

BYLAWS OF
TOPSAIL GREENS COMMUNITY ASSOCIATION, INC.
A NON-PROFIT CORPORATION

ARTICLE 1

Offices

Section 1. Principal Office: The principal office of the corporation shall be located in Topsail Greens, Hampstead, Pender County, North Carolina.

Section 2. Registered Offices: The required office of the corporation required bylaw to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 3. Other Offices: The corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors from time to time may determine or as the affairs of the corporation may require.

ARTICLE 11

Meeting of Members

Section 1. Place of Meetings: All Meetings of members shall be held at the principal office of the corporation or at such other place, either within or without the State of North Carolina, as shall be designated in the notice of the meeting or agreed upon by a majority of the members entitled to vote thereat.

Section 2. Annual Meetings: The annual meeting of members shall be held on the first Friday in April of each year at 7:00 p.m., if not a legal holiday, but if a legal holiday then on the next day following not a legal holiday, for the transaction of such business as properly may be brought before the meeting.

Section 3. Substitute Annual Meeting: If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Members and Voting: Membership rights shall be as provided herein and in the Articles of Incorporation and Declaration of Covenants, Conditions and Restrictions for Topsail Greens, herein referred to as "Declaration". Each member shall have a number of votes equal to the number of residential lots owned by said member. Where two or more members own a lot jointly, they shall be entitled to one vote for each jointly owned lot.

Section 5. Special Meetings: Special meetings of the members may be called at any time by the President or Board of Directors of the Corporation, or by any members pursuant to the written request of not less than five percent (5%) of all of the members entitled to vote at the meeting.

Section 6. Notice of Meetings: Except as otherwise specifically provided in the Declaration of Covenants, Conditions, Restrictions and Easements of Topsail Greens as recorded in the office of the Register of Deeds, Pender County, and said Declaration as from time to time amended, written or printed notice stating the time, place, day and hour of the meeting shall be delivered not less than ten (10) nor more than fifty (50) days before the date thereof, either personally or by United States Postal Service, by or at the direction of the President, Secretary or other person calling the meeting to each member of record of the corporation.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter upon which the vote of members is expressly required by the provisions of the North Carolina Non-Profit Corporation Act. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 7. Voting Lists: A voting list shall not be required to be prepared if the record of members actually presented at the meeting shows in alphabetical order or by alphabetical index the name of each member with his address.

Section 8. Quorum: Except as otherwise specifically provided in the Declaration of Covenants, Conditions, Restrictions and Easements of Topsail Greens development as recorded in the office of the Register of Deeds of Pender County and said Declaration as from time to time amended, fifty percent (50%) of the members entitled to vote, represented in person or by proxy, shall constitute a quorum at the opening of a meeting of members. In the absence of a quorum at the opening of any meeting of members, such meeting may be adjourned from time to time by the vote of a majority of the members voting on the motion to adjourn; and, at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum in attendance.

Section 9. Proxies: A member may vote either in person or by one or more agents authorized by a written proxy executed by the member or by his duly authorized attorney-in-fact. A proxy shall not be valid after the expiration of eleven (11) months from the date of its execution unless the person executing it specifies therein the length of time for which it is to continue in force, or limits its use to a particular meeting.

Except in the election of directors as is herein-after provided, the vote of a majority of the votes entitled to be cast by the members present or represented by proxy on any matter at a meeting of members at which a quorum is present shall be the act of the members on that matter, unless the vote of a greater number is required by law or the bylaws of the corporation. Voting on all matters except the election of directors shall be by voice vote or show of hands unless, prior to the voting on any matter, a demand for a ballot vote on such matter is made by any member present.

Section 10. Informal Action: Any action which may be taken at a meeting of the members 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, and filed with the secretary of the corporation to be kept in the corporate minute book.

Section 11. Dissolution and Liquidation: The Corporation may dissolve and wind up its affairs as follows:

The board of directors shall adopt a resolution recommending that the corporation be dissolved, and directing that the question of such dissolution be submitted to a vote at a meeting of members having voting rights, which may be either an annual or a special meeting. Written or printed notice stating that the purpose, or one of the purposes, of such meeting is to consider the advisability of dissolving the corporation, shall be given to each member entitled to vote at such meeting, within the time and in the manner provided herein for the giving of notice of meetings of members. A resolution to dissolve the corporation shall be adopted upon receiving at least two thirds of the votes entitled to be cast by members present or represented by proxy.

