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STATE OF NORTH CAROLINA

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COUNTY OF DARE

REVISED BY-LAWS OF VILLAGE AT
NAGS HEAD PROPERTY OWNERS ASSOCIATION

DARE COUNTY, N.C.

INTRODUCTION

By Articles of Incorporation dated May 26, 1981, filed of record in the office of the Secretary of State of North Carolina on May 24, 1982, a non-profit North Carolina corporation named Nags Head Village Owners' Association, Inc. was chartered. The name of the corporation was subsequently changed to Village at Nags Head Property Owners Association. Subsequently, the initial By-Laws of the Association were adopted, and were recorded in Book 528, Page 0748 et seq., Dare County Registry. The Articles of Incorporation and By-Laws of Village at Nags Head Property Owners Association required that all property owners within that development generally known as The Village at Nags Head be and become members of Village at Nags Head Property Owners Association, with each such owner obligated to pay dues and assessments thereto.

Subsequent to the recordation of such documents, a condominium development named The Quay Condominium was created, and a duplex project named Sea Pointe was constructed, by entities associated with the owners of the entire tract of land referred to as The Village at Nags Head at the time of recordation of the Articles of Incorporation of Village at Nags Head Property Owners Association. Subsequent to these two named projects being constructed, the balance of the residential real estate, and other properties within The Village at Nags Head, were conveyed to Ammons Dare Corporation. Ammons Dare Corporation has succeeded to the Planned Development rights of the initial incorporator of Village at Nags Head Property Owners Association, and has continued to subdivide and develop The Village at Nags Head in accordance with a master plan of development which has been reviewed by and approved by the Town of Nags Head. The master development plan includes out parcels which have been sold, or which are being offered for sale, to third parties, both for purpose of construction of residential living units thereon, and for non-residential purposes.

The Articles of Incorporation and By-Laws of Village at Nags Head Property Owners Association establish a procedure where votes are cast on an acreage owned basis by all those owning residential and non-residential property within The Village at Nags Head. It has been recognized by a majority of the membership of Village at Nags Head Property Owners Association that such system is not appropriate for the ongoing operation of Village at Nags Head Property Owners Association as Ammons Dare Corporation completes its development, since a preponderance of real estate

will be owned by non-residential owners, such as the owner of the Nags Head Golf Links, and that such non-residential property owners both have no direct interest in the operation and administration of the Village at Nags Head Property Owners Association and its properties, and further, that the owners of such non-residential properties do not wish to contribute dues and assessments to support the operation of the Village at Nags Head Property Owners Association and its properties.

Therefore, in contemplation of the transition of control of the Board of Directors of Village at Nags Head Property Owners Association from Ammons Dare Corporation and other non-residential property owners to the owners of individual Lots and Living Units within The Village at Nags Head, the directors and membership of Village at Nags Head Property Owners Association, as allowed and authorized by Article XI of the By-Laws of the Village at Nags Head Property Owners Association, have amended its By-Laws, and have duly adopted the By-Laws set out herein, upon vote duly taken and unanimously approved by its Board of Directors in a meeting duly held on the 6th day of April, 1995, and in a special called and duly constituted meeting of the membership of the Village at Nags Head Property Owners Association held on the 10th day of June, 1995. Based upon the unanimous vote of the Board of Directors of the Village at Nags Head Property Owners Association, and a majority vote of the members entitled to vote, the following By-laws have been duly adopted, and are until further amended, the duly constituted By-Laws of the Village at Nags Head Property Owners Association.

ARTICLE I. Definitions

As used within these By-Laws and the Amended and Restated Articles of Incorporation of the Village at Nags Head Property Owners Association (the "Articles"), the following terms, unless otherwise specified, shall have the following meaning:

1. Association. The Village at Nags Head Property Owners Association, a North Carolina non-profit corporation (formerly known as Nags Head Village Owners' Association, Inc.).
2. Developer. Ammons Dare Corporation, a North Carolina corporation.
3. Inactive Member. An owner of real estate within the Village, which real estate is neither a Tract, nor contains one (1) or more Lots or one (1) or more Living Units.
4. Living Unit. A structure intended for utilization as a residential dwelling, exclusive of motels, hotels and other such

structures typically consisting of multi-family units rented through a central, on-site rental agency, for one (1) night and longer periods, with daily rental charges.

5. Lot. Any parcel of land within the Village intended for construction thereon (or having situate thereon) a residential Living Unit.

6. Member. The owner of each Lot and/or Living Unit within the Village, the owner of each Tract within The Village, the Developer, and each Inactive Member, as more fully described hereinafter.

7. Subdivision. A residential community within the Village depicted on a recorded subdivision plat of a parcel of land within the Village. The Subdivisions in existence upon adoption of these Amended By-Laws are as set out on Exhibit B attached hereto.

8. Tract. A parcel of land within the Village held for purpose of future subdivision or development into more than one (1) Lot, or intended to contain more than one (1) Living Unit, as reasonably determined by the Developer or the Association.

9. Village or The Village. The property consisting of the planned development generally referred to as The Village at Nags Head or Nags Head Village, located on real property more fully described on Exhibit A attached hereto.

ARTICLE II. MEMBERSHIP

1. Members. Every owner of real estate within the Village shall be a Member, and each Member shall be either a Voting Member or an Inactive Member. The Association shall have no other or additional members.

2. Categories of Membership. Members with voting rights shall consist of three (3) subcategories:

- A. The Developer;
- B. Individual Members; and
- C. Tract Members.

