

BY-LAWS

OF

HATTERAS PINES HOMEOWNERS ASSOCIATION, INC.
A NON-PROFIT CORPORATION
UNDER THE LAW OF THE STATE OF NORTH CAROLINA

ARTICLE I

IDENTITY

These are the By-Laws of HATTERAS PINES HOMEOWNERS ASSOCIATION, INC., a non-profit corporation under the laws of the State of North Carolina, the Articles of Incorporation dated July 19, 1989 were filed in the office of the Secretary of State on August 11, 1989. HATTERAS PINES HOMEOWNERS ASSOCIATION, INC., hereinafter "ASSOCIATION", has been organized for the purpose of administering, operating and managing the business of that corporation composed of members who are owners of residential lots located within that development of real property situated within Hatteras Township, the County of Dare, State of North Carolina, and known as HATTERAS PINES developed by Buxton Woods Partnership, the map of which is recorded in Plat Cabinet C, at Slide 90A and 90B, in the Office of the Register of Deeds of Dare County, North Carolina, reference to which is hereby made for a more particular description.

A. The provisions of these By-Laws are expressly SUBJECT TO the terms, provisions, conditions and authorizations contained in the Articles of Incorporation and which may be contained in the Master Declaration of Covenants, Conditions and Restrictions applicable to HATTERAS PINES HOMEOWNERS ASSOCIATION, INC. which have or shall be recorded in the Office of the Register of Deeds of Dare County, North Carolina, the terms and provisions of both of which shall be controlling wherever the same may be in conflict herewith.

B. All members of the Association, together with their families, guests and invitees are subject to the regulations set forth in these By-Laws and in those Articles of Incorporation and the Declaration of Covenants, Conditions and Restrictions.

C. The office of the Association shall be at P.O. Box 175, Hwy. 12, Avon, N.C. 27915, Dare County, North Carolina, or such other place as the Board of Directors shall designate from time to time.

D. The fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the Association, the fiscal year shall commence with the closing of the sale of the first residential lot.

ARTICLE II

MEMBERSHIP, VOTING, QUORUM, PROXIES

A. The qualification of members, the manner of their admission to membership and termination of such membership, and voting rights of the members shall be set forth in Article VII of the Articles of Incorporation, the provisions of which are incorporated herein by reference.

B. A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The written joinder of a member in the action of a meeting shall constitute the presence of such person for the purpose of determining a quorum.

C. The vote of the owners of a residential lot owned by more than one person or entity shall be cast by the one person named in a certificate signed by all of the owners of the residential lot and filed with the Secretary of the Association, and such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not on file, the vote of any one of such owners shall be considered for all purposes.

D. Votes may be cast in person or by proxy. Proxy shall be valid only for the particular meeting designated thereon and must be in writing and filed with the Secretary at or before the appointed time of the meeting.

E. Except where otherwise required under the provisions of the Articles of Incorporation, these By-Laws, the Declaration of Covenants, Conditions and Restrictions, or whether the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

ARTICLE III

ANNUAL AND SPECIAL MEETING OF MEMBERSHIP

A. The annual members' meeting shall be held at such hour and place designated by the Board of Directors, on the third Saturday in October of each year for the purpose of electing directors and of transacting any other business authorized to be transacted by the members, provided, however, that if the day is a legal holiday, the meeting shall be held at the same hour on the next succeeding Saturday. The first annual meeting shall be held in 1990.

B. Special members' meetings shall be held whenever called by the President or Vice President or by two or more Directors and must be called by such officers upon receipt of a written request from the members of the Association owning at least twenty (20%) percent of the residential lots in the Development.

C. Notice of all member's meetings, regular or special, shall be given by the President, Vice President or Secretary of the Association, or other officer of the Association in absence of those officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and purposes for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed to or presented personally to each member within that time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail, addressed to the member at its post office address as it appears on the records of the Association (register of owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed with the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member.

D. The order of business at annual members' meetings and, as far as practicable, at any other members' meetings, shall be:

- (i) Calling of the roll and certifying of proxies;
- (ii) Proof of notice of meeting or waiver of notice;
- (iii) Reading and disposal of any unapproved minutes;
- (iv) Reports of officers;
- (v) Reports of committees;
- (vi) Appointments of inspectors of election by Chairman;
- (vii) Unfinished business;
- (viii) Election of Directors;
- (ix) Approval of budget and assessments;
- (x) Other new business;
- (xi) Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

A. The first Board of Directors of the Association shall consist of three (3) persons. Each succeeding Board of Directors shall consist of not less than five (5) persons nor more than seven (7) persons. All directors shall be members of the Association or employees, officers, directors or shareholders of a corporate member of the Association. Notwithstanding the foregoing, so long as the Developer owns twenty-five (25%) percent or more of the residential lots in HATTERAS PINES, the Developer 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 Association, and any director designated by and selected by the Developer need not be a member of the Association.

