

BY-LAWS
OF
BLAIR FARM OWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND PURPOSE OF THE CORPORATION

Section 1. Name:

This corporation shall be known as:

BLAIR FARM OWNERS ASSOCIATION, INC.

Section 2. Purposes:

The corporation has been organized for the following purposes:

A. To promote the health, safety and welfare of the owners and residents of the Properties;

B. To operate and maintain an access road to the Properties for the benefit of the residents of the Properties, as well as, certain other responsibilities, all more particularly set forth in the Declaration;

C. To provide a forum for the expression of ideas and plans with regard to the improvement of social, recreational and general living conditions in the Properties and to take steps toward the fulfillment of said ideas and plans.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Blair Farm Owners Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina.

Section 2. "Properties" shall mean all that certain property described in Exhibit A attached hereto and incorporated herein by reference, and such additions thereto as may hereafter be brought within the jurisdiction of the Association by annexation and subjected to this Declaration as herein provided. "Property" is synonymous with "Blair Farm."

Section 3. "Declaration" shall mean the Declaration of Protective Covenants for Blair Farm Subdivision recorded in Deed Book 859, Page 452, Carteret County Registry.

Section 4. "Developer" shall mean Blair Pointe, LLC, or their successors and assigns.

Section 5. "Lot" shall mean a numbered parcel of land in a Section of the Property designed and restricted for the construction of a Living Unit thereon. As used herein, "Lot" shall not include any Common Area, Amenity, road or street. Where rights are granted to, or obligations imposed upon, the owner of a "Lot" the term shall include the term "Living Unit" thereon, if any, likewise, reference to a Living Unit shall, where the context is appropriate, also be interpreted to include the Lot upon which such Living Unit has been constructed.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot situated upon the Properties but, notwithstanding any applicable theory of the deed of trust, shall not mean or refer to the Trustee or cestui que trust unless and until there has been a transfer of title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Section 7. "Member" shall mean and refer to all those owners who are members of the Association as provided in Article IV, Section 1, hereof.

Section 8. "Development Period" shall mean the period that is twenty five (25) years from the date of this Declaration is recorded at the Register of Deeds of Carteret County.

ARTICLE III

LOCATION

The principal office of the Association shall be located at 1600 Blair Farm Parkway, Morehead City, North Carolina, or at such other places as determined by the Board of Directors.

ARTICLE IV

MEMBERSHIP

Section 1. Every person or entity who is an Owner of a fee or undivided fee interest in any Lot which is subject to the Declaration shall be a Member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member.

Section 2. The rights of membership are subject to the payment of annual and special assessments levied by the Corporation, the obligation of which assessments is imposed against each Owner of and becomes a lien upon the property against which such assessments are made as provided by Section 5 of the Declaration or any Supplemental Declaration of Covenants and Restrictions to which the Properties are subject.

ARTICLE V

VOTING RIGHTS

The Owner of each Lot or Living Unit shall be a voting member of the Association. One vote shall be allowed for each Lot or Living Unit; however Declarant shall have two votes for each Lot or Living Unit owned by Declarant until Declarant has sold one hundred and twenty five (125) Lots or Living Units at which time Declarant shall thereafter have the same voting rights as other members.

Section 2. Designation of Voting Representatives.

If a Lot is owned by one person his right to vote shall be established by the record title to this property. If a Lot is owned by more than one person, or is under lease, the person entitled to cast the vote for said property shall be designated by a certificate signed by all of the record owners of said property and filed with the secretary of the Association. If a Lot is owned by a corporation, the person entitled to cast the vote for said property shall be designated by a certificate of appointment signed by the president, vice president or secretary of the corporation and filed with the secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Lot.

ARTICLE VII

POWERS OF THE ASSOCIATION

The Association, acting through the Board of Directors, shall have the following powers:

Section 1. Declaration. All of the powers specifically set forth in the Declaration and all of the powers incident or incidental thereto.

Section 2. Articles of Incorporation/By-Laws. All of the powers specifically set forth in the Articles of Incorporation and these By-Laws, as well as, all of the powers incidental thereto.

Section 3. Miscellaneous Powers.

(a) to use and expend the assessments collected to carry out the purposes and powers of the Association.

(b) to employ attorneys, accountants and other professionals as the need arises.

(c) to employ and terminate the employment of workmen, janitors, gardeners, managers and such other agents and employees to carry out the powers of the Association, and to purchase supplies and equipment therefor.

ARTICLE VIII

BOARD OF DIRECTORS

Section 1. Generally.

The Association shall be governed by a board of directors. Until Developer has sold one hundred twenty five (125) Lots or Living Units within Sections annexed to this Declaration, Developer shall appoint a majority of the members of the Board. As long as Developer has the right to appoint a majority of the members of the Board, the Board shall consist of three (3) members. Developer's appointees need not be members of the Association. Upon the sale of the one hundred and twenty five (125) Lots or Living Units, or the end of the Development Period, or relinquishment of Developer's right to appoint a majority, the Board will thereafter be selected by the Members of the Association in accordance with the provisions of Article IX. During the period the Developer controls the Board of Directors, the Members of the Association will select one (1) director according to the provision of Article IX. At each annual meeting following the end of the Development Period or the relinquishment of the Developer's right to appoint a majority, the Members at each annual meeting shall elect three (3) Directors. The term of each Director whether appointed by the Developer or elected by the Association shall be one (1) year.