The owner of each Lot or Living Unit not otherwise excluded by a specific provision of these By-Laws shall be an Individual Member. The owner of each Tract shall, as to each separate Tract, be a Tract Member. The Tract Members in existence

at the time of the adoption of these Amended By-Laws are as set out on Exhibit C attached hereto.

In addition to these categories of Voting Members, the owners of all additional real property within the Village (which real estate is utilized or intended for utilization for non-residential purposes) are Inactive Members, if such Inactive Member has executed a consent to its designation as an Inactive Member. Any Member otherwise qualifying as an Inactive Member shall be deemed a Tract Member if said Member fails or refuses to execute a consent to designation as an Inactive Member.

ARTICLE III. VOTING RIGHTS

1. Votes. Except as specified hereinafter for The Quay Condominium, there shall be one (1) vote allocated to each Individual Member; and there shall be allocated one (1) vote for each Tract. No Inactive Member shall have any vote. There shall be only one (1) vote allotted to each Living Unit on a Lot, and there shall be no distinction in voting between the owner of a Lot without a Living Unit constructed thereon, and a Lot with a Living Unit constructed thereon.

There shall be only one (1) person with respect to each Lot and each Tract who shall be entitled to vote at any meeting of the Association. Such person shall be known as the "Voting Member." The Voting Member shall be selected by agreement of the owners of each Lot or Tract, or by the Association if no agreement is reached among the owners of any Lot or Tract.

2. Transfer of Membership. The Association shall not issue stock. Membership in the Association may be transferred only as an incident to the transfer of real estate within the Village. Transfer of membership shall become effective only upon recordation in the Office of the Register of Deeds of Dare County of a Deed of Conveyance passing the legal ownership of real property within the Village, or upon the passing of legal ownership by another valid and public means (such as by will).

3. Condominium Members. The Quay Condominium, because it is a condominium project under the laws of the State of North Carolina, with a density in excess of five (5) living units per acre, shall be assessed dues and shall be allocated votes differently than those dues assessed, and votes cast by Individual Members. The owner of each condominium Living Unit within The Quay shall be an Individual Member, but each such Individual Member shall be entitled to cast one-half (1/2) of one (1) vote on all matters before the Association, and each such Member shall pay dues equal to one-half (1/2) the dues paid by all Individual Members

other than Individual Members owning a Living Unit at The Quay Condominium.

ARTICLE IV. ASSOCIATION MEETINGS

1. Annual Meetings. There shall be an annual meeting of Members of the Association. The Annual Meeting of the Association shall be held the Saturday following Thanksgiving of each year, unless another and different date is established by the Board of Directors of the Association. The location of the meetings shall be at a designated location within Dare County specified in the notice of the meeting.

2. Notices. Notice of each annual meeting shall be given by first class mail to each Member at said Member's last known address a minimum of fifteen (15) days prior to such meeting. Said notice shall specify the time and place for the annual meeting, shall include a list of nominees for each directorship to be filled at said annual meeting, shall contain a proxy for utilization by each Member if said Member is not intending to attend the meeting, and shall further include a copy of the proposed budget for the following year for the Association, and a statement of any proposed amendment to the Articles or By-Laws of the Association.

3. Special Meeting. A special meeting of the Members may be called at any time by the President of the Association, by a majority of the Board of Directors of the Association, and shall also be called by the Board of Directors of the Association upon receipt of a Petition requesting a special meeting signed by a minimum of fifty (50) members of the Association. Notice of each Special Meeting shall be given in the same manner as notice of the annual meeting. No action may be undertaken at a special meeting that is not specifically noticed to the Members in the notice thereof. All notices shall be mailed to or served at the address of each Member as such address appears on the books of the Association. Each Member shall have an affirmative obligation to notify the Association of said Member's mailing address, and each Member shall further have an obligation to notify the Association of the identity and address of a successor in interest to ownership of real estate within the Village transferred by a Member.

ARTICLE V. QUORUM

A quorum at any regular or special meeting of the Association shall consist of Members holding at least ten percent (10%) of the total votes entitled to be cast at the meeting.

ARTICLE VI. PROXIES

Proxies duly executed in accordance with a format established by the Board of Directors of the Association shall be valid, and, for purposes of establishing quorum and voting, shall be treated as though the Member giving the proxy is in attendance. A proxy duly executed, but not denoting specifically thereon a holder thereof, shall be deemed a proxy given to the President of the Association.

ARTICLE VII. CONDUCT OF BUSINESS

The Board of Directors of the Association shall determine an agenda for each regular and special meeting of the Association. The Agenda for each regular meeting shall include the following:

1. Review of the minutes of the previous meeting;
2. Vote on approval of the budget of the Association if required;
3. Nomination of and voting for directors of the Association;
4. An opportunity (which may be limited in time) for any Member wishing to address the membership to be given the opportunity to do so; and
5. Such other business as may be scheduled by the Board of Directors.

ARTICLE VIII. DIRECTORS

1. Number of Directors. The number of directors of the Association shall be seven (7). Upon adoption of these Amended By-Laws, there shall be no change in the term of any Director elected or appointed prior to the adoption hereof; however, upon expiration of such terms, each newly elected Director shall serve for a term of three (3) years.

2. Selection. Directors shall be elected by vote of the Members of the Association. The number of candidates equal to the number of vacancies receiving the highest number of votes cast, shall be elected. Cumulative voting shall not be allowed. Voting shall be by written ballot unless the number of candidates is equal to the number of vacancies, in which event the vote shall be taken by show of hands or by motion made and unanimously approved that the slate of candidates be selected by acclamation.

