

GEORGETOWN SANDS PROPERTY OWNERS ASSOCIATION, INC.
BY-LAWS

These By-Laws are established and adopted this 12th day of April, 1986 pursuant to the North Carolina Non-Profit Corporation Act.

Article I

Identification of Property and Applicability

These By-Laws shall govern the administration of the Georgetown Sands Property Owners Association, Inc. (GSPOA). The purpose of the latter is, inter alia, to administer various aspects of the property located in Duck, N.C. known as Georgetown Sands. Such property is more fully described in a DECLARATION OF COVENANTS, CONDITIONS, and RESTRICTIONS, "the Declaration" filed in Book 374, Page 100 of the Dare County Registry as amended by a Supplemental Declaration filed in Book 408, Page 785, and as further amended and restated by a Restated Declaration filed in Book _____, Page _____. Reference to the Declaration refers to the Declaration as it may have been amended, supplemented, and/or restated unless otherwise indicated. These By-Laws are subject to the Declaration and to the provisions of Chapter 55A of the North Carolina General Statutes pertaining to the government of non-profit corporations.

Article II

Definitions

A. The following words and terms when used in these By-Laws shall have the same meanings ascribed to them in the Declaration (unless the context requires otherwise). Townhouse Association, Owner, Member, Lot, Class A Lot, Class B Lot, Townhouse Common Area, and Properties; provided however that the GSPOA is sometimes incorrectly referred to in the original declaration as the Georgetown Sands Association.

B. The following words and terms shall have the following meanings:

(1) The terms Association and Townhouse Association mean Georgetown Sands Property Owners Association, Inc.

(2) The term Townhouse Unit or Unit shall mean the living unit erected on each Lot pursuant to the plan of development of the townhouse development known as Georgetown Sands.

Article III

Meetings of Owners

A. Annual Meetings of the Owners. The first annual meeting of the Owners shall be held on the first Saturday after Thanksgiving Day, 1985. Thereafter, annual meetings shall be called by the President of the Association ("President") and held on the first day before Easter in each year. Failure to hold an annual meeting at the designated time shall not invalidate the Townhouse Association's existence or affect its otherwise valid acts.

B. Special Meetings of the Owners. At any time after the first annual meeting of the Owners, the President shall promptly call a special meeting of the Owners when so directed by a majority of the Board of Directors, or by a petition signed by not less than one-third of the Owners, specifying the purpose thereof in the call. Such direction by the Board of Directors may be by vote at a meeting, by telephone, or in writing with or without a meeting.

C. Place of Meetings. All meetings of the Owners shall be held at the Property or at whatever other location within or outside North Carolina is designated in the notice.

D. Notice of Meetings. Not less than ten (10) days nor more than ninety (90) days before the date of every Owners' meeting, the Secretary of the Association ("Secretary"), or such other person designated by the President, shall give to each Owner entitled to vote at such meeting, written or printed notice stating the time and place of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called. The notice shall be either by mail, by presenting it to him personally, or by leaving it at his residence or

usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the Owner at his home or business post office address as it appears on the records of the Association, with postage thereon prepaid. Notwithstanding the foregoing provision, a waiver of notice in writing signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of Owners, annual or special, may adjourn from time to time to reconvene at the same or some other permitted place, and no notice need be given of any such adjourned meeting other than by announcement. At any adjourned meeting at which a quorum shall be present, any business may be transacted at the meeting as originally notified.

E. Quorum. No official business may be transacted nor may any binding vote be taken at any meeting of Owners, either annual or special, unless a quorum of Owners is present. A quorum for all meetings shall exist if there is present, in person or by proxy, Owners together entitled to cast in excess of forty percent of the votes of all Owners. If a quorum is not present at any meeting, the Owners present may reschedule the meeting for a later date and the Secretary, or such other person as the President designates, shall give all Owners fifteen (15) days' notice thereof. If no quorum is present at such second meeting, the notice procedure shall be repeated if the Owners present decide to call a third meeting. A quorum at such third meeting shall consist of ten percent of the votes of all Owners. Notwithstanding the foregoing, nothing in this section shall affect any requirement under any statute or the Declaration for the vote necessary for a quorum or for the adoption of any measure.

