



AMENDMENT TO THE BYLAWS

OF

PIRATES COVE HOMEOWNERS ASSOCIATION, INC.

This Amendment to the Bylaws of Pirates Cove Homeowners Association, Inc. is adopted this 14th day of November, 1992.

WITNESSETH:

WHEREAS, Pirate's Cove Homeowners Association, Inc. (hereinafter the "Association") is a North Carolina non-profit corporation formed pursuant to the North Carolina Non-Profit Corporation Act, G.S. Section 55A-1 et. seq. (hereinafter the "Act") and is the association referred to in that certain Deed and Declaration of Covenants, Restrictions and Easements for Pirates Cove, Phase 1 (hereinafter the "Declaration") recorded in the land records of Dare County, State of North Carolina;

WHEREAS, Roanoke Properties, a North Carolina limited partnership, is the "Declarant" as said term is used and defined in the Declaration and in the Bylaws of the Association (hereinafter the "Bylaws");

WHEREAS, the Articles of Incorporation, the Declaration and the Bylaws of the Association presently provide that Roanoke Properties, it successors and assigns, shall have the right to appoint and designate the entire Board of Directors of the Association until January 1, 1992 and that beginning with the next annual meeting of the membership of the Association after January 1, 1992, the Board of Directors shall be elected as otherwise set forth in the Bylaws;

WHEREAS, the Bylaws presently provide for an annual meeting of the membership of the Association to be held on the last Saturday of October of each year.

WHEREAS, the Articles of Incorporation of the Association have or will be amended to extend the period of the Declarant's right to appoint and designate the entire Board of Directors of the Association until January 1, 2003.

WHEREAS, the Board of Directors and members of the Association believe it to be in the best interest of the Association to amend the Bylaws to extend the period during which the Declarant has the right to appoint and designate the entire Board of Directors of the Association until January 1, 2003, to require that any future amendments to the Bylaws respecting the Declarant's right to appoint and designate the Board of Directors require the approval of the Board of Directors, and to establish an annual meeting date in March of each year.

WHEREAS, the Declaration provides that in the event of a conflict or inconsistency between the terms and provisions of the Declaration and the Bylaws, or in the event the Bylaws are amended, and said Bylaws, as amended, conflict or are inconsistent with any terms or provisions of the Declaration, the Bylaws shall be deemed to control and prevail, and the

NORTH CAROLINA - DARE COUNTY
I CERTIFY THE FOREGOING INSTRUMENT TO
BE A TRUE COPY AS COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE.
THIS 1 DAY OF March, 2001.
BARBARA M. GRAY

REGISTER OF DEEDS OF DARE COUNTY
BY [Signature]
ASSISTANT REGISTER OF DEEDS



conflicting or inconsistent terms or provisions of the Declaration shall be null and void and no amendment of the Declaration shall be necessary;

WHEREAS, Article IX, Section 2 of the Bylaws provides that said Bylaws may be amended by the Association at a duly constituted meeting for such purpose by a two-thirds (2/3) vote of all Class A members of the Association;

WHEREAS, the following Amendment was adopted by the affirmative vote of at least two-thirds (2/3) of all Class A members of the Association case in person or by proxy at a meeting duly called for such purpose on the 14th day of November, 1992, at which meeting there were 244 eligible votes entitled to be cast and in attendance of which 220 votes were cast in favor of adopting the Amendment, 24 votes opposed to adopting the Amendment and 0 votes abstaining from the vote thereon.

NOW, THEREFORE, the Bylaws of Pirates Cove Homeowners Association, Inc. are amended as follows:

1. Article I, Section 1B of the Bylaws is amended by striking said provision in its entirety and substituting therefore the following:

B. Declarant Control Period. Notwithstanding anything contained herein to the contrary, the Declarant, Roanoke Properties, its successors and assigns, shall have the right to appoint and designate the entire Board of Directors of the Association until January 1, 2003, or until such earlier time as the Declarant surrenders its authority to so appoint and designate by an express Amendment to these Bylaws executed by the Declarant and approved by the Board of Directors. Beginning with the first annual meeting of the membership of the Association after January 1, 2003, the Board of Directors shall be elected by the Class A members as set forth in Section 1A hereof. This Section 1B, as amended herein, shall control and prevail over any inconsistent term or provision otherwise contained in these Bylaws or in the Declaration. Any amendment, modification or alteration to this Section 1B shall first be approved, in writing, by the unanimous consent of the Board of Directors of the Association.

2. Article IX, Section 2 of the Bylaws is amended by striking said provision in its entirety and substituting therefore the following:

Section 2. Amendments to Bylaws. These Bylaws may be amended by a two-thirds (2/3) affirmative vote of all Class A members of the Association at a meeting duly called for such purpose; provided, however, that any amendment, modification or alteration to Article I, Section 1B hereof shall first be approved, in writing, by the unanimous consent of the Board of Directors of the Association.



3. Article V, Section 2 of the Bylaws is amended by striking said provision in its entirety and substituting therefore the following:

Section 2. Annual Meeting. The annual meeting of the Association shall be held in March of each year, at such date and time as is determined by the Board of Directors. At such meeting there shall be elected by ballot a Board of Directors in accordance with the requirements of these Bylaws. The Association may also transact such other business as may properly come before it.

4. This Amendment shall be deemed effective on the date the Articles of Amendment amending the Articles of Incorporation to include provisions consistent with this Amendment to the Bylaws are submitted to and accepted by the Secretary of State of the State of North Carolina.

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of Pirates Cove Homeowners Association, Inc., a non-profit incorporated association organized and existing under the laws of the State of North Carolina and that the foregoing Amendment to the Bylaws was duly adopted at a meeting of the membership held on the 14th day of November, 1992.

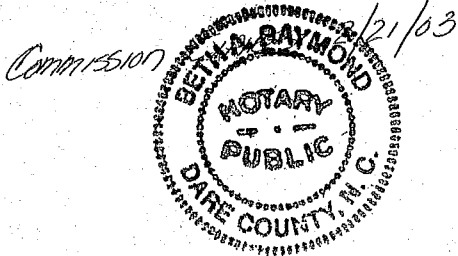
IN WITNESS WHEREOF, I have hereunto subscribed my name on the date and year first above written.

