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ARTICLES OF INCORPORATION

OF

THAD EURE TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC.

*THAD EURE
SECRETARY of STATE
NORTH CAROLINA*

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is Topsail Reef Homeowners Association, Inc., hereinafter called the "Association".

ARTICLE II

The principal and registered office of the Association is located at 114 Old Bridge Street, Onslow County, Jacksonville, North Carolina 28540.

ARTICLE III

Charles S. Lanier, whose address is 114 Old Bridge Street, Onslow County, Jacksonville, North Carolina, is hereby appointed the initial Registered Agent of this Association.


ARTICLE IV

This Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the corporation shall be to administer the operation and management of Topsail Reef Condominium (hereinafter called "the Condominium"), a condominium to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Stump Sound Township, Onslow County, North Carolina, and more particularly described in Schedule "A" attached hereto and incorporated herein by reference; to undertake the performance of the acts and duties incident to the administration of the operation and conditions and authorizations contained in these Articles of Incorporation and which may be contained in the formal Declaration of Condominiums, which will be recorded in the Public Records of Onslow County, North Carolina, at the time said property, and the improvements now or hereafter situate thereon, are submitted to a plan of Condominium Ownership; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration of said Condominium.

ARTICLE V

The Corporation shall have the following powers:

- A. The Corporation shall have all of the powers and privileges granted to Non-Profit Corporations under the law pursuant to which this Corporation is chartered, and all of the powers and privileges which may be granted unto said Corporation under any other applicable laws of the State of North Carolina, including the Unit Ownership Act.
- B. The Corporation shall have all of the powers reasonably necessary to implement and effectuate the purposes of the Corporation, including but not limited to the following:
 - 1. To make and establish reasonable rules and regulations governing the use of Condominium Units and Common Property in the Condominium as said terms may be defined in said Declaration of Condominium to be recorded.

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2. To levy and collect assessments against members of the Corporation to defray the common expenses of the Condominium as may be provided in said Declaration of Condominiums and in the By-Laws of this Corporation which may be hereafter adopted, including the right to levy and collect assessments for the purposes of acquiring, operating, leasing, managing and otherwise trading and dealing with such property, whether real or personal, including Condominium Units in the Condominium, which may be necessary or convenient in the operation and management of the Condominium and in accomplishing the purpose set forth in said Declaration of Condominiums.
 3. To maintain, repair, replace, operate and manage the Condominium and the property comprising same, including the right to reconstruct improvements after casualty and to make further improvement of the Condominium property, and to make and enter into any and all contracts necessary or desirable to accomplish said purposes.
 4. To contract for the management of the Condominium and to delegate to such contractor all of the powers and duties of the Association except those which may be required by the Declaration of Condominiums to have approval of the Board of Directors or membership of the Corporation.
 5. To acquire and enter into, now or at any time hereafter leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis courts, and other recreation facilities whether or not contiguous to the lands of the Condominium to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units.
 6. To enforce the provisions of the Declaration of Condominiums, these Articles of Incorporation, the By-Laws of the Corporation which may be hereafter adopted, and the rules and regulations governing the use of the Condominium as the same may be hereafter established.
 7. To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration of Condominiums aforementioned.

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ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

- A. The Owners of all Condominium Units in the Condominium shall be members of the Corporation, and not other person or entities shall be entitled to membership, except as provided in Subparagraph E of this Article VI.
- B. Membership shall be established by the acquisition of fee title to a Condominium Unit in the Condominium, or by acquisition of a fee ownership interest therein, whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Condominium Unit, except that nothing herein contained shall be construed as terminating the membership of any party who may own two or more Condominium Units, or who may own a fee ownership interest in two or more Condominium Units, so long as such party shall retain title to or a fee ownership interest in any Condominium Unit.