F. Purpose and Business of Meetings of Owners.

(1) Annual Meetings. The annual meeting shall be called to elect the members of the Board of Directors and to conduct whatever other business may be required or permitted by law, the Declaration, or these By-Laws, to be done by vote of the Owners. The Treasurer of the Association ("Treasurer") shall present at each annual meeting a report of the Common Expenses for the preceding calendar year, itemizing receipts and expenditures and the allocation thereof to each Owner. A copy of such report shall be delivered to all Owners not less than ten (10) days prior to the annual meeting.

(2) Special Meetings. Special meetings shall be called for the purpose of considering matters which shall be required or permitted by law, the Declaration, or these By-laws, to be done by vote of the Owners. No business shall be transacted at the meeting other than that specified in the notice thereof.

G. Votes Required. A majority of the votes cast at a meeting of Owners, duly called and at which a quorum is present, in person or by proxy, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by law or by the Declaration.

H. Proxies. An owner may vote either in person or by proxy. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the Owner or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

I. List of Owners. At each meeting of Owners, the Secretary shall furnish a full, true and complete listing in alphabetical order of all Owners entitled to vote at such meeting and their spouses, if any. Those Owners entitled to vote at any meeting shall be those who were Owners at the close of business on the business day next preceding the meeting date and who are not at the date of the meeting in arrears for more than sixty days in payment of their assessments.

J. Voting. In all elections for directors every Owner shall have the right to one vote, in person or by proxy, for each director to be elected. At all meetings of Owners, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the meeting. Unless demanded or ordered by a majority of Owners present, no vote need be by written ballot.

K. Informal Action by Owners. Any action, required or permitted, may be taken without a meeting if a consent in writing, setting forth such action, is signed by all of the Owners entitled to vote at a meeting on the subject matter thereof, provided said consent is filed with the records of the Association.

L. Nothing in this Article III shall be deemed to modify Article III of the Declaration providing for a specific number of votes for a Lot regardless of the number of Owners of that Lot.

ARTICLE IV

Board of Directors

A. Powers. The business and affairs of the Townhouse Association shall be managed by its Board of Directors. The Board of Directors may exercise all powers of the Townhouse Association except such as are by statute, the Declaration, or the By-Laws conferred upon or reserved to the Owners. In particular, but not by way of limitation, the Board of Directors shall have the power to:

(1) maintain, repair and/or replace, and make improvements or additions to the Townhouse Common Area and the exterior of all Townhouse Units;

(2) fix annual and special assessments pursuant to the provisions of Article V of the Declaration;

(3) assess and collect funds from the Owners for those Common Expenses described in Article VIII, and to pay the Common Expenses;

(4) establish, promulgate, amend, repeal and enforce reasonable use restrictions for the Lots as well as rules for the fair and equitable use and enjoyment of the Townhouse Common Area (which restrictions and rules shall be known as the "Rules of Conduct");

(5) enter into agreements, contracts, deeds, leases, mortgages and other written instruments or documents on behalf of the Owners, and to perform and carry out all obligations incurred pursuant thereto;

(6) open and maintain bank accounts;

(7) purchase, hold, sell, convey, mortgage, lease or rent any Townhouse Units obtained pursuant to Article V, Section 8 of the Declaration relating to nonpayment of Assessment;

(8) obtain insurance pursuant to Article IX hereof;

(9) hire and dismiss personnel;

(10) take any action necessary or appropriate to enforce payment against others of all sums, including assessments due the Association, including the power to enforce any lien for the same;

(11) conduct such other activities as are necessary to manage the business, operation, and affairs of the Properties and the Association and to effectuate the purposes of the Association as specified in the Declaration.

B. Retention of Manager by the Board of Directors. The Board is authorized to delegate to one or more persons or business entities, (hereafter collectively called the "Manager"), the Board's duty and power to manage the activities, operation and affairs of the Association. Such delegation shall be as and to the extent the Board deems said delegation to be appropriate and may be sufficiently broad to encompass the full range of powers and duties of the Board. The Board shall have the power to fix the Manager's compensation and such compensation shall be assessed as a Common Expense. The Board shall also have the authority to hire employees to perform certain Association activities.

C. Number of Directors. After the first Annual Meeting of the Owners the number of directors of the Townhouse Association shall be five (5).