Barry W. Martin
Secretary

STATE OF NORTH CAROLINA
COUNTY OF DARE

I, BETH A. RAYMOND, NOTARY PUBLIC, DO HEREBY CERTIFY THAT BARRY W. MARTIN PERSONALLY APPEARED BEFORE ME THIS 28TH DAY OF FEBRUARY, 2001 AND ACKNOWLEDGED THE DUE EXECUTION OF THE FOREGOING INSTRUMENT.

Beth A. Raymond
Notary Public



NORTH CAROLINA
DARE COUNTY

The foregoing certificate (s) of Beth A. Raymond a
Dare County NC

Notary(~~ies~~) Public is/~~are~~ certified to be correct. This instrument and this certificate are duly registered at the date and time in the Book and Page shown on the first page hereof.

Barbara M. Gray, Register of Deeds

By: *Barbara M. Gray* Deputy Register of Deeds

PIRATE'S COVE HOMEOWNERS' ASSOCIATION, INC.

PREAMBLE

Section 1. Portions of Pirate's Cove, located adjacent to U.S. Highway 64 and 264 on Roanoke Island, Dare County, North Carolina, have been restricted to single-family residential uses by duly filing appropriate declarations in the Dare County Registry. The Pirate's Cove Homeowners' Association, Inc. has been formed and organized to act as the governing body over those portions of Pirate's Cove restricted to single-family residential use and to own, maintain, repair, replace, and operate certain properties, amenities, and facilities located within Pirate's Cove or located outside Pirate's Cove, but considered a part thereof.

Section 2. The Pirate's Cove Homeowners' Association, Inc. (hereinafter referred to as the "Association" or "PCHA") is a non-profit corporation organized and existing under the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled "Non-profit Corporation Act."

Section 3. The purpose or purposes for which the non-profit corporation is organized are:

A. To manage and operate the residential areas of Pirate's Cove and to achieve that objective:

i. To make and collect assessments against members of the Association to defray and pay costs, expenses and losses of the Association.

ii. To use the proceeds of assessments in the exercise of its powers and duties.

iii. To own, maintain, repair, replace and operate certain properties, amenities and facilities within or connected to Pirate's Cove.

iv. To purchase insurance upon the property owned by the Association and insurance for the protection of the Association and its members.

v. To reconstruct improvements after damage or casualty thereto and to further improve the property.

vi. To make, amend and rescind reasonable rules and regulations respecting the use of the properties, amenities, and facilities of the Association.

vii. To enforce by lawful means and where applicable the provisions of the North Carolina Condominium Act, Chapter 47C of the General Statutes of North Carolina, any Declarations of Condominium submitting land and improvements within the residential area of Pirate's Cove to a condominium regime, the Bylaws of any Unit Owners' Association for such condominium regimes, and the rules and regulations for the use of any such condominium property. However, this Association shall not be deemed and is not a "Master Association" as that term is used in N.C.G.S. Section 47C-2-120.

viii. To enforce by lawful means and where applicable the laws of the State of North Carolina and any Declarations of Restrictive Covenants duly recorded in the Dare County Registry restricting the use of subdivision lots in Pirate's Cove to single-family residential uses only.

ix. To enforce by lawful means and where applicable any other laws of the State of North Carolina or any other Declarations duly recorded in the Dare County Registry submitting or restricting property and improvements in Pirate's Cove to single-family residential use only.

x. To contract for the management of the residential area of Pirate's Cove and the properties, amenities and facilities owned by the Association and to delegate to such manager(s) or management firm all powers and duties of the Association except such as are required to have the approval of the Board of Directors or the membership of the Association.

xi. To contract for the management or operation of the properties, amenities and facilities owned by or operated by the Association susceptible to separate management or operation and to lease such properties, amenities, and facilities; and to make and enter such other contracts as the Association deems necessary and proper.

xii. To employ personnel to perform the services required for the operation of the Association.

B. To perform and do any and all other acts permitted by the Non-Profit Corporation Act of the North Carolina General Statutes, Chapter 55A, necessary or desirable for the conduct and continuation of the management, operation and development of the residential portion of Pirate's Cove and the properties, amenities, and facilities of the Association.

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MEMBERSHIP

Section 1. Membership: There shall be one class of membership in the Association, Class A, with the powers, duties, rights and obligations set forth herein.

A. Class A: Class A membership shall consist of all owners of residential property in the residential portion of the Pirate's Cove Development, whether the residential property owned be a condominium unit, a townhouse unit, or a single-family residential lot in a subdivision. A Class A member shall have one vote in the Association for each unit owned (hereinafter, the term "unit" shall be deemed to refer to a portion of real property and/or improvements intended for single-family residential use only, whether that unit be a condominium unit, a townhouse unit, or a single-family residential lot in a subdivision). Upon the conveyance of any such unit to a purchaser, such purchaser automatically becomes a Class A member of the Association. Roanoke Properties shall be a Class A member of the Association and shall be entitled to cast the votes appertaining to the units owned by Roanoke Properties which have been submitted by appropriate Declaration to the terms and provisions of these Bylaws. A Class A member may include any firm, corporation, partnership or other entity which owns a unit in Pirate's Cove. As used herein, the term "single-family" shall mean either (1) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of not more than (3) persons not so related who maintain a common household.

Class A members shall be entitled to the right of use and enjoyment of all the properties, amenities and facilities of the Association. Specifically, a Class A member shall be entitled to the use and enjoyment of the boat slips located in the residential portion of Pirate's Cove, to the extent they are available. The Association shall have the power to assign the said boat slips to members of the Association and shall give priority to Class A members. In assigning said boat slips to Class A members, the Association shall adopt the policy of assigning to each Class A member a boat slip located as close in proximity as is reasonably possible to a unit owned by that Class A member. As used herein, the term "boat slip" shall be deemed to refer to a portion of dockage or pier which has been given an assigned size, location, and number by the Association. A boat slip that has been assigned to a Class A member may not be rented or leased by the Class A member.