- C. The interest of a member in the funds and assets of the Corporation cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Condominium Unit. The funds and assets of the Corporation shall belong solely to the Corporation subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, in the Declaration of Condominiums and in the By-Laws which may be hereafter adopted.
- D. On all matters which the membership shall be entitled to vote, each Condominium Unit shall have a vote equal to its appurtenant undivided interest in the Common Area as set forth in the Declaration of Condominiums. The vote of each Unit may be cast or exercised by the Owner or Owners of each Condominium Unit in such manner as may be provided in the By-Laws hereafter adopted by the Corporation. Should any member own more than one Condominium Unit, such member shall be entitled to exercise or cast the votes associated with each Condominium Unit owned in the manner provided by said By-Laws.
- E. Until such time as the property described in Schedule "A" hereof, and the improvements constructed thereon, are submitted to a Plan of Condominium Ownership by the recordation of the Declaration of Condominiums, the membership of the Corporation shall be comprised of the three (3) individuals named in Article XI hereof as the initial Board of Directors of the Corporation, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

ARTICLE VII

The Corporation shall have perpetual existence.

ARTICLE VIII

The affairs of the Corporation shall be managed by the President of the Corporation, assisted by the Vice President, Secretary and Treasurer and, if any, the Assistant Secretaries and Assistant Treasurers, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the corporation and management of the Condominium, and the affairs of the Corporation, and any such person or entity may be so employed without regard to whether such person or entity is a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

ARTICLE IX

The number of members of the first Board of Directors of the Corporation shall be three (3). The number of members of succeeding Boards of Directors shall be as provided from time to time by the By-Laws of the Corporation. The members of the Board of Directors shall be elected by the members of the Corporation at the Annual Meeting of the membership as provided by the By-Laws of the Corporation, and at least a majority of the Board of Directors shall be members of the Corporation or shall be authorized representatives, officers or employees of a corporate member of the Corporation. Notwithstanding, the foregoing, so long as North Topsail Shores Condominiums, Inc., a North Carolina corporation, owns four (4) or more Condominium Units in the Condominium, but in any event, not longer than January 1, 1983, said North Topsail Shore Condominiums, Inc., shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the

Corporation. North Topsail Shores Condominiums, Inc. may designate and select the person or persons to serve as a member or members of each said Board of Directors in the manner provided in the By-Laws of the Corporation, and such person or persons so designated and selected need not be a resident of the Condominium.

ARTICLE X

The Board of Directors shall elect a President, Vice President, Secretary and Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible provided, however, that the office of President and Vice-President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE XI

The name and post office addresses of the initial Board of Directors who, subject to the provisions of these Articles of Incorporation, the By-Laws and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the Membership (or until their successors are elected and qualified) are as follows:

John Starling
1131 Gum Branch Road
Jacksonville, North Carolina

Ronald E. Wolfington, Atty.
135 E. Rosemary St.
Chapel Hill, N. C.

Bobby J. Dixon
Route 9, Box 575
Greenville, North Carolina 27834

Terry J. Dixon
106 Barn Street
Greenville, North Carolina 27834

ARTICLE XII

The original By-Laws of the Corporation shall be adopted by a majority vote of the members of the Corporation present at a meeting of members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or rescinded only in such manner as said By-Laws may provide.

ARTICLE XIII

Every Director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonable incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE XIV

An amendment or amendments to these Articles of Incorporation shall require the assent of seventy-five percent (75%) of the membership.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of North Topsail Shores Condominiums, Inc., to designate and select members of each Board of Directors of the Corporation, as provided in Article IX hereof, may be adopted or become effective without the prior written consent of North Topsail Shores Condominiums, Inc.

ARTICLE XV

The name and address of the incorporator is as follows:
Charles S. Lanier, 114 Old Bridge Street, Jacksonville, North Carolina 28540.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand and seal, this 25 day of June, 1980.

Charles S. Lanier (SEAL)

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

This is to certify that on this 25th day of June, 1980, before me, Barbara W. Roberts, a Notary Public of said County and State, personally appeared, _____, who I am satisfied is the person named in and who executed the foregoing Articles of Incorporation of Topsail Reef Homeowners Association, Inc., and I having first made known to him the contents thereof, he did acknowledge that he signed, sealed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal, this 25th day of June, 1980.

Barbara W. Roberts
Notary Public

My commission expires: 5/19/85

*DON'T
USE THIS SET
SUPERSEDED*

*SEE AMENDMENT (S)
ALSO*

*2/14/91
AMENDED
SEE BK 003 P 257*

BY-LAWS
OF

TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the association is TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the Association shall be located at 114 Old Bridge Street, Jacksonville, 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.