B. Election of directors shall be conducted in the foregoing manner:

- (i) The Developer shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these By-Laws, and upon such designation and selection by the Developer by written instrument presented to the meeting at which such election is held, such individuals shall be directors of the Association, and shall thenceforth perform the duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these By-Laws.
- (ii) All members of the Board of Directors whom Developer shall not be entitled to designate under the provisions of these By-Laws shall be elected by a plurality of the votes cast at the annual meeting of the members of the Association immediately following the designation of the members of the Board of Directors by Developer.
- (iii) Vacancies in the Board of Directors may be filled, until the date of the next annual meeting, by the remaining directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person designated by Developer, such vacancy shall be filled by Developer, by written instrument delivered to any officer of the Association, the successor director to fill the vacated directorship for the unexpired term

thereof.

- (iv) At the first annual meeting of the members held, the term of office of the three directors receiving the highest plurality of votes shall be established at two years, and the terms of office of the remaining directors shall be established at one year. Thereafter, as many directors of the Association shall be selected at the annual meeting as there are regular terms of office for directors expiring at such time, and the term of office of the director so elected at the annual meeting of the members each year shall be for two years expiring at the second annual meeting following their election, and thereafter until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law. If at the time of the first annual meeting the Developer owns twenty-five (25%) percent or more of the combined residential lots in THE PINES OF HATTERAS ISLAND and any additions thereto, then the Developer shall have the right to designate two directors whose term of office shall be established at two years, and one director whose term of office shall be established at one year.
- (v) In the election of directors, there shall be appurtenant to each residential lot in HATTERAS PINES and any additions thereto, a total vote equal to the number of directors to be elected; provided, that the intent hereof be that voting for directors shall be noncumulative. Notwithstanding the fact that the Developer may be entitled to designate a majority of the members of the Board of Directors, it shall still be entitled to cast the vote for each lot owned by it in the election of other directors; provided, however, that in the election of directors, other than those designated by the Developer, the Developer shall be entitled to cast but one vote for each directorship to be filled for each residential lot owned by the Developer at the time of the vote; and provided, however, that the other directors elected are persons other than officers, directors, shareholders and/or employees of the Developer, or wives and relatives of any of those persons.
- (vi) In the event that Developer, in accordance with the rights herein established, selects any person or persons to serve on any Board of Directors of the Association, Developer shall have the absolute right at any time, in its sole discretion, to replace such person or persons with another person or persons to serve on the Board. Replacement of any person or persons designated by Developer to serve on any Board of Directors shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by Developer to any officer of the Association.

C. The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the directors at the meeting at which they were elected and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

D. Regular meetings of the Board of Directors may be held

at such time and place as shall be determined from time to time by a majority of the directors. Notwithstanding the foregoing, the Board of Directors shall have an annual meeting on the second Monday of October each year after the organizational meeting. Said annual meeting shall be at a time and place designated by the directors. Notice of regular meetings including annual meetings shall be given to each director, personally or by mail, telephone or telegram, at least two (2) days prior to the day named for such meeting, unless notice is waived.

E. Special meetings of the directors may be called by the President, and must be called by the Secretary at the written request of any two (2) of the directors. Not less than two (2) days' notice of a meeting shall be given to each director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

F. Any director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

G. A quorum at a directors' meeting shall consist of a majority of the directors. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation or these By-Laws or the Declaration of Covenants, Conditions and Restrictions. If any directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the directors required to constitute a quorum for particular purposes has not attended, wherever the later percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration of Covenants, Conditions and Restrictions, the directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance is greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

H. The presiding officer of directors' meetings shall be the Chairman of the Board, if such an officer has been elected; and if none, then the President of the Association shall preside. In the absence of the presiding officer, the directors present shall designate one of their number to preside.

I. All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation, these By-Laws and the Declaration of Covenants, Conditions and Restrictions. Such powers and duties shall include, without limiting the generality of the foregoing, the following:

- (i) to fix, levy, collect and enforce payment of all assessments against the members of the Association to defray the expenses of the Corporation, as provided for in Article VI of the Articles of Incorporation, which Article is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties assumed by the Association;
- (ii) To maintain, repair, repave, replace, operate and manage all of the common areas of the Development wherever the same is required to be done by the Corporation for the benefit of its members; and further

to approve any expenditure made or to be made for said purposes;

- (iii) To reconstruct any part of the common area after casualty and to make further improvement to the common areas, real or personal, and to make and to enter into any and all contracts, necessary or desirable to accomplish such purposes;
- (iv) To make, amend and enforce regulations governing the use of the common areas so long as such regulations or amendments thereto do not conflict with restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and the Declaration of Covenants, Conditions and Restrictions;
- (v) To acquire, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of property, real and personal, including residential lots in the Development, as may be necessary or convenient in the operation and management of the Association, and in accomplishing the purposes set forth in the Articles of Incorporation, and the Declaration of Covenants, Conditions and Restrictions.
- (vi) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and these By-Laws, the Declaration of Covenants, Conditions and Restrictions, and the regulations hereinafter promulgated governing the use of the common areas in the Development.
- (vii) To pay all taxes and assessments which are or may become liens against any part of the property owned by the Association, and to assess the same against the members and their respective lots;
- (viii) to have and to exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Association pursuant to the Declarations of Covenants, Conditions and Restrictions and the Articles of Incorporation.