The Association is hereby granted the absolute and exclusive right and duty to maintain, control and assign the docks, piers and boat slips throughout the residential area of Pirate's Cove. Consistent with all applicable Declarations of single-family residential use (whether a Declaration of Condominium,

Declaration of Protective Covenants, or other Declaration which have been or are to be recorded in the Dare County Registry restricting property in Pirate's Cove to single-family residential use only, any docks, piers or boat slips immediately adjacent to a planned community or village shall be used by and assigned to solely the Class A members of the Association who are lot or unit owners in that planned community or village. "Planned community" or "village", as used herein, shall mean and refer to any and all of the separate residential communities planned for Pirate's Cove, as shown on the Master Plan, which have been submitted to separate regimes of use and ownership for single-family residential purposes only by appropriate Declaration. The Association is hereby granted the right and duty to determine the amount of lineal footage of dock space which may be assigned to lot or unit owners in each planned community or village with respect to the docks, piers and boat slips immediately adjacent to and limited solely for the use of that planned community or village. The Association shall also have the right and duty to charge and assess the lot or unit owners in each planned community or village alone for the costs of maintenance, repair and upkeep of the docks, piers and boat slips immediately adjacent to that planned community or village. This shall include the right and option of charging and assessing on a pro rata basis or of charging and assessing pro rata only among those Class A members of the Association who have, in fact, been assigned an area of dockage, and the right to charge and assess a recurring fee for water, electricity and other services provided to Class A members who have, in fact, been assigned an area of dockage. All such charges and assessments are to be determined by the Board of Directors of the Association, and the amounts so determined and established shall, in the absence of fraud, be conclusive upon all Class A members. All such charges and assessments shall be subject to the lien rights and such other rights of enforcement and collection as are granted to the Association for non-payment of assessments as set forth in Article VIII herein. The right and privilege of a Class A member of the Association to be assigned an area of dockage may be suspended as set forth in Article VIII herein.

No boat or other vessel or craft shall be docked or moored in the waterways and canals in Pirate's Cove so as to block or hinder the reasonable access, ingress and egress of others. No boat or other vessel or craft over fifteen feet (15') wide, measured at the "beam", shall be allowed in the residential area of Pirate's Cove, unless it shall first seek and obtain the prior written approval of the Board of Directors of the PCHA. The Board of Directors of the PCHA may, by appropriate resolution, make such other and further rules and regulations concerning the use and enjoyment of the docks, piers, boatslips, canals and waterways in the residential area of Pirate's Cove as they may deem fit and proper.

B. Declarant Control Period: Notwithstanding anything contained herein to the contrary, the Declarant, Roanoke Properties, its successors and assigns, shall have the right to

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appoint and designate the entire Board of Directors of the Association until January 1, 1992. Said Board of Directors shall have all powers given or granted by these Bylaws and all applicable Declarations. Beginning with the next annual meeting of the membership of the Association after January 1, 1992, the Board of Directors shall be elected as set forth in Paragraph A. above.

ARTICLE II

OFFICES

Section 1. Principal Office: The principal office of the Association shall be located at Pirate's Cove, U.S. Highways 64 and 264, Nags Head-Manteo Causeway, Roanoke Island, Dare County, North Carolina.

Section 2. Registered Office: The registered office of the Association, which by law is required to be maintained in the State of North Carolina, shall be located at 4938-A Windy Hill Drive, Raleigh, North Carolina 27609, or at such other place within the State of North Carolina as may, from time to time, be fixed and determined by the Board of Directors.

Section 3. Other Offices: The Association may have other offices at such places, either within or outside the State of North Carolina, as the Board of Directors may from time to time determine, or as the affairs of the Association may require.

ARTICLE III

VOTING, QUORUM, PROXIES

Section 1. Voting: The owner of a unit, as a Class A member, is entitled to one vote per unit owned. The number of votes in the Association shall increase as units are added to Pirate's Cove whether those units be single-family residential lots in a subdivision, condominium units or townhouse units, thus increasing the Class A membership in the Association.

Since a unit owner may be more than one person, if any one of such persons is present at a meeting of the Association, that person shall be entitled to cast the votes appertaining to that unit, but if more than one of such persons is present, the vote appertaining to that unit shall be cast only in accordance with the agreement of the majority of such persons present, and majority agreement shall be conclusively presumed if any one of them purports to cast the votes appertaining to that unit without protest being made forthwith by any of the others to the person presiding over the meeting. Since a person need not be a natural person, the word "person" shall be deemed for the purposes of this subsection to include, without limitation, any natural person having authority to execute deeds on behalf of any person, excluding natural persons, which, either alone or in conjunction

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with another person or persons, is a unit owner. The foregoing provision shall in no wise prevent a firm, partnership or other entity from being a unit owner.

The votes appertaining to any unit may be cast pursuant to a proxy or proxies duly executed by or on behalf of the unit owner, or, in cases where the owner is more than one person, by or on behalf of all such persons. No such proxy shall be revocable except by actual notice to the person presiding over the meeting, by the unit owner or by any of such persons, that it be revoked. Any proxy shall be void if it is not dated, if it purports to be revocable without notice as aforesaid, or if the signature of any of those executing the same has not been duly witnessed. The proxy of any person shall be void if not signed by a person having authority, at the time of the execution thereof, to execute deeds on behalf of that person. Any proxy shall terminate automatically upon the adjournment of the first meeting held on or after the date of that proxy. Votes may be cast in person or by proxy. Proxies must be filed with the secretary before the appointed time of each meeting.

Section 2. Majority of Owners: As used in these Bylaws, the term "majority of owners" shall mean those owners holding more than one-half (1/2) of the votes in the Association.

Section 3. Quorums: A quorum shall be deemed to be present throughout any meeting of the Association until adjourned if persons entitled to cast more than one-half (1/2) of the votes are present at the beginning of such meeting.

ARTICLE IV

ADMINISTRATION

Section 1. Pirate's Cove Homeowners' Association, Inc.'s Powers and Duties: Roanoke Properties, by appropriate Declaration or Deed, and at its discretion, will convey or assign to the Association ownership and/or responsibility to or for certain portions of Pirate's Cove, which shall be deemed to be the common properties of the Association. The Association is hereby obligated to accept any such conveyances or assignments and shall improve, maintain, repair and replace any such properties, amenities and facilities, which may include: (1) all the private roads, streets, and parking areas owned by the Association; (2) all the piers, docks, and boat slips conveyed or assigned to the Association; (3) all the recreational facilities in Pirate's Cove owned by or assigned to the Association; (4) any sewerage utility facilities owned by or conveyed to the Association, whether in whole or in part; (5) any other such common properties, amenities, facilities or improvements owned by or conveyed to the Association by the Developer, Roanoke Properties, or any other person or entity.