3. Membership. Each director must be a Member of the Association. Any director whose membership terminates by virtue of transfer of property, or otherwise, shall be deemed to have resigned from the Board of Directors as of the date of the transfer of title to said real estate.

4. Removal and Vacancies. The Members may at any regular or special meeting remove any director previously elected. Such removal shall require an affirmative vote of a majority of all of the Members of the Association (not a majority of the Members voting). Said removal may be without cause.

Any director not completing a term shall be replaced until the next annual meeting of the Association by the Board of Directors of the Association. At the next annual meeting following the creation of a vacancy, the Membership shall elect a replacement director to serve the unexpired term of the removed or resigned director. If a director is removed at an annual meeting, a replacement director may be elected by the Membership at that meeting, but only if the vote for removal was noticed to the Members with the notice of annual meeting.

5. Meetings. The Board of Directors shall meet on a schedule adopted by it, which shall require a meeting no less frequently than quarterly. Generally, meetings of the Board of Directors shall be open to attendance by any Member, but no notice of any special meeting must be given to the membership. Notices of regular meetings and notices of special meetings shall be posted as more fully set out hereinafter. The Board of Directors, at its discretion, may hold closed meetings to discuss matters most appropriately discussed in private, such as, but not limited to, legal matters, employment matters, disciplinary matters and property transactions. No Member shall be entitled to participate in any meetings, however, but may do so at the pleasure of the Board of Directors. Notice of the regularly scheduled quarterly meeting of the Board of Directors shall be announced at each annual meeting of the Association; notice of other meetings, which may be held without mailed notice to the Membership, shall be posted at least three (3) days prior to the meeting (except in case of an emergency meeting) on the bulletin board of the Nags Head Golf Links, or at such other public place as may be determined by the Board of Directors if said bulletin board at the Nags Head Golf Links is not available for utilization. Conferences among Directors may be held by telephone conference call without notification to the Members, but minutes of said calls shall be maintained and shall be available to the Members.

6. Quorum. A quorum for the transaction of business at any regular or special meeting of the Board of Directors shall

consist of a majority of the then sitting members of the Board of Directors.

7. Compensation. Neither the directors nor the officers of the Association shall receive compensation solely for holding such office, unless such compensation is approved by majority vote of the Members in attendance at a duly constituted meeting of the Association, after notice of the proposal is provided to all Members.

8. Committees. The Board of Directors of the Association shall appoint such committees as it deems necessary or desirable. Such committees shall include the following:

- A. A Nominating Committee;
- B. An Architectural Control Committee; and
- C. A Financial Committee.

i. Nominating Committee. The Nominating Committee shall consist of a minimum of three (3) Members, one (1) of whom shall be a member of the Board of Directors whose term is not expiring as of the next annual meeting. At least two (2) of the members of the Nominating Committee shall not be members of the Board of Directors. The Nominating Committee shall submit to the Board of Directors a number of candidates for vacancies to be filled in directorships as of the next annual meeting of the Association. Such list of nominees shall be provided to the Board of Directors a minimum of forty (40) days prior to the date of the annual meeting of the Association. The Nominating Committee can submit a number of candidates equal to or greater than the number of vacancies. Directors may be re-elected, but no director may serve more than nine (9) consecutive years as a director. The Nominating Committee shall procure the consent to serve from each nominee.

In determining nominees for the Board of Directors, the Nominating Committee shall use best efforts to nominate candidates so that the Board of Directors constitute a fairly representative body relating to the Village. To this end, the Nominating Committee shall use best efforts to have representation on the Board of Directors from those who are permanent residents within the Village, those who own Living Units primarily for rental purposes, and those utilizing Living Units, primarily, as second homes. Furthermore, the Nominating Committee shall attempt to have representation from a diverse group of Subdivisions within the Village. While there shall be no guarantee of any representation on any particular Board of Directors from any particular

constituent group, an effort shall be made to rotate members of the Board of Directors among the various constituent groups.

In addition to candidates nominated by the Nominating Committee, said list of candidates shall be supplemented by the following:

a. Any Member desiring to stand for election, if said Member submits to the Board of Directors at least thirty-five (35) days prior to the date of an annual meeting a request to stand, supported by a petition signed by a minimum of twenty-five (25) Members; and

b. Nominations may be accepted from the floor at the annual meeting, but all such nominees must be in attendance, or must have consented, in writing, to stand for election.

ii. Architectural Control Committee. The Architectural Control Committee ("Committee") shall consist of at least three (3) Members, one (1) of whom shall be a member of the Board of Directors, and at least two (2) of whom shall not be members of the Board of Directors. The Committee shall perform those functions delegated to it as more fully set out hereinafter, or as otherwise directed by the Board of Directors of the Association.

iii. Financial Committee. The Financial Committee shall consist of at least three (3) Members, no more than one (1) of whom may be a member of the Board of Directors. The Financial Committee shall, as requested by the Board of Directors, assist in the preparation of the annual budget of the Association and shall assist in the determination of the establishment of appropriate replacement reserves. It shall, as it deems appropriate, review the financial practices, accounting systems and financial transactions of the Association. There shall be conducted an audit of the financial affairs of the Association upon written request of the Finance Committee to the Association, which audit shall be at the expense of the Association.

9. OFFICERS: POWERS AND DUTIES

Section 1. The President. He shall be the Chief Executive Officer of the Association; he shall preside at all meetings of the Members and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association and other officers. He shall sign all written contracts of the Association and shall perform and have the powers necessary to perform all of the duties incident to this office and that may be delegated to him from time to time by the Board of Directors.

Section 2. The Vice-President. He shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the Board of Directors.

Section 3. The Secretary-Treasurer.