ARTICLE 111

Directors

Section 1. General Powers: The business and affairs of the corporation shall be managed by the Board of Directors or by such executive committees as the Board may establish pursuant to these bylaws.

Section 2. Number, Term and Qualifications: The number of directors of the corporation shall be at least three (3) and not more than twenty (20), as determined by the members. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Directors need not be residents of the State of North Carolina nor members of the corporation.

Section 3. Appointment and Election of Directors: Except as provided in Section 5 of this Article the directors shall be elected at the annual meeting of the members; and those persons who receive the highest number of votes shall be deemed to have been elected. If any member so demands, election of directors shall be by secret ballot.

Section 4. Cumulative Voting: Every member entitled to vote, shall cast one vote per each candidate required at a particular election. i.e., Replacement of three board members. One vote for each of three people from the slate of candidates.

Section 5. Vacancies. Except in the case of a vacancy occurring in the Board of Directors as a result of removal by the vote of the members as provided in the Charter, a vacancy occurring in the Board of Directors 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 removal by the vote of the members as provided in the Charter or by an increase in the authorized number of directors shall be filled only by election at an annual meeting or at a special meeting of members called for that

purpose. The members may elect a director at any time to fill any vacancy not filled by the directors.

Section 6. Chairman: There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

Section 7. Compensation: The Board of Directors shall not compensate directors for their services as such but may provide for the payment of all expenses incurred by directors in attending regular and special meetings of the Board.

Section 8. Executive Committee: The Board of Directors by unanimous resolution may designate two (2) or more directors to constitute an Executive Committee to carry on the function of the Board of Directors by exercising all of the authority given said Board except as otherwise provided by law. The designation of an Executive Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings: A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of members. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

Section 2. Special Meetings: Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors. Such meetings may be held either within or without the State of North Carolina.

Section 3. Notice of Meetings: Regular meetings of the Board of Directors may be held without notice.

The person or persons calling a special meeting of the Board of Directors shall, at least two (2) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Section 4. Waiver of Notice: Any director may waive notice of any meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting,

except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum: A majority of the members appointed to the Board of Directors, as provided herein, shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6. Manner of Acting: Except as otherwise provided in these Bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Presumption of Assent: A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 8. Informal Action by Directors: Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

ARTICLE V

Officers

Section 1. Number: The officers of the corporation shall consist of a President, a Vice-President, a Secretary, a Treasurer, and such assistant secretaries, treasurers and other officers as the Board of Directors may from time to time elect. Any two (2) or more offices may be held by the same person, except that no officer may act in more than one (1) capacity where action of two (2) or more officers is required.

Section 2. Election and Term: The officers of the corporation shall be elected by the Board of Directors. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 3. Removal: Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever the Board determines that the best interests of the corporation would be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation: The compensation of all officers of the corporation shall be fixed by the Board of Directors, and shall be reasonable in amount.

Section 5. President: The President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall supervise and control the management of the corporation in accordance with these bylaws.

He shall, when present, preside at all meetings of members. He shall sign, with any other proper officer, any deeds, leases, mortgages, bonds, contracts, or other instruments which may be lawfully executed on behalf of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-President: The Vice-President, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, he shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

Section 7. Secretary: The Secretary shall keep accurate records of the acts and proceedings of all meetings of members and directors. He shall give all notices required by law and by these bylaws. He shall have general charge of the corporate books and records and of the corporate seal, and he shall affix the corporate seal to any lawfully executed instrument requiring it. He shall have general charge of the membership books of the corporation and shall keep, at the registered or principal office of the corporation, a record of members showing the name and address of each member. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned him from time to time by the President or by the Board of Directors.

Section 8. Assistant Secretaries: In the absence of the Secretary or in the event of his death, inability or

refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretaries, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as may be assigned to them, by the Secretary, by the President, or by the Board of Directors. Any Assistant Secretary may sign, with the President or a Vice-President, certificates for shares of the corporation.