The Association shall have the power to approve annual budget, establish and collect assessments, and establish and maintain reserve funds. The Association shall have the power to employ, dismiss, and replace agents and employees to exercise and discharge the powers and responsibilities of the Association arising herein.

The fiscal year of the Association shall be from January First (1st) of each year until December Thirty-first (31st) of the same year.

The Association shall have the absolute right to appoint, designate and hire the managing entity who will provide management services for all property owners' associations in the residential area of Pirate's Cove. This right is granted to ensure that the residential area of Pirate's Cove is managed, maintained and improved in a uniform and efficient manner and in order to avoid any conflicts between separate managing entities.

In the event a conflict or dispute shall arise between the Pirate's Cove Homeowners' Association, Inc. and any of the other property owners' associations or condominium unit owners' associations in the residential area of Pirate's Cove, the Pirate's Cove Homeowners' Association, Inc. shall have the absolute right, by majority vote of the Class A members of the Association, to resolve the conflict or dispute.

Section 2. Repair of Damage: To the extent damage is inflicted on any of the property or improvements the Association is required to provide and maintain, the unit owner causing the same, or the Association if it caused the same, shall be liable for the prompt repair thereof.

Section 3. Reserve for Replacements and General Operating Reserve: The Association shall establish and maintain two separate reserve funds, which shall at all times be under the control of the Association, one to be a Reserve Fund for Replacements, and the other to be a General Operating Reserve Fund, by the allocation and payment quarterly to each of said reserve funds of a sum equivalent to not less than 3% of the annual assessments chargeable to the owners pursuant to the Bylaws, each of such funds to be deposited by the Association in a separate special account with an insured, safe and responsible bank or savings and loan association. The share of an owner in the funds and other assets of the Association cannot be assigned, hypothecated or transferred except as an appurtenance to his unit. Upon accrual in the Reserve for Replacements Account of an amount equal to 100% of the then current annual amount of assessments chargeable to the owners pursuant to the Bylaws or upon accrual in the General Operating Reserve Account of an amount equal to 25% of the then current annual amount of assessments chargeable to the owners pursuant to the Bylaws, the rate of such annual allocation and such annual deposit to the Reserve for Replacements Account, or to the General Operating Reserve Account, as the case may be, may, by appropriate action

of the Association, be reduced or be discontinued and no further deposits need be made into that particular Reserve Account so long as, in the case of the Reserve for Replacements Account, said 100% level is maintained, and, in the case of the General Operating Reserve Account, said 25% level is maintained; and provided, further, that in the event withdrawals from either of such Reserve Accounts reduce it below the said level, then upon reduction of such Reserve below said level, the rate of such annual assessments and deposits shall forthwith be immediately restored to 3% and made at the 3% rate until the said level is restored.

The Reserve Fund for Replacements is for the purpose of effecting replacements of any property and improvements the Association is required to provide and maintain and the General Operating Reserve Fund is for the purpose of meeting deficiencies arising from time to time as a result of delinquent payments of assessments by members in the Association and other contingencies, provided, however, reimbursements shall be made to the General Operating Reserve Account upon payment of delinquencies for which funds were withdrawn from the General Operating Reserve.

The Association shall not fail to establish and maintain the Reserve Fund for Replacements and General Operating Reserve Fund, as set forth hereinabove.

Section 4. Upon the affirmative vote of sixty percent (60%) of the Class A members of the Association, the properties, improvements, amenities and facilities of the Association may be encumbered as security for funds loaned to the Association. There shall be no other grant, conveyance, or transfer of the properties, improvements, amenities and facilities of the Association except upon the affirmative vote of eighty percent (80%) of the Class A members of the Association.

ARTICLE V

MEETINGS

Section 1. Place of Meetings: Meetings of the Association shall be held at the principal office of the Association or such other suitable place convenient to the members as may be designated by the Board of Directors. Meetings shall be held at least once each year after the formation of said Association.

Section 2. Annual Meeting: The first annual meeting of the Association shall be held on the last Saturday in October following the formation of the Association. Thereafter, annual meetings shall be held on the last Saturday in October of each succeeding year. At such meetings there shall be elected by ballot a Board of Directors in accordance with the requirements of these Bylaws. The Association may also transact such other business as may properly come before it.

Section 3. Special Meetings: It shall be the duty of the President to call a special meeting of the Association as directed by resolution of the Board of Directors or on a petition signed by a majority of the members of the Association having been presented to the Secretary. No business shall be transacted at a special meeting except as stated in the notice unless by consent of more than half of the members entitled to vote and present at the meeting, whether in person or by proxy.

Section 4. Notice of Meetings: The Secretary shall, at least fourteen (14) days in advance of any annual or regularly scheduled meeting, and at least seven (7) days in advance of any other meeting, send to each member of record notice of the time, place and purpose or purposes of such meeting. Such notice shall be sent by United States mail, postage prepaid, to all members at the address of their respective units or to such other address as they shall have designated to the Secretary, or such notice may be hand delivered by the Secretary. The owner(s) of each unit shall designate in writing the person and address to whom notice may be sent. The mailing or delivery of notice in the manner provided in this section shall be considered notice served. Proof of such mailings shall be given by the affidavit of the person giving the notice that such person has substantially complied with this provision.

Section 5. Adjourned Meetings: If any meeting of the Association cannot be organized because a quorum has not attended, the members who are present either in person or by proxy may adjourn the meeting to a time not less than seven (7) days from the time the original meeting was called.

Section 6. Quorum: No meeting can proceed unless at the beginning of such meeting, half of the Class A members of the Association entitled at that time to vote are present, either in person or by proxy. Thereafter, a quorum shall be deemed present throughout the meeting. A quorum will be presumed to be present in the absence of a call to quorum by a Class A member present in person at such meeting.

Section 7. Order of Business: The order of business at all Association meetings shall be as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notices.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of directors (if appropriate).
- (g) Unfinished business.
- (h) New business.