ARTICLE II

DEFINITIONS

1. "Association" shall mean and refer to TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., its 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, including the Developer so long as any unit or units are still in its name, but excluding those having such interest merely as security for the performance of an obligation.

4. "Developer" shall mean and refer to those persons named in the initial Declaration of TOPSAIL REEF condominium projects as the declarants thereof and their heirs, successors and assigns for the purpose of further development of that property shown as the property of TOPSAIL REEF, in Map Book 20, at page 69, Onslow County Registry.

5. "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.

6. "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.

7. "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 Area.

8. "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.

9. "Development" means 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. Every owner of a unit which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from such ownership, with the ownership of each unit, whether owned jointly or singly, entitling the owner or owners thereof to one vote only in the Association per unit owned.

2. Each Member shall be entitled to the use and enjoyment of the Common Areas and facilities as provided in the Declaration; and any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property. Such Member shall notify the Secretary of the Association in writing of the name of such delegates. The rights and privileges of such delegates are subject to suspension to the same extent as those of the Member.

ARTICLE IV

MEETING OF MEMBERS

1. Annual Meetings. The first annual meeting of the Members of the Association shall be held within sixty (60) days

from the day on which the management of the Common Areas of TOPSAIL REEF CONDOMINIUMS is turned over from the Developer to the Association as provided in the Declaration. Each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter at such hour as is set by the Members. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

2. Special Meetings. Special meetings of the Members may be called at any time by the President of the Association or by the Board of Directors or upon written request of the Members entitled to vote one-fourth (1/4) of all the votes of the Association.

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STATUTE CHANGE
 PROS ✓
 MAJORITY BOARD ✓
10% of Owners

3. Notice of Meetings. Written notice of each meeting of the Members 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, postage prepaid, at least fifteen (15) days before each meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member 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 Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, fifty per cent (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. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

5. Proxies. At all meetings of the Members, each vote

may be cast in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance of his lot by the Member giving his proxy.

ARTICLE V

BOARD OF DIRECTORS

1. Number. The affairs of the Association shall be managed by a Board of Five (5) Directors, who need not be Members of the Association.

2. Term of Office. At the first annual meeting the Members shall elect one (1) Director for a term of one year, two (2) Directors for a term of two years and two (2) Directors for a term of three years; and at each annual meeting thereafter the Members shall elect Directors for a term of three years to replace those whose terms have expired.

3. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his successor shall be elected by the remaining Members of the Board, and shall serve for the unexpired term of his predecessor.

4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director shall be reimbursed for his actual expenses incurred in the performance of his duties; provided, however, the Board may employ a Director to manage the business affairs of the Association, and pay the Director for his services as Manager.

5. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

1. Nomination. Nomination for election to the Board

of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, 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 Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. 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. Such nominations may be made from among Members or non-Members.

2. Election. Election to the Board of Directors shall be by secret written 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

MEETING OF DIRECTORS

1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday; provided, however, that if the Board shall agree to meet on such legal holiday any action taken by it shall be valid and binding.

2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) 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 the act of the Board.

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ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

1. Powers. The Board of Directors shall have the power 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 thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice of hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(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, the Articles of Incorporation, or the Declaration;

(d) declare the office of a Member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and

(f) employ attorneys, accountants or other professional personnel to represent and assist the Association when deemed necessary.

2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members entitled to vote;

(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 lot and unit in accordance with the terms of the Declaration and to send written notice of any change in assessment or manner of payment of same to every Owner subject thereto at least thirty (30) days in advance of such assessment payment period;

(d) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same;

(e) issue, or to 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 adequate liability insurance covering Members' liability for the Common Areas and facilities and to procure and maintain adequate hazard insurance on all the real property with the TOPSAIL REEF condominium development, including individual units as well as that property owned jointly by the members;

(g) act as insurance trustees in the collection and disbursement of hazard insurance proceeds, as provided for in the Declaration;

(h) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(i) maintain or cause to be maintained the Common Areas and facilities and the exterior of the units, in accordance with the terms of the Declaration.