J. The undertakings and contracts authorized by the Initial Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly elected by the membership so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association.

K. Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the residential lots in the Development, at any special meeting called for such purpose, or at the annual meeting; provided, however, that only the Developer shall have the right to remove a director appointed by it.

ARTICLE V

OFFICERS

A. The executive officers of the Association shall be a President, who shall be a director, a Vice President, a Treasurer, and a Secretary, all of whom shall be members, or employees, directors, officers or shareholders of members of the Association and all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by a vote of the directors at any meeting. Any member may hold two or more offices, except that the President shall not also

be Vice President, Secretary or Treasurer. The Board of Directors shall, from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Corporation.

B. The president shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the president of any Association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

C. The Vice President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

D. The Secretary shall keep the minutes of all proceedings of the directors and the members. He shall attend to the giving and serving of all notices to the members and directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall make those records available to members of the Association upon written request by any member of the Association to view those records at a reasonable time and place, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the President.

E. The Treasurer shall have custody of all of the property of the Association, including funds, securities, and evidences of indebtedness. He shall keep, or supervise the keeping of, the assessment rolls and accounts of the members; he shall keep the books of the Association in accordance with generally accepted accounting practices; and he shall perform all other duties incident to the office of Treasurer.

F. No officer shall receive any compensation from the Association for acting as such.

G. All officers shall serve at the pleasure of the Board of Directors and any officer may be removed from office at any time with or without cause by a majority vote of the Board of Directors.

ARTICLE VI

FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration of Covenants, Conditions and Restrictions and the Articles of Incorporation shall be supplemented by the following provisions:

A. An assessment roll shall be maintained in a set of accounting books in which there shall be an account for each residential lot. Such account shall designate the name and address of the lot owner or owners, the amount of each assessment against each lot and its owner, the dates and amounts in which assessments come due, the amounts paid upon the account, and the balance due.

B. The Board of Directors shall propose to the members who shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to the following:

(i) Common expense budget, which may include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of and capital improvements to the common areas including landscaping, swimming pool, tennis court, bath house, street and walkways, office expense, utility services, administration and reserves (operating and capital improvements replacements), management fees and costs of maintaining leaseholds, memberships, and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Development, to provide enjoyment, recreation, or other use or benefit to the lot owners; and

(ii) Proposed assessments against each member and his lot.

Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are adopted and levied, a copy of the amended budget shall be furnished each member concerned. Delivery or non-delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of that budget and assessments levied pursuant thereto.

C. The depository of the Association shall be such bank or insured depository as shall be designated from time to time by the directors 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 persons as are authorized by the directors.

D. A review of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report of such review shall be furnished to each member not later than April 15 of the year following the year for which the report is made.

E. Fidelity bonds may be required by the Board of Directors covering all officers and employees of the Association and from any contractor handling or responsible for the Association funds. The amount of such bond shall be determined by the directors. The premiums on such bonds shall be paid by the Association.

ARTICLE VII

PARLIAMENTARY RULES

Robert's Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the Statutes of the State of North Carolina.

ARTICLE VIII

AMENDMENTS TO BY-LAWS

Amendments to these By-Laws shall be proposed and adopted in the following manner:

A. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the directors, or by members of the Association owning a majority of the residential lots in the Development whether meeting as members or by instrument in writing signed by them.

B. Upon any amendment or amendments to these By-Laws being proposed by the Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a special joint meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such officer of the proposed amendment or amendments, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a special meeting of the members is required as herein set forth.

C. In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning not less than seventy (70%) percent of the residential lots in the Development, or additions thereto. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be affixed to the corporate records.

D. Upon approval and proper recording of any amendment or amendments, the same shall become binding upon all members of the Association.

E. Notwithstanding the foregoing provisions of this Article VIII, no amendment to these By-Laws which shall abridge, amend or alter the rights of the Developer to designate and select members of each Board of Directors of the Corporation, as provided in Article IV hereof, or to amend the Declaration of Covenants, Conditions and Restrictions to The Pines of Hatteras Island Subdivision and additions thereto; and no such amendment may be adopted or become effective without the prior written consent of the Developer.

The foregoing were adopted as the By-Laws of
HATTERAS PINES HOMEOWNERS ASSOCIATION, INC., a Non-Profit
Corporation, under the laws of the State of North Carolina,
at the first meeting of the Board of Directors on the 20 day
of July, 1989.

APPROVED:


PRESIDENT


SECRETARY