The Association shall elect an executive organ, i.e., an executive and administrative entity, denominated herein by the name "Board of Directors," and designated herein as the governing

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body of the Association. The powers and responsibilities of the same, and the number and the terms of its members are specified herein.

ARTICLE VI

BOARD OF DIRECTORS

Section 1. Number and Qualifications: The Association's affairs shall be governed by a Board of Directors composed of up to nine (9) persons, but in no event shall the Board of Directors consist of less than three (3) persons. Each Director must be a Class A member of the Association and may include individuals designated by Roanoke Properties, as a Class A member, to serve on their behalf during the period of Declarant Control. A Class A member may include any firm, corporation, partnership or other entity which owns a residential unit in Pirate's Cove.

Section 2. Powers and Duties: The Board of Directors shall have and are hereby delegated all of the powers, responsibilities, and duties necessary for the administration of the Association's affairs and may do all such acts and things as are not by law or by these Bylaws exclusively assigned to and directed to be exercised and done only by the members of the Association. The Board of Directors may issue or cause to be issued, upon request by any person, a certificate setting forth whether 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.

Section 3. Budget: The Board of Directors shall at least annually, prior to October 1 of each year, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association as to those portions of Pirate's Cove which have been entrusted to or are owned by the Association, and allocate and assess such common charges against the members of the Association. The common expenses shall include, among other things, and without limitation, such amounts as the Board of Directors deems proper, and subject to the mandatory requirements of these Bylaws, for the operation and maintenance of the common properties, amenities, and facilities of the Association including without limitation, an amount for working capital, for the reserve for replacements, for the general operating reserve, and to make up any deficit in the common expenses for any prior year.

The Board of Directors shall advise each Class A member in writing of his share of common charges and expenses and shall mail copies of each proposed budget to all Class A members at least ten (10) days in advance of its adoption and of each approved budget immediately after adoption thereof.

Section 4. Assessments: The Association shall have the option, with regard to any condominium regimes established in Pirate's Cove of charging and billing that condominium's Unit Owners' Association for the common charges and assessments due from unit owners in the condominium, or of charging and billing each individual condominium unit owner for their share of common charges and assessments as a Class A member of the Association.

Each Class A member shall be subject to and liable for their share of the common charges and expenses due from the Class A membership of the Association according to the following formula: Total charges and expenses of the Association divided by the total number of units in Pirate's Cove, then multiplied by the number of units owned by each Class A member, whether those units be condominium units, townhouse units, or single-family residential lots in a subdivision.

The Association, through the Board of Directors, may also make any special assessments against the Class A members or, in the proper instance, any particular group of Class A members, as the Association deems necessary to operate and maintain the properties, amenities, and facilities owned or entrusted to the Association, including the rights and duties to charge and assess by special assessment for assigned areas of dockage.

All other terms and provisions regarding Assessments are contained in ARTICLE VIII hereof and in the respective Declarations governing each planned community or village in the residential area of Pirate's Cove heretofore or hereafter recorded and to which these Bylaws shall have been attached as an Exhibit.

Section 5: Other Duties: In addition to the duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

- (a) Care and upkeep of the easements, accesses, and rights-of-way of the Association.
- (b) Care, upkeep, maintenance and repair of Pirate's Way, and any other roads, streets and parking areas owned by or entrusted to the Association.
- (c) Collection of quarterly assessments from the members of the Association.
- (d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Association's easements, accesses, rights-of-way, portions of Pirate's Way and other roads and streets, and other common properties, amenities and facilities of the Association.

Section 6. Management: To the extent necessary, and unless the Developer, Roanoke Properties, has contracted otherwise, the Board of Directors must provide for the management of those

properties, amenities, and facilities owned by the Association, including, if required, the employment of a "professional" management agent or entering into a management contract, rather than undertaking "self-management." The Board of Directors may employ for the Association a management agent at a compensation established by the Board of Directors to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 5 of this ARTICLE. Nothing herein shall prevent the Association from entering into an agreement for management with the Developer, Roanoke Properties, under such terms and provisions as shall be contained therein.

Section 7. Election and Term of Office: The term of office of the directors shall be fixed at one year. At the expiration of the term of office of each respective director, his successor shall be elected to serve a term of one year. The directors shall hold office until their successors have been elected, shall qualify, and hold their first meeting. Each Class A member of the Association shall have one vote for each unit owned. The candidates for director receiving the highest number of votes cast shall comprise the Board of Directors, with relation to the total number of directors to be elected.

Section 8. Vacancies: Any vacancy in the Board of Directors occurring between annual meetings of the Association shall be filled by the candidate for director in the last election who received the highest total of votes cast in that election without being elected a director. If such person shall be unable or shall decline to serve as a director, then the Board of Directors shall select a substitute director by majority vote. Each director must be a Class A member of the Association as defined in these Bylaws. Provided, however, that any vacancy in a directorship held by a person designated or appointed by Roanoke Properties under its rights herein shall be filled by the designation and appointment of Roanoke Properties alone.

Section 9. Removal of Directors: At any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a majority of the Class A members, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Class A members shall be given an opportunity to be heard at the meeting.

Section 10. Organization Meeting: The first meeting of the newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the whole Board shall be present.

Section 11. Regular Meetings: Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone, or telegraph, at least ten (10) days prior to the day named for such meeting.

Section 12. Special Meetings: Special meetings of the Board of Directors may be called by the President on three days' notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of all directors.

Section 13. Waiver of Notice: Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 14. Board of Director's Quorum: At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the quorum shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there shall be less than a quorum present, the members present may adjourn the meeting from time to time. At any such meeting scheduled thereafter, any business that might have been transacted at the meeting as originally called may be transacted without further notice. A quorum shall be deemed to be present throughout any meeting of the Board of Directors if persons entitled to cast more than half of the votes in that body are present at the beginning of such meeting.

Section 15. Fidelity Bonds: The Board of Directors may, but need not, require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums for such bonds shall be paid by the Association.

Section 16. Any action that may be taken by the Board of Directors at a duly convened meeting may be taken without a meeting, provided that a written consent to such action is signed by all Directors either before or after such action is taken.