ARTICLE IX

OFFICERS AND THEIR DUTIES

1. Enumeration of Officers. The officers of this Association shall be a President and Vice President, who shall at

all times be Members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

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

4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

5. 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.

6. 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.

7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

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.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

*Modified
See new
Bylaws*

ARTICLE X

COMMITTEES

The Board of Directors shall appoint a Nominating Committee and such other 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 at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available

for inspection 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, each Member is obligated to pay to the Association such sums as are assessed against the Members under the terms of said Declaration, which assessments are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be deemed delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of six per cent (6%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, with costs of such action, including reasonable attorney's fees, to be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot or unit.

ARTICLE XIII

AMENDMENTS

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

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

ARTICLE XV

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date on which the Declaration and these By-Laws are filed for record in the Office of the Register of Deeds of Onslow County.

IN WITNESS WHEREOF, NORTH TOPSAIL SHORES CONDOMINIUMS, INC being, as of the date hereof, the owner of all the property constituting a condominium project known as TOPSAIL REEF CONDOMINIUMS, does hereby adopt the foregoing as the initial

By-Laws of TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC. and has affixed its hand and seal this 23rd day of June, 1980.

NORTH TOPSAIL SHORES
CONDOMINIUMS, INC.

ATTEST:

John N. Starkey
Secretary

By Bobby J Dixon

STATE OF NORTH CAROLINA :
COUNTY OF _____ :

I, Charles S. Lawler, _____

_____, do hereby certify that personally came before me, Bobby Dixon, who, being by me duly sworn, says that he is the _____ President of NORTH TOPSAIL SHORES CONDOMINIUMS, INC. and that the seal affixed to the foregoing instrument in writing is the corporate seal of the said NORTH TOPSAIL SHORES CONDOMINIUMS, INC., and that said writing was signed and sealed by him or her, in behalf of said corporation, by its authority duly given; and the said John Starkey _____ acknowledge the said writing to be the act and deed of said corporation.

WITNESS my hand and _____ seal, this the 9 day of July, 1980.

Charles S. Lawler

My commission expires:

4/14/85

32.00

FRANK W. ERWIN, ATTY.
825 GUM BRCH. RD., SUITE 115
P. O. BOX 7208
JACKSONVILLE, NC 28540
919-346-9571

*See page 251
Page 252
By Deed
10-5-70
[Signature]*

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,

fc 1003

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;

No provide
REG 2 NO -
CHAP. 55A

No SPEAK
At Meeting

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.

≤ 30 Days
Requires a
Hearing

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.

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indef suspension
is only upon HEARING

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MEANS, WE CAN
SUSPEND INDEF
FOR NON PAYMENT
AND IMMEDIATE
RIGHTS RESTORED
UPON PAYMENT.

Must be 6/1/82
Weight appropriate!

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.

FINE?
I see none!

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

*PROVISIONS NOT
AN ISSUE -> 2
302 7 4*

*Does Not Refer
to Non-Resident*

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 ⁿentitled to voteⁿ 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;

*See
Art VII*

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;

*5/25/91
so we can file
lawsuit w/o
waiting 6 mos*

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;

*But
see Dec
1054405
4/1/92*

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

*4/27/91
NOTE: it is
probable to
be O.O.D. + VP
Have Mrs. (Mrs.)
App. 5/27/91*

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

assessments are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be deemed delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of not less than twelve percent (12%) per annum, at the discretion of the Board of Directors, and the association may bring an action at law against the Unit owner personally obligated to pay the same, or foreclose the lien against the property, with costs of such action, including reasonable attorney's fees, to be added to the amount of such assessment. No Unit owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his or her lot or unit.

Handwritten note: SAC says 12% →

Handwritten notes:
✓
But Decl. says 6%!
See Decl. TOPSAIL C d

ARTICLE XIII

FISCAL MANAGEMENT

1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the thirty-first day of December of every year.