A. He shall issue notices of all Board of Directors meetings and all meetings of the Members; he shall attend and keep the minutes of the same; he shall have charge of all of the Association's books, records and papers.

B. He shall have the custody of the Association's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and he shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated from time to time by the Board of Directors.

C. He shall disburse the funds of the Association as may be ordered by the Board in accordance with these By-Laws, making proper vouchers for such disbursements, and shall render to the President and Board of Directors at the regular meeting of the Board of Directors, or whenever they may require it, an account of all of his transactions as Treasurer and of the financial condition of the Association.

D. He shall collect the assessments and shall promptly report the status of collections and of all delinquencies to the Board of Directors.

E. He shall also give status reports to potential transferees of property within the Village of Nags Head, on which reports the transferees may rely. The liability of the transferor shall continue following a transfer of property, and all such transferees shall also be deemed liable for past due assessments (other than institutional mortgagees or purchasers at institutional mortgage foreclosure sales).

Section 4. The Secretary-Treasurer. The office of the Secretary-Treasurer may be divided between two individuals, one Secretary and one Treasurer.

Section 5. Manager. If the Association elects to hire a manager, any or all of the duties set out herein may be transferred to such manager, upon proper supervision and safeguards by the directors and officers. These duties may only be transferred with the authorization and approval of the Board of Directors. However, the Association may not delegate to the manager the authority to borrow money or to sign conveyances.

Section 6. Bond. All officers or other employees who are authorized to sign checks may be bonded in an amount equal to the total anticipated assessment for a full year, and such bond shall be a common expense of the Association.

Section 7. Selection of Officers. The officers shall be selected by the Board of Directors at the annual meeting of the directors, and may or may not be from the ranks of the directors. Each officer shall serve at the pleasure of the Board of Directors.

Section 8. Qualification of Officers. An officer need not be a Member. At least two of the officers shall be Members. No Member shall be eligible for election as an officer if he is more than 15 days delinquent in the payment of any assessment. A transfer of title of his Lot or Living Unit by an officer who is a Member shall automatically operate as his resignation as an officer.

ARTICLE IV. POWERS OF THE ASSOCIATION

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

Section 1. Articles of Incorporation. All of the power specifically set forth in the Articles of Incorporation of the Association, as amended from time to time, and all of the power incidental thereto.

Section 2. By-Laws. All of the powers specifically set forth in these By-Laws and all of the powers incidental thereto.

Section 3. Miscellaneous Powers.

A. To use and expend the assessments collected to carry out the purposes and powers of the Association;

B. To employ attorneys, accountants and other professionals as the need arises;

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

D. To own and/or operate utility services, such as, but not limited to, cable television;

E. To provide public utilities or services deemed necessary or desirable, by the Board of Directors of the Association.

Association, to include, but not be limited to, transportation systems or waste or garbage disposal systems; and

F. To perform such other acts and functions as may be determined by the Board of Directors of the Association to be in the best interest of a significant number of Members of the Association, to the extent that such activity is related to the ownership, maintenance, upkeep or utilization of the Village.

ARTICLE V. FINANCE AND ASSESSMENTS

Section 1. Depository. The funds of the Association shall be deposited in a bank designated by the Board of Directors, in an account for the Association, under resolutions approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by any designated officer(s) or agent(s) of the Association. All notes of the Association shall be signed by any two of the officers of the Association.

Section 2. Fiscal Year. The fiscal year for the Association shall begin on the first day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America at such time as the Board of Directors deems it advisable.

Section 3. Determination of Assessments.

A. The Board of Directors of the Association shall prepare annually a proposed budget for the upcoming fiscal year of the Association. The budget shall be based upon the sum or sums determined necessary and adequate by the Board of Directors of the Association for the common expenses of the Association. Common expenses shall include expenses for the operation, maintenance, repair, or replacement of any real or personal property owned by the Association, the cost of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, taxes, and any other expenses projected by the Board of Directors of the Association as a common expense and as authorized by a provision of the Articles of Incorporation of the Association or these By-Laws.

The annual assessment for the upcoming year shall be determined based upon the proposed budget of the Association. The assessment charged to each Member shall be determined by dividing the total budget of the Association by the total number of votes entitled to be cast at the upcoming annual meeting. As an example, if the Association budget is FORTY THOUSAND AND 00/100 DOLLARS

(\$40,000.00), and if there are four hundred (400) votes allowed to be cast, each assessment shall be ONE HUNDRED AND 00/100 DOLLARS (\$100.00) per vote per year. The Individual Members of The Quay Association, who shall be entitled to cast one-half (1/2) vote per Individual Member, shall pay one-half (1/2) the dues due and payable by all other Individual Members. The assessments due and payable by each Member shall be calculated by multiplying the assessment payable per vote times the total number of votes a Member is entitled to cast. Notice of the proposed assessment per Member shall be included with the notice of annual meeting of the Association and as a part of the proposed budget of the Association.

The proposed budget of the Association shall be deemed approved without vote of or consent by the Members if the proposed assessment per vote does not increase over that of the previous year. However, if there is an increase, the proposed budget shall be submitted to vote by the Members at the annual meeting of the Association. The budget of the Association shall be deemed approved, as recommended by the Board of Directors, unless a majority of the Members of the Association vote to reject the proposed budget (not a majority of those in attendance); in such event, the assessments for the upcoming year shall be equal to the assessments for the preceding year, and the Board of Directors of the Association shall formulate a budget based on such revenues.

Assessments shall be due and payable annually, in advance, on a date established by the Board of Directors of the Association.