OFFICERS

Section 1. Designation and Qualification: The officers of the Association shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, and one or more Assistant Secretaries and Treasurers as designated by the Board. The President and Secretary shall be elected from the Board of Directors. All officers shall be elected by the Board of Directors. The offices of Treasurer and Secretary may be filled by the same person; however, the offices of President and Secretary shall not be filled by the same person. All officers must be Class A members of the Association and any officer who disposes of his single-family residential unit(s) in fee or for a term or terms of six (6) months or more shall be deemed to have disqualified himself from continuing in office, unless he acquires or contracts to acquire another single-family residential unit under terms giving him a right of occupancy under such disposition or dispositions.

Section 2. Election and Term of Officers: The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers: On an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties that are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the Association's affairs.

Section 5. Secretary: The Secretary shall keep the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of secretary.

Section 6. Treasurer: The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the

Association in such depositories as may from ^{Book} ~~1084~~ ^{Page} ~~0078~~ be designated by the Board of Directors.

Section 7. Vice Presidents: The First Vice Presidents shall act as President at all meetings at which the President is not present and all Vice Presidents shall otherwise perform all duties and functions assigned to them by the Association, Board of Directors, or other officers.

Section 8. Assistant Secretary and Assistant Treasurer: The Assistant Secretary and Assistant Treasurer shall, in the absence or disability of the Secretary or the Treasurer, respectively, have the duties and powers of those offices. They shall, in general, perform any other duties assigned to them by the Board. Specifically, the Assistant Secretary may attest the signature of any officer.

Section 9. Indemnification: Each Director or Officer shall be indemnified by the Association against those expenses which are allowed by the laws of North Carolina and which are reasonably incurred in connection with any action, suit or proceeding, whether completed, pending or threatened, in which such person may be involved by reason of his being or having been a Director or Officer. Indemnification shall be made only in accordance with the laws of North Carolina. The Association may purchase and maintain insurance on behalf of any such Officers and Directors against any liabilities asserted against them whether or not the Association would have the power to indemnify the Officers and Directors against the liability under the laws of North Carolina. If any expense or other amounts are paid by way of indemnification, other than by court order, by action of unit owners or by an insurance carrier, the Association shall provide notice of such payment to the unit owners in accordance with the laws of North Carolina.

ARTICLE VIII

OBLIGATIONS OF THE MEMBERS

Section 1. Assessments: All Class A members are obligated to pay quarterly, in advance, all annual assessments properly imposed by the Association to meet the common expenses of maintenance, repair and improvement to the easements, accesses, rights-of-way, roads, streets, parking areas, bridges, docks, piers, boat slips, utilities, and such other common properties, amenities and facilities as are owned by or entrusted to the Association. The assessments shall be made pro rata according to the number of units owned by each Class A member and the total number of Class A members in the Association or as otherwise stated in these By-Laws. Such assessments shall include quarterly or annual payments to a general operating reserve and a reserve fund for replacements. Such assessments shall be made by the Association quarterly or as often as the Board of Directors may decide. In the event a court of competent jurisdiction shall

rule that a member, other than the Declarant, not liable for the assessments herein provided for, such owner shall pay, in lieu thereof, \$1,200.00 in annual assessments to the Association.

The failure by a Class A member to timely pay their pro rata share of common expense assessments and any special assessments or to perform their obligations hereunder shall be grounds for suspending the rights and privileges of the Class A member (their family, guests, invitees and licensees) in default in the Association. These rights and privileges shall include, but in no wise may be limited to: (1) suspension of the right to be assigned a boat slip of the Association; (2) suspension of the right to use the recreational amenities and facilities of the Association, including the use of any beach access and/or cabana area located on the Atlantic Ocean; (3) suspension of the right to vote in matters of the Association; (4) suspension of the right to hold any office or directorship in the Association; (5) suspension of the right to use any rental program offered by Roanoke Properties; and (6) suspension of any other right or privilege which the Board of Directors may by proper resolution deem appropriate in the event of default by a Class A member of the Association.

Section 2. Lien for Assessments: Any common assessments or special assessments properly levied by the Board of Directors pursuant to these By-Laws together with interest, costs and attorneys' fees and court costs (including those for appeals) actually incurred by the Association for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the residential unit against which such assessment is made. Each such assessment, together with interest, costs and attorneys' fees and court costs (including those for appeals) incurred as aforesaid, shall also be the personal obligation of the person who was the owner of the residential unit at the time when the assessment fell due. Subject to the rights and positions of any first mortgagees, the personal obligation for delinquent assessments shall be the joint and several obligation of such owner and the successors-in-title to such owner. The Board of Directors shall deposit all monies collected in one or more accounts as it shall elect. A late fee of, initially, fifteen dollars (\$15.00) shall be charged for each delinquency in the payment of assessments, which such fee is subject to proportionate increases with any increase of the operating budget of the Association.

The lien herein provided for may be claimed by notice and enforced by civil action in the nature of the enforcement of a laborer's and materialmen's lien against real property pursuant to N.C.G.S. Section 44A-7 et. seq. or, in the sole discretion of the Association, by civil action in the nature of the foreclosure of the lien of a deed of trust.

Section 3. Exempt Property: Any single-family residential units (whether such units are condominium units, townhouse units, or single-family lots in a subdivision) which shall be owned by

the Developer of Pirate's Cove, Roanoke Properties, its successors and assigns, and which shall remain unconveyed to third party purchasers, shall not be subject to the common charges and assessments herein established. In lieu of the payment of said sums on units owned by Roanoke Properties or its successors and assigns, Roanoke Properties may elect, in its sole discretion, to pay for actual operating expenses in excess of the collections of assessments herein provided for to the extent that said excess would be otherwise payable for units then remaining unsold and still owned by Roanoke Properties.

In the event Roanoke Properties becomes legally obligated, by appropriate court order, or otherwise, to pay the common charges and assessments due and owing on condominium units remaining unsold and still owned by Roanoke Properties, such obligation shall apply only to condominium units in Pirate's Cove owned by Roanoke Properties and shall not apply to any other units owned by Roanoke Properties, whether those units be townhouse units or single-family residential lots in a subdivision.