2. Accounts. The Board shall collect and hold all funds as collected in the following accounts and shall disburse the same for the purposes and in the manner set forth in these By-Laws, the Declaration of Condominium, Certificate of Incorporation, and applicable law:

a. Operating Account. The receipts and expenditures charged to this account shall be used for the operations of TOPSAIL REEF CONDOMINIUMS, including, but not limited to, repairs, replacements and additions to the Common Areas and facilities, cost of labor, equipment and materials, management and supervision, costs of water and sewer service, electricity, garbage collection, procurement of insurance, and employing professional help when deemed necessary.

b. Reserve for Replacement Account. The receipts and expenditures charged to this account shall be used for the repair or replacement of the Common Areas and those portions of the improvements located on the property which the Association is obligated to maintain or repair which is required because of damage, depreciation, or obsolescence.

c. Segregation of Funds. The Board shall not be required to physically segregate the funds held in the above accounts, but may, in its sole discretion, maintain the funds in one or more consolidated accounts. As to each consolidated account, the division into the accounts set forth above need be made only on the Association's books and records.

d. Transfer of Funds. Funds may not be transferred from the Reserve for Replacement Account to the Operating Account without the approval of a majority of the Board of Directors. However, in the event such transfer is approved

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4/25/13
- THIS AMOUNT DOES NOT INCLUDE AN OUTSIDE AUDIT...

Handwritten notes:
Need to eliminate requirements for CPA - next time

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.

(?)
WHAT DOES THIS MEAN?

- Must interpret as: A Major vote must be given to the party...

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~~, ~~1989~~.

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 :

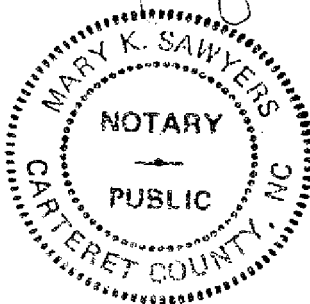
I, Mary K. Sawyers (Dennis), do hereby certify that personally came before me, George E. Vaughan, III, who, being by me duly sworn, says that he is the President of TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC., and that the seal affixed to the foregoing instrument in writing is the corporation seal of the 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 1991 A.D., at 12:25 o'clock P. M.
Mildred M. Thomas By _____
Register of Deeds, Onslow County Register of Deeds

Prepared by/ Return to: Erwin, Simpson & Stroud, Attorneys, PLLC
Frank W. Erwin, attorney
P. O. Box 7206
Jacksonville, NC 28540

Accepted
April 2004

Index in the Grantor Index: *Amendment to By Laws*
TOPSAIL REEF CONDOMINIUM
TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC.

NORTH CAROLINA

Second Amendment to
AMENDED BY-LAWS of
TOPSAIL REEF HOMEOWNERS
ASSOCIATION, INC

ONSLow COUNTY

SECTION 1. NAME. This Amendment shall be known as the Second Amendment to the
Topsail Reef Homeowners Association Amended ByLaws.

SECTION 2. PURPOSE AND COMMENT:The Owners' Association was incorporated on June 30, 1980 to administer the operation of the Topsail Reef Condominium as filed with the Secretary of State of the State of North Carolina and recorded in Book 581, Page 871, of the Onslow County Registry, and has been in actual operation since that time. The original By Laws were adopted June 23, 1980 and recorded in Book 579, Page 317, Onslow County Registry. Thereafter, on January 11, 1991, the By Laws were totally revised and a new complete set of By Laws was adopted as recorded in Book 993, Page 252, Onslow County Registry. All references hereafter to "By Laws" are meant to refer to the "Amended By Laws" dated January 11, 1991.

SECTION 3. ADDITION OF NEW ARTICLE XV: The following language shall be added as a new Article XV of the By Laws, without deleting or modifying any of the other language.

ARTICLE XV

COMPLIANCE, ENFORCEMENT, FINES AND PENALTIES

1. Default and Remedies.

(a) A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Declaration, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Unit Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action

ERWIN, SIMPSON & STROUD Attorneys, P.L.L.C. - Telephone: (910) 455-1800
825 Gum Branch Road, Suite 115, Jacksonville, NC 28540

to recover fines and penalties as set in these Bylaws, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Unit Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Declaration, these Bylaws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Unit, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may collect all such sums against the Unit owned by such defaulting member.