Section 2. Vacancies.

Vacancies on the Board of Directors shall be filled by majority vote of the remaining directors, and any such appointed directors shall hold office during the unexpired term of their predecessors.

Section 3. Removal.

Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

Section 4. 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.

Section 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 IX

ELECTION OF DIRECTORS; NOMINATING COMMITTEE;
ELECTION COMMITTEE

Section 1. Election of the Board of Directors shall be by written ballot as hereinafter provided. At such election the Members or their proxies may cast, in respect of each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The candidates receiving the largest number of votes shall be elected. Votes may not be cast cumulatively.

Section 2. Nominations for election to the Board of Directors shall be made by a Nominating Committee which shall be one of the standing committees of the Association.

Section 3. 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 such annual meeting.

Section 4. 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, as the committee in its discretion shall determine. Additional nominations from the floor may be made at the time of the election.

Section 5. All elections to the Board of Directors at and after the first annual meeting shall be made on written ballot

which shall clearly list the names of the persons for whom the vote is being cast and the terms of office if necessary. The Chairman of the meeting shall appoint one or more persons to count the ballots and report the results.

ARTICLE X

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall have power:

A. To call special meetings of the Members whenever it deems necessary, and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership;

B. To generally govern the Association in accord with the Declaration, the Articles of Incorporation and these By-Laws, including, without limitation, to appoint and remove at pleasure all officers, agents and employees of the corporation, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, officer or director of the Association in any capacity whatsoever;

C. To establish, levy and assess, and collect the assessments or charges referred to in the Declaration;

D. To adopt and publish rules and regulations governing the use of the Common Properties and the personal conduct of the Members and their guests thereon;

E. To exercise for the Association all powers, duties and authority vested in or delegated to this organization, except those reserved to the Members in the covenants;

F. In the event that any member of the Board of Directors of this corporation shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent director to be vacant.

G. To prepare and enforce, directly or indirectly, the rules and regulations governing activities within the boundaries of the Properties. For purposes of enforcement of these rules, regulations and By-Laws against all persons not Members, each Member of the Blair Farm Homeowner's Association, Inc. is hereby delegated sufficient authority from the officers and

directors as will legally entitle that Member to act on behalf of the Association.

Section 2. It shall be the duty of the Board of Directors:

A. To 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 is requested in writing by one-fourth (1/4) of the voting membership.

B. To supervise all officers, agents and employees of this organization, and to see that their duties are properly performed.

C. To employ and discharge such management as the Directors may deem necessary.

D. To adopt a budget and authorize expenditures.

E. As more fully provided in Section 5 of the Declaration applicable to the Properties:

1. To fix the amount of the assessment against each Lot for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;

2. To prepare a roster of the Properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member and, at the same time;

3. to send written notice of each assessment to every Owner subject thereto.

F. To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

ARTICLE XI

DIRECTOR'S MEETINGS

Section 1. A regular meeting of the Board of Directors shall be held at least every month at a day and hour to be established by resolution.

Section 2. Notice of such regular meeting is hereby

dispensed with. If the day for the regular meeting shall fall upon a holiday, the meeting shall be held at the same hour on the first day following which is not a holiday and no notice thereof need be given.

Section 3. Special meetings of the Board of Directors shall be held when called by any officer of the corporation or by any two directors after not less than three (3) days' notice to each director.

Section 4. The transaction of any business at any meeting of the Board of Directors, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice if a quorum is present and, if either before or after the meeting each of the directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof.

Section 6. The secretary shall be ex-officio the secretary of the Board of Directors and shall record the votes and keep the minutes of all proceedings in a book to be kept for that purpose. He shall keep the records of the corporation. He shall record in a book kept for that purpose the names of all Members of the Association together with their addresses as registered by such Members.

Section 7. The treasurer shall receive and deposit in appropriate bank accounts all monies of the corporation and shall disburse such funds as directed by resolution of the Board of Directors, provided however, that a resolution of the Board of Directors shall not be necessary for disbursement made in the ordinary course of business conducted within the limits of a budget adopted by the Board. Two officers of the corporation shall co-sign all checks.

Section 8. The treasurer shall keep proper books of account and cause an annual review of the corporation books to be made by a certified public accountant, or by audit committee appointed by the Board of Directors, at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting. He shall be responsible for the preparation of such tax returns as may be required.

Section 9. 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.

Section 10. 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 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.

Section 11. 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.

Section 12. Multiple Offices.

The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices.