B. When the Board of Directors has determined the amount of any regular or special assessment, the Secretary-Treasurer of the Association shall mail or present a statement of the assessment to each of the Members. All assessments shall be payable to the Association in care of the Secretary-Treasurer of the Association, or as otherwise directed from time to time by the Association.

C. The Board of Directors, in preparing its annual budget, is expressly permitted to establish a capital improvement and repair fund for utilization by the Association in the maintenance, improvement, and repair of the common properties or properties it maintains. Special assessments may be for any purposes, including capital improvements or repairs, to the extent adopted in accordance with the procedures set out in these By-Laws.

Section 4. Delinquent Assessments. In the event an assessment is not paid within thirty (30) days of the date it is due and payable, the Association, through its Board of Directors, may proceed to enforce and collect the said assessment, plus

interest at the rate of 12% per annum against the Member owing the same in any manner allowed by North Carolina law, or as allowed by these By-Laws.

Section 5. Collection and Enforcement. In connection with any assessment, the Association shall have all of the powers, rights, privileges and legal remedies provided for in these By-Laws and in accordance with North Carolina law concerning collection and enforcement. Furthermore, the owner of each property subject to assessment grants to the Association the right to file a lien, in the nature of a mechanic's or materialman's lien, in the Office of the Register of Deeds of Dare County, which lien shall encumber the property against which the same is filed, and which lien may be foreclosed upon by the Association in the manner of a foreclosure of a deed of trust with power of sale under the provisions of North Carolina law. These By-Laws shall be deemed to grant to the President of the Association a power of sale.

All costs of collection of any assessment, regular or special, including the cost of preparing and filing a lien, procuring a civil judgment, or causing a foreclosure of real property, shall be charged to the Member in default, and it shall be a lien and charge against the property of the delinquent Member, and all such costs and expenses, specifically including attorneys fees incurred, shall be collected as though additional dues and assessments.

Section 6. Foreclosure. Where the mortgagee of a first mortgage of record or other purchaser of assessable property obtains title to such property as a result of foreclosure of a first mortgage (or deed in lieu of foreclosure) such purchaser, including his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such property which became due prior to the acquisition of title to such property by such purchaser. Such unpaid share shall be deemed to be common expenses collectible from all of the Members, including such purchaser, his successors and assigns.

Section 9. Special Assessments. The Association shall have the right to levy special assessments to the extent that the Board of Directors determines that a special assessment is necessary to allow the proper operation of the Association. It is not contemplated that a special assessment shall be levied for the purpose of constructing new capital improvements, any such assessment to be included as part of the annual budget of the Association. However, special assessments may be adopted to repair or replace improvements damaged or destroyed. In order to adopt a special assessment, the Board of Directors shall give notice of its

intent to do the same, with specificity as to the amount and the purpose thereof, and shall call a special meeting to consider the special assessment. The special assessment shall be deemed adopted unless rejected by a majority of the total number of Members of the Association (not the majority of the Members voting). Notice of the special meeting (including proxies) shall be mailed a minimum of ten (10) days prior to the special meeting.

ARTICLE VI. ARCHITECTURAL CONTROL

The Association shall exercise any and all rights of architectural control assigned or transferred to it by Developer. Such assignment shall be in writing. Approval or rejection of any proposed plans requiring architectural approval shall be made by the Committee. Upon assignment to the Association by the Developer of the architectural control rights reserved to the Developer in various restrictive covenants encumbering properties owned by Members of the Association, the Board of Directors shall be authorized to establish reasonable rules and procedures for the submittal, review, approval and disapproval of such submittals, and shall further be authorized to establish standards for review of such submittals consistent with the terms, provisions and conditions of said restrictive covenants, and consistent with the historical building patterns within The Village.

ARTICLE VII. NOTICE

Except as otherwise provided herein, whenever notices are required to be sent hereunder, the same shall be sent to the Member by the U.S. Mail, at his place of residence as listed with the Association. All notices to the Association shall be sent to the mailing address designated by the Board of Directors as their address for notices. All notices shall be deemed and considered sent when mailed. Any party may reserve the right to change the place of notice to him or it by written notice, in accordance with the terms and provisions of this Article. Each Member shall keep on record with the Association a current mailing address and shall notify the Association of any changes therein.

ARTICLE VIII. AMENDMENTS TO BY-LAWS

These By-Laws may be amended at any time by majority vote of the Board of Directors of the Association, with ratification by a majority of the Members entitled to vote at any regular or special meeting (not a majority of the total membership).

ARTICLE IX. RULES

The Board of Directors of the Association is entitled and empowered to adopt rules of conduct relating to the utilization of real or personal property owned by the Association, or relating to the use of streets or rights-of-way within the Village. The Board of Directors of the Association is further entitled to adopt rules and regulations relating to any amenity, transportation system, utility or public service offered or provided by the Association, and is further entitled to charge for utilization of any such service or facility, as long as such charge is designed to reimburse to the Association the cost of operation, and not to generate a profit.

ARTICLE X. INDEMNIFICATION

Any person who at any time serves or has served as a director, officer, employee or agent of the Association, or in such capacity at the request of the Association for any other Association, Committee or other enterprise, shall have a right to be indemnified by the Association to the fullest extent permitted by law against (a) reasonable expenses, including attorney fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

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

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

The Association shall have authority to assess the Members of the Association, in the manner of a special assessment, to collect monies necessary to carry out its obligations in accordance with the indemnity provisions of this Article. Such assessment may be made, however, without vote of the Members as is required for other special assessments, as the payment of such obligation is an obligatory, and not optional, obligation of the Association.