(b) The Association also shall be entitled to suspend the right of a defaulting Unit Owner to vote as a member of the Association until the default is cured and may suspend the voting rights of and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice of hearing as hereinafter set forth, for a period not to exceed sixty (60) days for infraction of published rules and regulations; but provided, however, that the right of an owner to ingress to and egress from his unit shall not be impaired;

2. Remedy of Abatement in Additional to Other Remedies. In the event a member fails to effect the cure specified by the Board where the default is a structure, thing, or condition existing in or on the premises of the member's Unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Unit in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and collect the costs as if an assessment), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

3. Injunction. Any person, class of persons or the Association is entitled to seek relief for any such default or failure and may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established herein, if such default or failure creates an emergency or a situation dangerous to persons or property.

4. Fine. Any owner who shall violate the Declaration, By-laws, the articles or the Rules and Regulations may be fined the sum of \$100.00 for each day of such violation. Such fine shall be enforced and collected as an assessment. Prior to the implementation of any fine, or the suspension of voting rights for the infraction of published rules and regulations, a hearing pursuant to the following procedure shall be undertaken.

(a) The Board shall mail to the defaulting member, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effectuated. Within the time limit specified in the notice, the defaulting member may cure the default specified, or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter mail to the defaulting member a notice specifying the time and place for such

hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable.

(b) Upon taking such evidence and hearing such testimony, the Board, at the hearing or at a later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any remedy. The Board shall mail to the defaulting member a copy of its determination. If the defaulting member (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) requests a hearing but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall mail to the defaulting member a written notice of such member's failure to effect a cure, and the Board may then implement such fine or suspend such voting rights or to take such other action as it deems necessary to obtain relief.

5. Recover of Attorneys' Fees and Costs. In any proceeding arising because of an alleged default by a member, the person, class of persons or Association bringing an action against an alleged defaulting member shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees and costs as may be allowed by the Court, with interest thereon at the highest rate allowed by law.

6. Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any terms, provision, right, covenants or condition that may be granted by the Declaration, these Bylaws, the Articles, the rules and regulations, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenants, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

7. Costs and fines enforced as Assessment Liens. Any fine, costs or expenses hereunder shall be enforced as if an assessment lien.

SECTION 4: CONFLICTING PROVISIONS AMENDED: All provisions of the By-laws inconsistent herewith shall be deemed amended.

ADOPTED THIS THE _____ DAY OF APRIL, 2004, at a meeting of the TOPSAIL REEF HOMEOWNERS ASSOCIATION, INC. called according to the By-Laws of said Association, and upon such notice, quorum and vote as required thereby.

**TOPSAIL REEF HOMEOWNERS
ASSOCIATION, INC.**

BY: _____
MARK HERBERT, PRESIDENT

(CORPORATE SEAL)
ATTEST:

Secretary

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*Adopted
8/17/93
ND Adams*

**AUDIT POLICY (1993) of
TOPSAIL HOMEOWNERS ASSOCIATION, INC.**

SECTION 1. NAME. This Policy shall be known as **THE 1993 POLICY ESTABLISH AN AUDIT COMMITTEE.**

SECTION 2. PURPOSE AND COMMENT: The Owners' Association was incorporated in 1980 to administer the operation of TOPSAIL REEF CONDOMINIUM as recorded in Book 578, Page 871, of the Onslow County Registry, pursuant to Chapter 47A of the North Carolina General Statutes. Although the By-Laws do not provide that the Treasurer or Board of Directors shall cause an audit to be made by a Certified Public Accountant, several members and Board Members have suggested the need for an audit or alternative procedure to review the records of the Association . The Board of Directors and several owners have questioned the need for the expenditure of the sums necessary for an audit to be conducted by a Certified Public Accountant in light of other maintenance needs and to avoid an increase in assessments. Mindful, however, of the need for full, accurate and accessible records, the Board proposes to institute an Audit Committee to review, on an annual basis, the financial records of the association and report its findings to the Owners in an informal fashion. The right of an individual owner to require an audit, at the individual's expenses, a mortgage company, at the mortgage company's expenses, or a majority of owners, at the expense of the Association, should, however, be retained.