ARTICLE XIII

COMMITTEES

Section 1. The standing committees of the Association shall be:

The Nominating Committee
The Architectural Review Committee

Unless otherwise provided herein, each committee shall consist of a chairman and two or more members and shall include a member of the Board of Directors for board contact. The committees shall be appointed by the Board of Directors prior to each annual meeting 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 such annual meeting. The Board of Directors may appoint such other committees as it deems desirable.

Section 2. The Nominating Committee shall have the duties and functions described in Article IX hereof.

Section 3. The Architectural Control Committee shall have the duties and functions described in Article IV of the Declaration. It shall watch for any proposals, programs, or activities which may adversely affect the residential value of the Properties and shall advise the Board of Directors regarding organization action on such matters.

Section 4. With the exception of the Nominating Committee and the Architectural Review Committee (but then only as to the functions that are governed by Section 8 of the Declaration), each committee shall have power to appoint a subcommittee from among its membership and may delegate to any such subcommittee any of its powers, duties and functions.

Section 6. It shall be the duty of each committee to receive complaints from Members on any matter involving corporate functions, duties, and activities within its field of responsibility. It shall dispose of such complains as it deems appropriate.

ARTICLE XIV

MEETINGS OF MEMBERS

Section 1. The first annual meeting of the Members shall be held on the third Friday of the month of February, 2001, at the hour of 3:00 o'clock p.m. at the place specified in the notice of the meeting; and regular annual meetings will be held on the same day in succeeding years. If the day for the annual meeting of the Members shall fall upon a holiday, the meeting will be held at the same hour on the first day following which is not a holiday.

Section 2. Special meetings of the Members for any purpose may be called at any time by the president, the vice president, the secretary or treasurer, or by any two or more members of the Board of Directors or upon written request of Members who have a right to vote one-fourth (1/4) of the votes of the membership.

Section 3. Notice of any meetings shall be given to the Members by the secretary. Notice may be given to the Member either personally, by delivery to his mailbox, or by sending a copy of the notice through the mail postage thereon fully prepaid to his address appearing on the books of the corporation. Each Member shall register his address with the secretary and notices of meeting regular or special shall be sent at least ten (10) days in advance of the meeting and shall set forth in general the nature of the business to be

transacted, provided, however, that if the business of any meeting shall involve an election governed by Article IX hereof or any action governed by the Articles of Incorporation or by the Declaration then, in such event, notice of such meeting shall be sent at least thirty (30) days in advance of such meeting.

Section 4. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-half (1/2) of the votes of each class membership shall constitute a quorum for any action governed by these By-Laws. Any action governed by the Articles of Incorporation or by the covenants applicable to the Properties shall require a quorum as therein provided.

Section 5. The President, or in his absence the Vice-President, shall preside at the meeting and the Secretary shall be responsible for recording minutes of the proceedings.

ARTICLE XV

PROXIES

Section 1. At all corporate meetings of Members, each Member may vote in person or by proxy.

Section 2. All proxies shall be in writing and filed with the secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the Member of his Lot or other interest in the Properties.

ARTICLE XVI

BOOKS AND RECORDS

The books, records and papers of the corporation shall at all times, during reasonable business hours, be subject to the inspection of any Members.

ARTICLE XVII

CORPORATE SEAL

The corporate seal of the Association shall consist of two concentric circles between which are the words BLAIR FARM OWNERS ASSOCIATION, INC., Carteret County, N.C., and in the center of which is inscribed "SEAL"; and such seal, as impressed on the margin hereof, is hereby adopted as the

corporate seal of the Association.

ARTICLE XVIII

AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the Members, by a vote of a two-thirds (2/3) of a quorum of each class of Members present in person or by proxy, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration may not be amended except as provided in such Declaration.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIX

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which 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 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 twelve percent (12%) 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, 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 assessments provided for herein by non-use of the Common Properties or abandonment of his Lot.

ARTICLE XX - CORPORATE EARNINGS

No director, officer, employee, committee member or other person or entity associated with the Corporation shall receive at any time any of the earnings or pecuniary profit from the operations of the corporation, except as provided in Article 13, Chapter 55A of the North Carolina General Statutes, as amended from time to time.

In the event of dissolution of the Corporation, the assets of the corporation, after all debts have been satisfied, shall be distributed, transferred, conveyed, delivered and paid over, in such amounts as the Board of Directors may determine or as may be determined by a court of competent jurisdiction upon application of the Board of Directors, exclusively to charitable, religious, scientific, literary, or educational organizations that qualify under the applicable provisions of the Internal Revenue Code and its regulations promulgated thereunder, as amended, relating to qualification as a "charitable organization."

The undersigned certifies that the foregoing By-Laws have been adopted as the first By-Laws of the Corporation in accordance with the requirements of the Corporation Law.

(SEAL)

Secretary

Appendix A

BEING all of that property depicted on that certain plats or maps entitled "Blair Farm Subdivision", prepared by Michael West Baldwin dated February 22, 1999, and recorded in Map Book 29, Pages 523-525, Carteret County Registry.