ARTICLE XI. MEMBERSHIP CONVERSION

Section 1. Tract Member. A Tract Member shall be converted to either an Inactive Member or a group of Individual Members at a time reasonably determined by the Board of Directors, based on the following guidelines.

A. If to an Inactive Member, at such time as a determination is made to utilize said Tract for non-residential purposes.

B. If to Individual Members, at such time as a recorded subdivision plat is recorded in the Office of the Register of Deeds of Dare County, North Carolina, creating single family Lots or other residential building sites, or upon recordation of a condominium declaration or similar document authorizing conveyance of Lots or Living Units on the Tract.

Section 2. Inactive Membership Conversion. If real estate owned by an Inactive Member within the Village is converted from non-residential use to residential use, which use would otherwise qualify the owner of such property to membership in the Association, then and in that event each owner of such property shall be and become Members of the Association, on the same basis as all other Members, as of January 1 of the year following said conversion. The Board of Directors of the Association shall determine whether such a conversion has occurred, and shall give written notice thereof to each known owner of real property becoming or to become a Member.

Section 3. Developer Lots. Any Lots or Living Units owned by Developer shall pay dues equal to twenty-five percent (25%) of the dues which would otherwise be paid for such property and the owner thereof shall cast only one quarter vote per Lot or Living Unit assessed such reduced dues. Furthermore, and notwithstanding any provision of this Article XI, Paragraph 1, the owner of any Tract, which owner causes to be recorded a subdivision plat or a condominium declaration or equivalent instrument authorizing sale of residential Lots or Living Units from the Tract, shall pay dues as though such Lots or Living Units were

owned by the Developer, as long as said owner is holding said Lots or Living Units for purposes of resale, and Living Units are not being utilized as rental units. At such time as the Lots or Living Units are sold, the Individual Members acquiring title to such Lots or Living Units shall pay full dues and shall be entitled to a full vote for each such Lot or Living Unit.

ARTICLE XII. MISCELLANEOUS

Section 1. Gender and Pronoun. As used herein, references to "he" or "she", and "his" or "her" shall be interchangeable and gender neutral.

Section 2. Effective Date. These By-Laws shall be effective upon recordation in the Office of the Register of Deeds of Dare County.

APPROVED AND DECLARED AS THE
AMENDED BY-LAWS OF VILLAGE AT
NAGS HEAD PROPERTY OWNERS
ASSOCIATION

BY:

Andrew L. Ammons
PRESIDENT

ATTEST:

Sybil P. Major
SECRETARY

(Corporate Seal)

STATE OF ~~NORXXXXXXXXXXXXXXXXX~~ VIRGINIA

COUNTY OF ~~DARE~~ FAIRFAX

BK|010 PG 0151

I, Joyce M. Young, a Notary Public in and for the above-named State and County, do hereby certify that personally appeared before me this date Septil P. Major, who being by me duly sworn, says that he/she is the President of VILLAGE AT NAGS HEAD PROPERTY OWNERS ASSOCIATION and that he/she knows that Septil P. Major is the Secretary, and that he/she knows the common seal of the said corporation; that the corporation's name was subscribed to the within document by him/her as President and was attested by its Secretary, with its corporate seal thereto affixed, all by order of its Board of Directors duly given, and that the said instrument is the act and deed of said corporation.

WITNESS my hand and notarial seal, this the 15 day of September, 1995.

Joyce M. Young
Notary Public

My Commission Expires:

8/31/96

File: D:\MISC\NAGSHEAD

STATE OF NORTH CAROLINA
COUNTY OF DARE

The foregoing certificate of Joyce M. Young
Notary Public of Virginia county of Fairfax
is certified to be correct.

Dorris A. Fry, Register of Deeds

By Andrian Y. Tillett
Andrian Y. Tillett
Deputy Register of Deeds

EXHIBIT A

EPSTEIN DESCRIPTIONS

ATTACHED TO AND MADE A PART OF DEED FROM HSL INVESTORS, INC. GRANTOR, TO AMMONS DARE CORPORATION, AS GRANTEE 10 PG 0152

All that certain parcel of land situated in the Town of Nags Head, Nags Head Township, Dare County, North Carolina, adjoining the Atlantic Ocean, Roanoke Sound, Old Nags Head Cove property, Roanoke Shores subdivision and others and more particularly described as follows:

Beginning at a concrete monument situated on the Western margin of U.S. Highway 158 By-Pass, now known as South Croatan Highway, right of way of said highway being 150 feet, said beginning point being in the north line of a 20 foot right of way which is shown on the map or plat of Roanoke Shores subdivision, duly recorded in Map Book 1, Page 81, of the Public Registry of Dare County, North Carolina and running thence from said beginning point and along the north line of said 20 foot right of way South 62° 31' 06" West a distance of 1335.58 feet, more or less, to the shore of Roanoke Sound; and thence following the shoreline of said Sound and the meanderings thereof in a northerly direction approximately 4033 feet to a point, said point being on a course of South 63° 31' 42" West a distance of 100 feet, more or less, from a concrete monument, said concrete monument referenced herein is on a tie line being on a course of North 31° 19' 48" West a distance of 4033.74 feet from the point in the foregoing description on Roanoke Sound at the terminus of the first call in this description; and thence following the meanderings of said Sound 924.78 feet more or less to a point, which said point is South 63° 31' 42" West a distance of 100 feet from a concrete monument set back from said Sound shore, said concrete monument set back from Sound shore being on a course of North 40° 07' 33" West a distance of 924.78 feet from the preceding monument referred to as a tie line. Thence following the meanderings of said Roanoke Sound shore in a northerly direction approximately 1800 feet to a point which is the point of intersection of the South line of the Old Nags Head Cove subdivision at the Sound shore. Said point on the Sound shore being on a course of South 34° 39' 55" West a distance of 324.41 feet more or less from a monument which is in a tie line, the said monument in the tie line being located North 19° 27' 25" West a distance of 1826.04 feet from the preceding monument referenced as set back from Sound shore. And thence turning and running along the South line of the Old Nags Head Cove property North 34° 39' 55" East from the Sound shore a distance of 2233.76 feet, more or less, to a monument situated on the western margin of U.S. Highway 158 By-Pass, now known as South Croatan Highway, said monument being in and marking the south line of the Old Nags Head Cove property; thence continuing the same course and crossing the right of way of U.S. Highway 158 By-Pass and continuing said course and crossing the eastern right of way line of said By-Pass a distance of 197.80 feet to a stake and thence North 34° 39' 55" East a distance of 129.31 feet to a stake, thence South 26° 30' 15" East a distance of 87.36 feet to a point, thence North 63° 29' 45" East a distance of 300 feet to a monument on the western margin of U.S. Highway 158 Business, formerly known as Virginia Dare Trail, thence