Section 9. Treasurer: The Treasurer shall have custody of all funds and securities belonging to the corporation and shall receive, deposit or disburse the same under the direction of the Board of Directors. He shall keep full and accurate accounts of the finances of the corporation in books especially provided for that purpose; and he shall cause a true statement of its assets and liabilities as of the close of each fiscal year and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be made and filed at the registered or principal office of the corporation within four (4) months after the end of such fiscal year. The statement so filed shall be kept available for inspection by any member for a period of ten (10) years; and the Treasurer shall mail or otherwise deliver a copy of the latest such statement to any member upon his written request. The Treasurer shall, in general, perform all duties incident to his office and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 10. Assistant Treasurers: In the absence of the Treasurer or in the event of his death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurers, unless otherwise determined by the Board of Directors shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by the Treasurer, or by the President, or by the Board of Directors.

ARTICLE VI

Contracts, Loans, Checks and Deposits

Section 1. Contracts. Consistent with the purpose of the corporation as contained in the Charter, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract, lease, or execute and deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances. The Board of Directors may enter into employment contracts for any length of time it deems wise.

Section 2. Loans: No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or specific in nature and scope.

Section 3. Checks and Drafts: All checks, drafts or other orders for the payment of money issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits: All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such depositories as the Board of Directors shall direct.

ARTICLE VII

Membership

Section 1. Membership: Membership in the corporation shall be as provided in the Declaration of Covenants, Conditions, Restrictions and Easements of Topsail Greens development as recorded in the office of the Register of Deeds of Pender County and said Declaration as from time to time amended, and in the Articles of Incorporation of the corporation.

Section 2. Membership Certificates: The corporation shall not issue certificates representing membership in the corporation but the Secretary of the corporation shall maintain a membership book for the corporation which shall be open for inspection by all members and which shall list the name and address of each member.

Section 3. Closing Books and Fixing Record Dates: For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or in order to make a determination of members for any proper purpose, the Board of Directors may provide that the membership books shall be closed for a stated period not to exceed sixty (60) days. If the membership books shall be closed for the purpose of determining members entitled to notice of or to vote at any meeting of members, such book shall be closed for at least ten (10) days immediately preceding such meeting.

In lieu of closing the membership books, the Board of Directors may fix in advance a date as the record date for any such determination of members, such record date in any case to be not more than sixty (60) days and, in case of a

meeting of members, not less than ten (10) days immediately preceding the date on which a particular action requiring such determination of members is to be taken.

If the membership books are not closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members, the date on which notice of the meeting is mailed shall be the record date for such determination of members.

ARTICLE VIII

General Provisions

Section 1. Seal: The corporate seal of the corporation shall consist of two (2) concentric circles between which is the name of the corporation and in the center of which is inscribed "SEAL"; and such seal, in the form approved by the Board of Directors, shall be adopted by said Board as the corporate seal of the corporation. The corporation may be called herein, either "Corporation" or "Association".

Section 2. Waiver of Notice: Whenever any notice is required to be given to any member or Director under the provisions of the North Carolina Non-Profit Corporation Act, or under the provisions of the Charter or Bylaws of the corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 3. Amendments: These bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors, or by the affirmative vote of a majority of the votes of the members of the corporation at any special or regular meeting called pursuant to these bylaws.

Section 4. Fiscal Year: The fiscal year of the corporation shall be fixed by the Board of Directors.

Section 5. Indemnification: Any person who at any time serves or has served as a director, officer, employee or agent of the corporation, or in such capacity at the request of the corporation for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the corporation to the fullest extent permitted by law against (a) reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of

the corporation, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

The Board of Directors of the corporation shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this bylaw, including without limitation, to the extent needed making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval by, the members of the corporation.

Any person who at any time after the adoption of this bylaw serves or has served in any of the aforesaid capacities for or on behalf of the corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such rights shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Bylaw.

ARTICLE IX

PROPERTY RIGHTS

Section 1. Conveyance to Corporation: At such time as any amenities are conveyed to the corporation, the corporation shall administer, maintain, own, and operate said properties in accordance with the corporation's Articles of Incorporation, the Bylaws, and any other rules and regulations adopted by the corporation.