D. Election of Directors. Until the first annual meeting of Owners or until successors are duly elected and qualified, the Board shall consist of George White, Robert Cessna and Joseph Britt. At the annual meeting of Owners in 1985, the Owners shall elect five directors, two to serve for two years, and three to serve for three years. Thereafter, directors shall be elected for two or three year terms (or for a shorter term to fill a vacancy arising for an uncompleted term), as many directors being elected at each annual meeting as the number of directors whose terms are expiring, each elected director being elected for the same term as was held by the director whom he is succeeding. At any meeting of Owners, duly called and at which a quorum is present, the Owners may, by the affirmative vote of the holders of a majority of the votes of all Owners, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

E. Vacancies. Any vacancy occurring in the Board of Directors by resignation, by removal under Paragraph D above and no successor has been elected within thirty days after the removal, or by any other cause, may be filled by a vote of at least fifty-one percent of the remaining members of the Board of Directors. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of Owners and until his successor is elected and qualifies.

F. Regular Meeting. After each annual meeting of the Owners, the Board of Directors shall meet, for the purpose of organization and the transaction of other business, at 3:00 p.m. on the day of such annual meeting of the Owners. Such meetings shall be held at such place within or outside of North Carolina as may be designated by the President, or in default of such designation, at the office of the Association in Duck, North Carolina. No notice of such meeting of the Board of Directors shall be necessary if held as hereinabove provided. Other regular meetings of the Board of Directors shall be held on such dates and at such places as may be designated from time to time by the President or by a majority of the Directors in writing, with or without a meeting.

G. Special Meeting. Special meetings of the Board of Directors may be called at any time by the President or by a majority of the Directors in writing, with or without a meeting. Such special meetings shall be held at such place or places within or outside of North Carolina as may be designated from time to time by the Board of Directors. In the absence of such designation, such meetings shall be held at such places as may be designated in the call.

H. Notice of Meeting. Except as provided in Section F of this Article, notice of the place, day and hour of every regular and special meeting shall be given to each director at least two days before the meeting, by delivering the same to him personally, or by sending the same to him by telex or express mail, or by leaving the same at his residence or usual place of business, or in the alternative, by mailing such notice at least five days before the meeting, postage prepaid, and addressed to him at his last known post office address, according to the records of the Association. Unless required by these By-Laws or by resolution of the Board of Directors, no

notice of any meeting of the Board of Directors need state the business to be transacted.. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in a writing, executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

I. Quorum. At all meetings of the Board of Directors, three directors shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the Declaration, or the By-Laws, the vote of a majority of those present at a duly constituted meeting shall be sufficient to direct and pass any measure. At any adjourned meeting at which a quorum shall be present, any business may be transacted at the meeting as originally notified.

J. Compensation. By resolution of the Board of Directors, expenses of attendance, if any, may be allowed to directors for attendance at each regular or special meeting of the Board of Directors or of committees thereof, but directors as such shall not receive any compensation for their services except for out-of-pocket expenses in connection with the position such as telephone, postage, etc., and except such as may be authorized or permitted by vote of the Owners. A director who serves the Association in any other capacity, however, may receive compensation therefor as fixed by the Board of Directors without such vote of the Owners.

K. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board may be taken at a telephone conference call, which shall constitute a meeting, or may be taken without a meeting if a written consent to such action without a meeting is signed by all members of the Board, and such written consent is filed with the minutes of proceedings of the Board of Directors.

L. Committees. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

Article V

Officers

A. General. The Board of Directors shall choose a President and Vice President from among the Directors, and a Secretary and a Treasurer who need not be directors. Any two of the above-mentioned offices, except that of President and Secretary, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the By-Laws or by resolution of the Board of Directors to be executed, acknowledged or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of Owners next succeeding his election, and until his successor shall have been duly chosen and qualified, or until he shall have resigned or shall have been removed. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

B. President. The President shall preside at all meetings of the Owners and of the Board of Directors at which he shall be present; he shall have general charge and supervision of the business of the Association; he may sign and execute, in the name of the Association, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Association, execute checks in the absence of the Treasurer or co-sign checks with the Treasurer for amounts over \$1,000; and, in general, he shall perform all duties normally incident to the office of President, and such other duties as from time to time may be assigned to him by the Board of Directors.

C. Vice-President. The Vice-President, at the request of the President, or in his absence or inability to act, shall perform the duties and exercise the functions of the President, and when so acting, shall have the powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

D. Secretary. The Secretary shall keep the minutes of the meetings of the Owners and of the Board of Directors in books provided for that purpose; he shall see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; he shall be custodian of

the records of the Association; and in general, he shall perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him by the Board of Directors or the President.