point which said point is opposite on a course of South 63° 29' 45" West from the southwest corner of the property of Seawatch Ltd. known as The Quay, thence turning and running across said right of way of Virginia Dare Trail, said right of way being 70 feet in width, and on a course of North 63° 29' 45" East a distance of 482.34 feet more or less to the high water mark of the Atlantic Ocean; thence following the high water mark of the Atlantic Ocean, South 26° 37' 39" East a distance of 2048.45 feet to a point which is the northeast corner of a six foot wide access easement of the Town of Nags Head, and thence continuing South 27° 27' 23" East along the Atlantic Ocean a distance of 1459.98 feet to the southeast corner of a 70 foot street access of the Town of Nags Head; and thence along the Atlantic Ocean South 27° 27' 25" East a distance of 3043.89 feet to the northeast corner of the 28 foot easement in the subdivision of Roanoke Shores hereinabove mentioned; and thence turning and running along the north line of said 28 foot easement South 62° 31' 06" West a distance of 491.70 feet more or less to a monument on the eastern margin of U.S. Highway 158 Business, known as Virginia Dare Trail; then continuing the same course across the Virginia Dare Trail 60 foot right of way, 60.01 feet to a monument on the western margin of said U. S. Highway 158 Business, known as Virginia Dare Trail and in the north margin of 20 foot right of way; thence continuing along the north margin of said 20 foot right of way, South 62° 31' 06" West a distance of 450.96 feet to a monument on the eastern margin of U.S. Highway 158 By-Pass, known as South Croatan Highway; thence continuing the same course across said highway right of way a distance of 150.02 feet to a monument on the western margin of the said right of way and in the northern margin of the 20 foot easement hereinabove referred to, said monument being the point or place of beginning. Said lands being shown on plat prepared by Quible & Associates, entitled "Survey for H.S.L. Investors, Inc.", dated August 30, 1984, revised September 10, 1984 and recorded in Slide Cabinet B, Slide No. 261, Office of the Register of Deeds of Dare County, North Carolina. Said lands being a portion of the lands devised to Leonard S. Epstein, et ux, et al by the Will of Florence Epstein, recorded in Estate File No. 78-E-1, in the Office of the Clerk of Superior Court, Dare County, North Carolina.

There is excluded from the foregoing perimeter description, and this conveyance is made subject to the force and effect of the following described conveyances and existing easements whether indicated specifically on the plat herein referred to but are included as exception by this conveyance:

1. The easement of right of way for U. S. Highway 158 Business, known as Virginia Dare Trail extending through the boundaries of the perimeter description hereinabove set forth.
2. The easement of right of way for U. S. Highway 158 Bypass now known as South Croatan Highway, which is 150 feet in width and extends through the outer perimeter described hereinabove from North to South.
3. The 6 foot access easement and 70-foot street described in deeds to the Town of Nags Head, dated October 13, 1980, and recorded in Book 303, Page 550; Book 303, Page 553 and Book 303, Page 554.

4. A parcel of land 30 feet in width North-South, conveyed to the Town of Nags Head by deeds dated December 15, 1980 and recorded in Book 304, Page 814; Page 816 and Page 818.
5. The lands described in a deed to the Rosemyr Corporation dated May 26, 1982 and recorded in Book 326, at Page 626.
6. A deed to Safeway Stores Incorporated dated May 26, 1982 and recorded in Deed Book 326 at Page 631.
7. A deed to Outer Banks Mall Associates dated May 26, 1982 and recorded in Book 326 at Page 636.
8. A deed of dedication to the Town of Nags Head dated May 26, 1982 and recorded in Book 326 at Page 642.
9. A deed of easement to Outer Banks Mall Associates, Safeway Stores Incorporated and the Rosemyr Corporation dated May 26, 1982 and recorded in Book 326 at Page 647 (the Grantor specifically conveys to the Grantee the right of abandonment of the forgoing easement as provided in Section D of said Agreement, which shall inure to the benefit of the Grantee herein).
10. The 20 foot drainage easement described in a deed of easement dated May 26, 1982 to Outer Banks Mall Associates, Safeway Stores and Rosemyr Corporation duly recorded in Book 326 at Page 652.
11. Open space lands conveyed to the Nags Head Village Owners Association by deed dated May 26, 1982 and recorded in Book 326 at Page 656, Public Registry of Dare County, North Carolina.
12. The joint easement dated May 21, 1982 with Virginia Electric and Power Company, Safeway Stores, Outer Banks Mall and Rosemyr Corporation recorded in Book 326 at Page 661 (Grantor also hereby transfers to the Grantee the right of redemption of this easement).
13. The immediately preceding easement is recorded in counterpart at Book 326, Page 673, Public Registry of Dare County, North Carolina.
14. An easement for electric service dated November 29, 1982 to Virginia Electric and Power Company recorded in Book 344 at Page 913.
15. The drainage easement to the Town of Nags Head and Seawatch Ltd. (Owners of the Quay project) dated July 30, 1983 and recorded in Book 350 at Page 922.
16. The immediately foregoing Agreement was signed in counterpart and additional counterpart is recorded in Book 350 at Page 925 and at Book 350, Page 925.
17. An easement for transmission lines to Virginia Electric and Power Company dated September 20, 1982 recorded in Book 350 at Page 925.