Section 2. Owner's Easement of Enjoyment: Every owner of a Lot or real property within Topsail Greens subdivision shall have a right and easement of enjoyment in and to any Common Areas and such easement shall be appurtenant to and shall pass with the title to said owner's property or lot, subject to each of the following provisions:

(a) The right of the corporation to charge reasonable admission and other fees for the use of any portions of the Common Area;

(b) The right of the corporation, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage the Common Area, or any portion thereof, and the rights of such mortgagee in said properties shall be subordinated to the rights of the owners hereunder; provided, however, that if any Common Area is mortgaged the execution of

such mortgage shall require the same approval of the membership which is required for special assessments for capital improvements;

(c) The right of the corporation to suspend the voting right and right to the use of the recreational facilities by a member of any person to whom he has delegated his right of enjoyment for any period during which any assessment against his property remains unpaid; and for a period not to exceed thirty (30) days, for any infraction of its published rules and regulations;

(d) The right of the corporation to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless approved by the members unanimously, and unless written notice of the proposed action is sent to every member not less than thirty days (30) nor more than sixty (60) days in advance. The instrument affecting such dedication, transfer or conveyance shall be sufficient if it is executed by appropriate officers of the corporation and contains a recital of the approval of the members;

(e) The right of the corporation to formulate, publish and enforce rules and regulations concerning the use of Common Areas not subject to regulation by another association.

Section 3. Delegation of Use: Any owner may delegate, in accordance with the corporation Bylaws, his right of enjoyment to the Common Area and facilities to the members of his family, his guests, tenants, lessees or contract purchasers who occupy the property.

Section 4. Parking Rights: Subsequent to conveyance of applicable Common Area, the corporation may regulate the parking of vehicles, boats, trailers and other such items in Topsail Greens pursuant to the Declaration and these By laws. No vehicles boats, trailers or other similar types of equipment shall be parked within the traffic lane of any street. There will be no continuous parking on common ground. No recreational vehicle shall be parked for more than 48 hours at the homeowners property site. The corporation shall from time to time adopt appropriate rules for temporary parking.

ARTICLE X

ASSESSMENTS

Section 1. Rights and obligation of Members. All members of the corporation shall be responsible for and shall pay all charges assessed by the corporation pursuant to the Declarations and Articles and By laws of the corporation. The members agree to pay, among other things, the following:

- (a) Annual assessments or charges
- (b) Special assessments for capital improvements.
- (c) Any other fees and special assessments as may be fixed from time to time in accordance with the Declaration, Articles and Bylaws.

Section 2. Purposes of Assessments: The assessments and fees levied by the corporation shall be used for the purpose of promoting the beautification of the property, the recreation, health, safety, and welfare of the owners, the enforcement of these covenants and the rules of the corporation, and, in particular, for the improvement and maintenance of the Common Areas, sewer and water services, roadways and other amenities, providing the services and facilities devoted to this purpose and related to the use and enjoyment of said amenities, and for any other purposes set out in the Declaration, Articles and Bylaws. Nothing herein shall mean that assessments may not be used for the maintenance and beautification of areas within the subdivision but which are not part of the Common Areas, such as entrance signs, access easements crossing private property, median strips within street rights-of-way or the interior of cul-de-sacs.

Section 3. Basic Annual Assessments: The basic annual assessment shall be determined by the Board of Directors of the corporation, effective January 1 of each year, without a vote of the membership, based upon adoption of annual budget for expenditures for authorized purposes, including reasonable reserves for major repairs, replacements and working capital. Such assessments shall be in an amount to be fixed from year to year by the Board, which may establish different rates from year to year as it may deem necessary. The Board may levy additional assessments if necessary to meet the needs of the entire Topsail Greens or a portion thereof.

Section 4. Special Assessments for Capital Improvements: In addition to the annual assessments authorized above, the corporation may levy in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any new construction, acquisition of land, buildings or equipment, reconstruction of capital improvements or unexpected repair or replacement of capital improvements upon the Common Area, including the necessary fixtures and personal property related thereto; provided that any such assessments shall be adopted by a two-thirds (2/3) affirmative vote of members, voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting, setting forth the time, place and purpose of the meeting.

Section 5. Effect of Non-Payment of Assessments:
Any assessments or fees which are not paid when due shall be delinquent. If the assessments or fees are not paid within thirty (30) days after the due date, the assessment or fee shall bear interest from the date of delinquency at the higher of the prevailing prime lending rate at North Carolina banks or twelve (12%) percent per annum, and the corporation may bring an action at law against the Owner personally obligated to pay the same, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of his property.