E. Treasurer. The Treasurer shall have charge and be responsible for all funds, securities, receipts and disbursements of the Association, and shall deposit, or cause to be deposited, in the name of the Association, all monies or other valuable effects in such banks, trust companies or other depositories as shall from time to time be selected by the Board of Directors; he shall sign checks for proper Association expenses (co-sign with the President for amounts over \$1,000); he shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Association, and in general, he shall perform all duties as may be assigned to him by the Board of Directors or the President.

F. Compensation. The Board of Directors shall have the power to fix the compensation of all officers of the Association.

G. Removal. Any officer or agent of the Association may be removed by the Board of Directors whenever, in its judgment, the best interest of the Association will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

H. Loans to Officers and Directors. No loans shall be made by the Association to any of its directors or officers.

Article VI

Liability and Indemnity

A. Liability. Officers and Directors of the Association, in their capacity as Officers and/or Directors,

- (1) shall have no personal liability to any Owner based on any mistake of judgment, negligence, or otherwise, in the performance of their duties except for their own actions in bad faith or their willful misconduct;

- (2) shall have no personal liability in contract to any Owner or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Owners in their capacity as Officer and/or Director;
- (3) shall have no personal liability in tort, direct or imputed, to any Owner or any other person or entity, by virtue of acts performed by or for them, except for their own actions in bad faith or their own willful misconduct; and
- (4) shall have no personal liability arising out of the use, misuse or condition of the Townhouse Common Area, or which might in any other way be assessed against or imputed to them as a result of or by virtue of their performance of their duties, except for their own actions in bad faith or their own misconduct.

B. Indemnity.

- (1) Every director and every officer of the Association, in his capacity as director and/or officer, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any actual or threatened action, suit, or proceeding, or any settlement of any such action, suit, or proceeding, in which he may become involved by reason of his being or having been a director or officer of the Association, whether or not he is a director or officer at the time such expenses are incurred.
- (2) The above indemnity shall not apply in relation to matters as to which the director or officer is adjudged in such action, suit, or proceeding to have acted in bad faith, or to have been liable or guilty by reason of willful misconduct in the performance of duty.
- (3) In the event of a settlement, the above indemnification shall apply only when the Board of Directors, with the affected member abstaining if he is then a member, approves such settlement and reimbursement as being in the best interests of the Association.

- (4) The above right of indemnification shall be in addition to and not be deemed exclusive of any other rights, of indemnification or otherwise, to which such director or officer may be entitled under any by-law, agreement, vote of the Owners or Board of Directors, or otherwise, with respect to any liability or litigation expenses arising out of his activities as director or officer. In the event that any provision of the above indemnity is or can be interpreted in such a manner as to be contrary to law, it is the intention of the Owners, through these by-laws that the indemnity be construed only so much more narrowly as is necessary to eliminate that scope of the indemnity which is contrary to law, thereby to leave intact the remainder of the indemnity.
- (5) The indemnification by the Association set forth in this Article VI shall be deemed to be for the recreation, health, safety and welfare of the residents of the Properties as provided in Article III of the Declaration. The indemnity shall be paid by the Townhouse Association, and recovered from the Owners, by assessment in the manner provided by Article V, Section 3 of the Declaration; provided, however, that any assessment which is for the purposes of paying such indemnity shall not require the approval of Members specified in Section 3, subparagraph (b).
- (6) Nothing in this Article VI is intended to create any rights in any third party. In addition, if Director's and Officer's insurance is obtained, the provisions of this Article VI shall remain in full force and effect and shall not be deemed limited to the amount of coverage of any such insurance.
- (7) The use of any masculine pronoun in this Article VI is for convenience only and is intended to include the feminine as well.

Article VII

Language Concerning Liability in Agreements; Notice of Suits and Opportunity to Defend.

A. Language Concerning Liability in Agreements. Every agreement, deed, lease or other instrument entered into by the Association on behalf of the Owners may provide (i) that the individuals executing the same are acting only as agents for the Owners and shall have no personal liability thereunder (except to the extent, if any, that they may also be Owners at the time any such liability is assessed); (ii) that any claim by the other party or parties thereto shall be asserted against the Association, which shall act on behalf of the Owners in respect thereto; and (iii) that any liability thereunder or in respect of the subject thereof shall be borne by those who are Owners at the time such liability may be assessed by the Association as a Common Expense, for which assessment each such Owner shall be liable only severally to the extent of his proportionate interest in the Association; provided however, that the failure of the agreement, deed, lease or instrument to so provide shall not be deemed to impose personal liability on said individuals.