The Association shall only be financially responsible for and shall only charge and collect assessments for the improvements, properties, amenities and facilities owned by or entrusted to the Association. The Declarant and Developer of Pirate's Cove, Roanoke Properties, or its successors and assigns, shall have the option, in its sole discretion, to convey, grant, or otherwise transfer such improvements, properties, amenities and facilities as have been completed or as have been subjected to duly recorded Declarations of residential use only, at such times as Roanoke Properties shall deem appropriate. Unless and until such improvements, properties, amenities and facilities are conveyed, granted, or otherwise transferred to the Association, the Association shall not be financially responsible for and shall not charge and collect assessments for their maintenance, improvement, repair, replacement, and operation.

Section 4. Unpaid Assessments Upon Foreclosure: When the mortgagee of a duly recorded first mortgage or other purchaser of a unit obtains title to such unit by reason of foreclosure of a duly recorded first mortgage covering the unit, such acquirer of title, his successors, heirs, personal representatives and assigns, shall not be liable for any unpaid assessments against an owner of the unit for his pro rata share or for expenses assessed by the Association which became due prior to the acquisition of title to such unit by such acquirer.

Section 5. Maintenance and Repairs: Class A members of the Association shall reimburse the Association for any expenditures incurred in repairing or replacing any of the easements, accesses, rights-of-way, roads, streets, parking areas, bridges, docks, piers, boat slips, and other properties, amenities and facilities owned by or entrusted to the Association which are damaged by such Class A members directly or by reason of the failure, refusal or neglect of such Class A members to perform

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any obligations of a Class A member. The Association may, at its option, perform any obligation imposed upon Class A members by these Bylaws or any other rules and regulations of conduct adopted pursuant hereto which any Class A member fails to perform and may initiate legal action to effect reimbursement for the expenditures made in carrying out the delinquent Class A member's obligation. However, such option of the Association does not obligate the Association to exercise such option. The Board of Directors may suspend the rights and privileges of a Class A member of the Association in violation of this provision pursuant to Article VIII, Section I herein, which shall extend to the family, guests, lessees and invitees of any such Class A member.

ARTICLE IX

MISCELLANEOUS

Section 1. Rules of Conduct:

(a) No Class A member, his family, guests, lessees, or invitees shall commit any act which will result in an increase in the rate of any policy of insurance maintained by the Association or violate any provision in respect to any policy of hazard insurance or liability insurance for the protection of the Association and covering the property, amenities and facilities owned by or entrusted to the Association.

(b) The Association shall adopt and enforce Rules of Conduct for the Association, and shall require that each Class A member post such Rules of Conduct within their respective residential units. Such rules shall be adopted by a majority vote of Class A members at a duly convened meeting and may be amended in like manner. The Rules of Conduct so adopted shall be binding upon all members of the Association, their families, guests, lessees and invitees as fully as if set forth word for word in these Bylaws.

Section 2. Amendments to Bylaws: These Bylaws may be amended by the Association in a duly constituted meeting for such purpose, by a 2/3rds vote of all Class A members of the Association and no amendment shall take effect until notice is given by mail to the last known address of all members of the Association.

Section 3. Notice to Association: A Class A member who mortgages his unit shall, in writing, notify the Association through the management agent, if any, or the President of the Board of Directors in the event there is no management agent, of the name and address of his mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units."

Any first mortgagee who comes into possession of a unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged unit which accrue prior to the time such holder comes into possession of the unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all units including the mortgaged unit).

Section 4. Right of Inspection and Examination: The books, contracts, records, documents, bank statements, budgets, audit reports, and papers of the Association and all of the property of the Association shall be subject to inspection, examination, and copying by all first mortgagees of record or their duly authorized agents at all reasonable times, and by all the members of the Association.

Section 5. Insurance:

(a) The Association shall obtain and maintain in force property insurance on the properties, amenities and facilities owned by or entrusted to the Association insuring against all risks of direct physical loss commonly insured against including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall not be less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies. The cost of the insurance policies so maintained shall be a common expense of the Association.

(b) The Association shall obtain and maintain in force liability insurance in reasonable amounts, at the discretion of the Board of Directors, covering all occurrences commonly insured against such as death, bodily injury and property damage arising out of or in connection with the use, ownership, or maintenance of the properties, amenities, and facilities owned by or entrusted to the Association. The cost of the insurance policies so maintained shall be a common expense of the Association.

(c) As soon as any policy of insurance obtained pursuant to this Section shall be obtained by the Association, written notice of the obtainment thereof and of any subsequent changes therein or the termination thereof shall be furnished to each member of the Association by mailing notice thereof to each member in their notice of the next annual meeting of the Association.

Section 6. Gender and Grammar: The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other entities or to individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

Section 7. Interpretation: The provisions of these Bylaws shall be liberally construed to effectuate its purpose of creating a comprehensive Property Owners' Association for the residential area of Pirate's Cove and for the uniform governance thereof. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. These Bylaws shall be read as cumulative to and not in limitation of applicable declarations of condominium and other declarations governing land or property within the residential area of Pirate's Cove along with all exhibits thereto. In the event of any conflict therewith, these Bylaws shall take precedence over such declarations. The Board of Directors of the Association shall be the ultimate interpreter of these Bylaws and an opinion of counsel stating that any such interpretation is not unreasonable shall establish the validity of any such interpretation.

Section 8. Tax Status: The Association shall seek to maintain the tax status of a not-for-profit corporation, along with all the rights and benefits thereto appertaining, pursuant to Section 501(c) of the Internal Revenue Code.

Section 9. Severability: Invalidation of any one of the provisions of these Bylaws or any part thereof by judgment or court order shall in no way affect any other provision which shall remain in full force and effect.

Section 10. Notices: All notices required to be sent under any of the provisions of these Bylaws shall be sufficient and shall be deemed sent when the Secretary of the Association, or such other person duly designated by the Board of Directors, shall post the same in the mails of the U. S. Postal Service addressed to the last known address of the person or persons to whom notice is due. Proof of notice shall be sufficient by the affidavit of the person giving the notice that such person has substantially complied with this provision.