Section 6. Subordination of the Lien to Mortgages:
The lien of the assessments provided for herein on any lot shall be subordinate to the lien of any mortgage or mortgages on such Lot, Unit or other Assessable Property. Sale or transfer of any lot shall not affect the assessment lien; however, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 7. Payment of charges by First Mortgagees.
First mortgagees of units may:

- (a) Pay taxes or other charges that are in default and that may or have become charges against any common property;
- (b) Pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage for the common property in case of lapse of a policy.

First mortgagees making such payments shall be reimbursed by the Association.

ARTICLE XI

RECORDS

1. Receipts and Expenditures. The Board of Directors or the manager shall keep detailed accurate records in chronological order of the receipts and expenditures affecting the common areas and facilities and any other expenses incurred. Both said book and the vouchers accrediting the entries thereupon shall be available for examination by all lot owners, their duly authorized agents and attorneys, at convenient hours on working days that shall

be set and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices.

2. Other Records. The Board of Directors or the manager shall keep correct and complete books of records, of account, minutes of the proceedings, and a record of the names and addresses of the members entitled to vote, which latter records must be kept at the Association's principal office. Any member, his agent or attorney may examine these books and records for any proper purpose at any reasonable time.

3. Inspection of Records. The Corporation shall make available to lot owners, lenders, holders, insurers or guarantors of any first mortgage, current copies of the Declarations, By-Laws or other rules concerning the project and the books, records and financial statements of the Association. Available means available for inspection upon request during normal business hours and under reasonable circumstances. Furthermore, upon written notice, any holder of a first mortgage on any lot shall be entitled to a copy of the Association's financial statement for the immediately preceding fiscal year.

4. Request for Notice. Upon written request to the Corporation, any mortgage holder, insurer or guarantor will be entitled to timely written notice of (a) any condemnation or casualty loss that affects either a material portion of the project or the property securing its mortgage, (b) any sixty (60) day delinquency in the payment of assessments or charges owed by the owner of any lot on which it holds the mortgage, (c) a lapse, cancellation or material modification of any insurance policies or fidelity bond maintained by the Association, (d) any proposed action that requires the consent of a specified percentage of mortgage holders, (e) any other default in the performance by any owner of any obligation under the Declaration and Bylaws of Topsail Greens.

ARTICLE XII

RULES AND REGULATIONS

The Board of Directors shall have the right to enact administrative rules and regulations regarding the use of the common areas and facilities and conduct of the members.

ARTICLE XIII

POWERS OF ASSOCIATION

1. Limitations in Actions of Corporation. Unless at least two-thirds of the first mortgagees (based on one vote for each first mortgagee owned) or two-thirds of the owners of

the units in Topsail Greens have given their prior written approval. The Corporation shall not take any of the following actions:

a. By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the common property owned, directly or indirectly, by the Corporation for the benefit of the units. The granting of easements for public utilities or other public purposes consistent with the intended use of the common property by the members is not a transfer in the meaning of this clause;

b. Change the method of determining the obligations, assessments, dues, or other charges that may be levied against a unit owner;

c. By act or omission change, waive, or abandon any scheme of regulations or their enforcement pertaining to the architectural design or the exterior appearance of units, the exterior maintenance of units, the maintenance of the common property party walks, common fences and driveways, and the upkeep of lawns and plantings in Topsail Greens;

d. Fail to maintain fire and extended coverage on insurable common property on a current replacement cost basis in an amount at least 100 percent of the insurable value (based on current replacement cost);

e. Use hazard insurance proceeds for losses to any common property for other than the repair, replacement, or reconstruction of the common property.

ARTICLE XIV

General

Section 1. Corporation shall purchase and maintain in force all hazard insurance, flood insurance, liability insurance, and fidelity bonds, as required by the applicable Federal National Mortgage Association's regulations governing the purchase of loans in said project.

Section 2. The entire water and sewage collection, treatment and disposal system of Topsail Greens is a common area which will receive the highest priority for expenditures by the Association, except for federal, state and local taxes and insurance.

December 17, 1985