SECTION 3. AUDIT COMMITTEE ESTABLISHED:

A. Members and Appointment. In addition to any other committee, standing or AD HOC, the President shall annually appoint three (3) owners to be members of the Audit Committee. The three (3) owners shall not be members of the Board of Directors or officers of the Association. No owner shall serve more than once in any three-year period.

B. Duties. It shall be the duty of the Audit Committee to review all financial records and financial transactions of the Association for the previous fiscal year. It shall have complete and full access to all such records and such aid as the Treasurer may be able to provide, but the Treasurer shall be prohibited from compiling the Audit Committee's report or from otherwise directing its inquiry.

C. Review. The Audit Committee shall conduct its review and present its report to the Board of Directors during January each year or, in the event the fiscal year ends on a date other than December 31st, it shall conduct its review and present its report to the Board of Directors during the thirty (30) days immediately after the end of said year. It shall also present its report

to the Association at the Annual Meeting immediately following its presentation to the Board of Directors.

SECTION 4. AUDIT REQUIREMENT. The Board of Directors shall require an audit of the Association books at anytime as follows:

A. Upon request of any Owner, the Board will have conducted an audit by a Certified Public Accountant. Provided, however, the cost of such audit shall be paid, in advance, by the requesting party.

B. At a meeting called for the purpose of its consideration or at any Annual Meeting upon a vote by a majority of owners, the Board will have conducted an audit by a Certified Public Accountant. The cost will be borne by the Association.

C. Upon the vote of the Board of Directors, the Board will have conducted an audit by a Certified Public Accountant. The cost will be borne by the Association.

D. Upon the request of any person or financial institution who or which holds a mortgage on the property, the Board will have conducted an audit by a Certified Public Accountant. Provided, however, the cost of such audit shall be paid, in advance, by the requesting party.

ADOPTED THIS THE 2 DAY OF AUGUST, 1993, at a meeting of the Board of Directors of TOPSAIL HOMEOWNERS ASSOCIATION, INC.

TOPSAIL HOMEOWNERS ASSOCIATION, INC.

BY: [Signature]
PRESIDENT

(CORPORATE SEAL)

ATTEST:

[Signature]
Secretary

CORPAUDITAMD.POL(062493)

TEMPAUDIT.TPS(062493)

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IN THE GENERAL COURT OF JUSTICE

NORTH CAROLINA
ON SLOW COUNTY

SUPERIOR COURT DIVISION
FILE NUMBER 91-CvS-2194

THOMAS M. SROCK, and
JANET M. SROCK,

Plaintiffs,

vs.

TOPSAIL REEF HOMEOWNER'S
ASSOCIATION, INC.; WILLIAM
E. WILLIAMS, GEORGE VAUGHN,
JOSEPH VANHOY, ALBERT ZAMAL,
SAM NIVER, THOMAS WESTERVELT,
ROBERT NAYLOR and ROBERT HAM,

Defendants.

FILED
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ON SLOW COUNTY, C.S.C.

CONSENT JUDGMENT

THIS CAUSE coming on to be heard and being heard before the undersigned Resident Superior Court Judge by and with the consent of the parties, and it appearing to the court that the parties have resolved one or more issues currently in controversy according to the terms and provisions set out in this judgment; and, the court therefore finds the following facts, makes the following conclusions of law, and enters judgment by and with the consent of the parties;

FINDINGS OF FACT

1. That this action was duly instituted on the 19th day of August, 1991, by the issuance of Summons and filing of a Complaint; that Summons was duly served on the defendants together with a copy of the Complaint; that the defendants filed an Answer to the Complaint within the time permitted by law.

2. That all parties who are necessary to the determination of this action are properly before the Court, and that the defendants are under no legal disability

A TRUE COPY
CLERK OF SUPERIOR COURT
ON SLOW COUNTY

[Handwritten Signature]

3. That prior to April 25, 1992, the defendant Association provided information to unit owners at the Topsail Reef development regarding a proposed amendment to the defendant Association's "Declaration of Unit Ownership" which included information regarding what number or percentage of owners would have to approve the amendment in order that the amendment be adopted.