- 18. A drainage easement right of way to North Carolina State Highway Commission (now Department of Transportation) recorded in Book 124 at Page 122.
- 19. An easement to Norfolk and Carolina Telephone and Telegraph Company dated April 27, 1932 and recorded in Book 13 at Page 615 and in Book 13 at Page 629 of the Public Registry of Dare County, North Carolina.
- 20. An easement deed to Virginia Electric and Power Company dated July 18, 1936, and recorded in Book 19 at Page 79, of the Public Registry of Dare County, North Carolina.
- 21. Such rights of the Town of Nags Head in the Southern 25 feet of a street now or formerly known as Dune Street in which a walkway has been constructed by said Town between the East right of way of U. S. 158 Bypass and the West right of way of U. S. Highway 158 Business.
- 22. The rights of Silver Sands Motel, Inc. in the Northern 25 feet of a street now or formerly known as Dune Street, as the same is located within the perimeter description.
- 23. Those lands conveyed to Estelle B. Tillett by deed dated September 16, 1985, recorded in Book 433, Page 819, Dare County Registry.
- 24. Lots 1-10, Sea Pointe Subdivision, as shown on plat recorded in Plat Cabinet B, Slide 354, Dare County Registry, to which plat reference is made for a more particular description, the same being described in Memorandum of Agreement to Purchase dated June 24, 1985, recorded in Book 428, Page 0506, Dare County Registry.
- 25. Those lands shown and designated on the plat hereinabove referred to by Quible and Associates which are situated east of U. S. Highway 158 Business and adjoining the Atlantic Ocean and is designated on said plat as "Various Owners".
- 26. Those lands situated on the west side of U. S. Highway 158 Business and extending westward to U. S. Highway 158 Bypass, South Croatan Highway, designated on said plat as "Various Owners".
- 27. A reservation by Leonard S. Epstein, et ux, et al, with respect to oil, gas and minerals, the terms of which are set forth in deed from Leonard S. Epstein et ux, et al to HSL Investors, Inc., recorded in Book _____, Page _____, Dare County Registry.

The reference to the conveyance of this property subject to easements contained in the foregoing list does not imply that the Grantor herein retains any underlying title to such area which may be subject to a recorded easement. To the contrary, Grantor specifically conveys to the Grantee the underlying title to all such referenced easement areas.

EXHIBIT B

SUBDIVISIONS

<u>Subdivision Name</u>	<u>Recording Information For Subdivision Plat In Dare County Registry</u>
The Quay	Unit Ownership Book 2, Page 163
Sea Pointe	Plat Cabinet B. Slide 354
Baymeadow	Plat Cabinet C, Slide 31A-E
Marsh Links	Plat Cabinet C, Slide 40A-D; Slide 45E-H
The Wedges	Plat Cabinet C, Slide 59C-E
The Ridges	Plat Cabinet C, Slide 52B-D; Slide 63B-D; Slide 85D-F; Slide 96C; Slide 125E
Reflections	Plat Cabinet C, Slide 66A; Slide 70B-F; Slide 76A-E; Slide 184H
Linkside	Plat Cabinet C, Slide 71C-E; Slide 86A-B; Slide 87C-D; Slide 99A-D
Leeward Shores	Plat Cabinet C, Slide 72C-D;
Captains Watch	Plat Cabinet C, Slide 74C-D; Slide 77A-B; Slide 82A; Slide 111B
Beach Haven	Plat Cabinet C, Slide 178B-C
Duneridge Estates	Plat Cabinet C, Slide 84C-D; Slide 95B-D
Water's Edge	Plat Cabinet C, Slide 200A-B
Seawatch	Plat Cabinet C, Slide 102D-E; Slide 200D
Sunset Greens	Plat Cabinet C, Slide 103A-B; Slide 192H
The Masters	Plat Cabinet C, Slide 103A-B; Slide 196D

Exhibit B (cont'd)
Page 2

EX(010130157

Subdivision Name

Recording Information For
Subdivision Plat in Dare
County Registry

Lawgrass	Plat Cabinet D, Slide 43
Eastside	Plat Cabinet C, Slide 125B-D
Eastside South	Plat Cabinet C, Slide 137B-D
Eastside South, Section II	Plat Cabinet C, Slide 174C-D
Each Haven South	Plat Cabinet C, Slide 137E
Eastside North	Plat Cabinet D, Slide 51

D

BK 010 PG 0158

EXHIBIT C
LISTING OF TRACT OWNERS

<u>Tract</u>	<u>Owner</u>
Parcel L	Intracoastal Holding, Inc.
Parcel M	Intracoastal Holding Inc.
Parcel O	Nags Head Construction & Development
Parcel R	Oceanwatch Partners, LLC