCAL YEAR

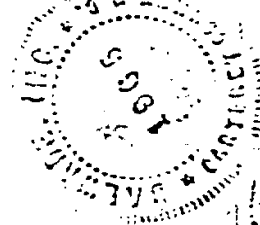
1. Fiscal Year. The fiscal year shall begin on the 1st day of January in each year or as the BOARD OF DIRECTORS shall otherwise establish.

The foregoing were adopted as the BY-LAWS of PINE KNOLL TOWNES PHASE II ASSOCIATION at the first meeting of the BOARD OF DIRECTORS on the 10th day of APRIL, 1972.

APPROVED:

Charles H. Kelly, Jr.
President

Donna L. Ballance (SEAL)
Secretary



NORTH CAROLINA
CARTERET COUNTY

I, Diana S. Gordon, Notary Public, do certify that Iona S. Ballou, Secretary of Pine Knoll Townes Phase II Association, and Charles H. Sledge, Jr., President of Pine Knoll Townes Phase II Association, personally appeared before me this day and acknowledged that by authority duly given, and as the act of the ASSOCIATION, the foregoing instrument was signed in its name by its Secretary and attested by its President.

WITNESS my hand and notarial seal, this 10th day of MAY, 1972.

Diana S. Gordon (SEAL)
Notary Public



My Commission expires: 9-20-75

NORTH CAROLINA, CARTERET COUNTY

The foregoing certificate of Diana S. Gordon is (and) certified to be correct. In a instrument was presented for registration and recorded in this office in Book 100-1 Page 11.

This 15 day of May, 1972 at 11 o'clock P. M.

W. B. [Signature]
Register of Deeds