Section 11. Development Rights and Responsibilities: Roanoke Properties has reserved unto itself, its successors and assigns non-exclusive easements over and through Pirate's Way, the roads, streets, docks, piers, boat slips and other areas in Pirate's Cove for the use and enjoyment of Roanoke Properties, its agents, employees, successors and assigns. Roanoke Properties has reserved the right to develop and improve lands and properties in Pirate's Cove according to its Master Plan and as it, in its sole discretion, deems appropriate and has reserved the right to create additional planned unit communities or villages in Pirate's Cove and to add such to the Pirate's Cove Homeowners' Association, Inc. The plans of Roanoke Properties are to build and develop approximately 627 residential units in the Residential Area of Pirate's Cove, whether those units are condominium units, townhouse units, or lots in a subdivision, but no assurances are given that any or all of such units shall be

constructed or developed. To the extent such units are completed, they will be added to the Pirate's Cove Homeowners' Association, Inc., and the owners thereof will be obligated to pay their pro rata share of the common expenses of said Association.

Notwithstanding anything contained herein to the contrary, the following shall be and remain the responsibility of the Declarant, Roanoke Properties, its successors and/or assigns, to include the Pirate's Cove Homeowners' Association, Inc.:

(1) Roanoke Properties shall, subject to the approval of the Town of Manteo and its engineers, design, construct and install a sewage transmission line, consisting, inter alia, of a lift station, force main, valves, standby power and appropriate measuring devices adequate to meet the projected needs of Pirate's Cove, that runs from Pirate's Cove to the Town's existing sewage collection system in the vicinity of the Christmas Shop on U.S. Highway 64/264. Roanoke Properties shall bear the cost of any re-routing of sewer lines which may be necessary in order to distribute 90,000 gallons per day of wastewater to Manteo's two existing sewer plants. Upon completion of the said wastewater transmission line, Roanoke Properties warrants that it shall pay Manteo for any repairs made by Manteo during the next succeeding 24 month period. Manteo shall thereafter own and maintain said wastewater transmission system from the point of connection near the Christmas Shop on U.S. Highway 64/264. In the event the North Carolina Department of Transportation requires the relocation of these lines, then all costs associated with the removal and replacement shall be the sole responsibility of Roanoke Properties and/or their successors and assigns.

(2) Roanoke Properties shall, subject to the approval of Manteo and its engineers, also design, construct and install a water supply line system from the area of Midway to Pirate's Cove. Said water supply line system shall be of adequate size to meet the projected requirements of Pirate's Cove, i.e. 300,000 gallons per day. In the event that North Carolina Department of Transportation requires the relocation of these lines, then all costs associated with the removal and replacement shall be the sole responsibility of Roanoke Properties and/or their successor and assigns. Roanoke Properties warrants the water supply line system for a period of 24 months following the Town's acceptance, Manteo shall thereafter own and maintain said water supply line system from the point of connection with the existing water line near Midway to the water distribution system within Pirate's Cove up to and including the individual meters.

(3) The Town of Manteo has covenanted that up to 300,000 gallons per day of water capacity will be provided to Pirate's Cove once construction of the water supply line system to Pirate's Cove is completed. Roanoke Properties shall pay all costs and fees incurred in obtaining the allocation of 300,000 gallons per day of water from Dare County. Roanoke Properties

acknowledges that in order to increase its allocation to provide for the 300,000 gallons of water to Pirate's Cove, Manteo has had to enter into a new Water Purchase Contract with Dare County which contract will abrogate the terms and provisions of that certain Water Purchase Contract dated May 31, 1977 between Manteo and the County of Dare and Addendums thereto. In consideration for the Town of Manteo entering into a new contract with Dare County, Roanoke Properties has paid or will pay to the Town a sum equal to the difference between the Town of Manteo's present rate of .73 cents per one thousand gallons multiplied by the capacity of 400,000 gallons and the increased rate of .92 cents per one thousand gallons multiplied by 400,000 gallons capacity, .92 per one thousand gallons being the initial rate to be charged to the Town of Manteo by Dare County under the new Water Purchase Contract. Further, Roanoke Properties has agreed to reimburse Manteo for all increases in the rate charged to Manteo by Dare County over .92 cents per one thousand gallons for a period of four (4) years from the date of execution of that certain Agreement by and between Roanoke Properties and the Town of Manteo, as the same applies to the total sum of 400,000 gallons.

Any of the foregoing rights and responsibilities of the Declarant, Roanoke Properties, its successors and assigns, may be transferred and assigned, at the sole discretion of Roanoke Properties, to the Pirate's Cove Homeowners' Association, Inc.

Section 12. Boat Slip Committee. The Board of Directors of the Association shall appoint, by majority vote, no less than five (5) Class "A" members of the Association to constitute the Boat Slip Committee of the Association. Each member of the said committee must be eligible for assignment of a boat slip in the residential area of Pirate's Cove in accordance with the Rules and Regulations of the Association for administration and assignment of the docks, piers and boat slips owned by or entrusted to the Association.

The Boat Slip Committee shall be responsible for:

(a) Establishing the size, location and numbers of boat slips and considering applications and assigning boat slips in the residential area of Pirate's Cove;

(b) Recommending to the Board of Directors and the membership of the Association such further rules and regulations as they may deem proper for the administration and assignment of the docks, piers and boat slips owned by or entrusted to the Association.

(c) recommending to the Board of Directors and the membership of the Association capital improvements to be made to the docks, piers and boat slips in the residential area of Pirate's Cove.

(d) recommending to the Board of Directors and the membership of the Association the amount and manner of payments of dues and special assessments for specific allocation to maintenance, repair and replacement of boat slips in the residential area of Pirate's Cove.

(e) such other further duties and responsibilities delegated to the Boat Slip Committee by the Board of Directors and membership of the Association with regard to the docks, piers and boat slips in the residential area of Pirate's Cove.

IN WITNESS WHEREOF, we the undersigned, being all of the Directors of the Pirate's Cove Homeowners' Association, Inc., have hereunto set our hands this _____ day of _____, 1988.

/s/ James R. Rogers, III
Director

/s/ Barry W. Martin
Director

/s/ Michael A. Zimmerman
Director

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of Pirate's Cove Homeowners' Association, Inc., a non-profit incorporated association organized and existing under the laws of the State of North Carolina, and that the foregoing Bylaws constitute the original Bylaws of the Association, and were duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 1988.

IN WITNESS WHEREOF, I have hereunto subscribed my name this _____ day of _____, 1988.

Secretary