4. That at the April 25, 1992 Annual Meeting of unit owners, the proposed amendment to the defendant Association's "Declaration of Unit Ownership" was presented and a vote taken; that the defendant Association (assumed) that the amendment had passed, but this assumption was inconsistent with information provided to the owners.

5. That the plaintiffs have questioned the validity of such amendment in this proceeding.

6. That it would be inequitable and improper to recognize the validity of the amendment due to the aforementioned representations of the defendant Association and the number of votes cast in favor of the amendment, and thus the amendment should fail.

7. All future amendments should be made, governed and drafted pursuant to North Carolina General Statutes 47A-13, et seq., and 47C-2-117, et seq.

CONCLUSIONS OF LAW

Based upon the foregoing findings of fact, the Court concludes as a matter of law as follows:

1. This Court has jurisdiction of the parties and the subject matter of this proceeding.

2. The proposed amendment to the defendant Association's "Declaration of Unit Ownership" which was presented and voted upon on April 25, 1992 should fail and be of no force or effect.

3. Future amendments to the defendant Association's "Declaration of Unit Ownership" should be made, governed and drafted pursuant to N.C.G.S. 47A-13, et seq.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED as follows:

1. That the aforementioned "Amendment to Declaration of Unit Ownership" filed on the public records of Onslow County with an effective day of June 1, 1992 is hereby declared to be void and of no effect.

2. That any and all future amendments made to the "Declaration of Unit

and Book 1051, Page 465, of the Onslow County Registry, shall be made, governed and drafted pursuant to the requirements of North Carolina General Statutes 47A-13, et seq., and 47C-2-117, et seq.

3. That in accordance with N.C.G.S. 47C-2-107, effective July 1, 1992 the common expenses of the defendant Association shall be as follows:

Monthly Assessments:

All 1 bedroom units:	\$145.00
All 2 bedroom units:	\$161.00
All 2 bedroom units (2 baths)	\$168.00

All subsequent assessments or changes thereto hereafter adopted by the defendant Association Board shall be made in the same ratio as set out above and must be for a purpose allowed by Chapter 47C of the North Carolina General Statutes.

4. That a copy of this judgment be certified by the Clerk of the Superior Court of Onslow County to the office of the Register of Deeds, who shall record the same among the land records of said county.

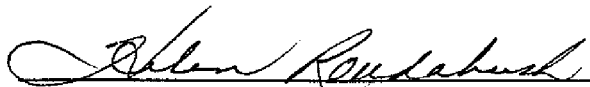
5. That the preliminary injunction previously issued in this cause be terminated, and all funds escrowed for the applicable bond be released.


6. That except as provided above, all other relief prayed for by any party in this proceeding is hereby dismissed with prejudice.

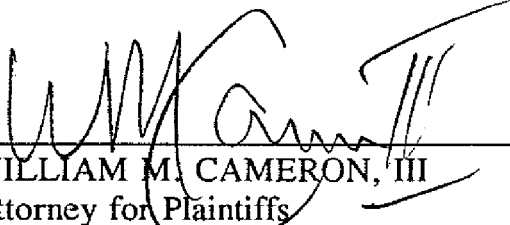
This is the 18th day of February, 1994.


RESIDENT SUPERIOR COURT JUDGE

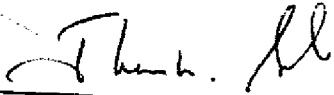
WE CONSENT TO THE ENTRY OF THE FOREGOING JUDGMENT, CONSISTING OF THREE PAGES, IN FILE NUMBER 91-CvS-2194, AND TO THE DISMISSAL OF ALL OTHER PENDING CLAIMS IN THIS PROCEEDING.


HELEN ROUDABUSH, President
Topsail Reef Homeowner's Association, Inc.


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WE CONSENT TO THE ENTRY OF THE FOREGOING JUDGMENT, CONSISTING OF THREE PAGES, IN FILE NUMBER 91-CvS-2194, AND TO THE DISMISSAL OF ALL OTHER PENDING CLAIMS IN THIS PROCEEDING.



THOMAS M. SROCK



JANET M. SROCK