B. Notice of Suits and Opportunity to Defend. Complaints brought against all the Owners or all Townhouse Units, as a group or class, or the Association, or the Board of Directors, or officers, employees or agents thereof, in their respective capacities as such, or against the Property as a whole, shall be directed to the Board of Directors, which shall promptly give written notice thereof to the Owners and shall defend same, and the Owners shall have no right to participate other than through the Board in such defense. Complaints against one or more but less than all Owners or all Townhouse Units, alleging liabilities arising from the individual conduct of the defendant(s), or his or their ownership of a particular Townhouse Unit(s), as distinguished from the conduct of the Owners as a group or class, or arising from a condition of a particular Townhouse Unit, as distinguished from a condition affecting a portion of the Property, shall be directed to such Owners, who shall promptly give written notice thereof to the Board of Directors, and shall be defended by such Owners at their expense.

Article VIII

Common Expenses and Assessments

A. Common Expenses. The following expenses are hereby declared to be Common Expenses:

1) maintenance, repair, and upkeep of the Townhouse Common Area and facilities, including landscaping, and of the exterior of the Townhouse Unit on each Lot, all as specified in the Declaration. Notwithstanding the preceding sentence, the repair of damage to the exterior of each Unit which damage is (1) the responsibility of the Association under Article VII of the Declaration, and (2) is covered by a standard fire and extended coverage insurance policy which the Unit Owner is required to carry under Article XII of the Declaration, shall be handled as follows: The Association shall arrange for such repairs to be made, and the cost of such arranging as well as the amount of the deductible under any such insurance, up to a maximum of one hundred dollars, shall be a Common Expense. The cost of the repair itself (above any applicable one hundred dollar deductible) shall be the responsibility of the damaged Unit Owner, whether or not covered by insurance, and shall become a lien on that property in the same manner as other liens described in the Declaration or By-laws.

2) expenses of the Board of Directors and/or Association in managing the business, operation and affairs of the Association on behalf of the Owners;

3) expenses of obtaining and maintaining the following services for all Owners and the Townhouse Common Area facilities: water service, electric service, sewage and waste water disposal service, trash removal service, master television service, security service, and pest control service; provided, however, that such water and electric service shall only be to the perimeter of each Lot;

4) premiums on insurance obtained pursuant to Article X;

5) fees or compensation due any manager or employees retained by the Board of Directors pursuant to Article IV B;

6) amounts necessary to fund an adequate reserve for maintenance, repair, and replacement of the Townhouse Common Area facilities, exterior maintenance on each Lot, as well as any anticipated special expenses;

7) such amounts as the Board of Directors deems proper for working capital, general operating reserves, reserves for contingencies, and to make up any uncollectible delinquencies in the payment of assessments;

8) any expense declared a Common Expense by the provisions of Statute, the Declaration, or elsewhere in these By-Laws;

9) compensation and/or expenses paid pursuant to Articles IV J, V F, or VI; and

10) expenses agreed upon as Common Expenses by the Owners in accordance with the voting requirements set forth in Article V, Sections 3(b), 4, and 6 of the Declaration.

B. Assessments. All assessments shall be determined, levied and collected in the manner specified in the Declaration. Unless otherwise specified by the Board of Directors, all assessments shall be billed quarterly in the first month of each calendar quarter and shall be payable by the end of the second month of that calendar quarter. Late payments shall bear interest as specified in the Declaration plus a late charge of four percent (4%) or such other amount as specified by the Board of Directors from time to time.

C. Liability of Grantor and Grantee of Unit for Unpaid Common Expenses. The grantee of a Townhouse Unit shall be jointly and severally liable with the grantor for all unpaid assessments against the latter for the grantor's proportionate share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Manager or Board of Directors, as the case may be, setting forth the amount of the unpaid assessments against the grantor at the date of the grant or conveyance, and, so long as the grant or conveyance occurs within fifteen days of such date, such grantee shall not be liable for, nor shall the Townhouse Unit conveyed be subject to a lien, for any unpaid assessments in excess of the amount therein set forth.

D. Budget. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the costs of performing the functions of the Association for that year. Copies of the proposed budget shall be transmitted to each Owner with the notice of the Annual

Meeting for the calendar year for which the budget is made. If the budget is subsequently amended, then a copy of the amended budget shall be promptly furnished to each Owner.

E. Records of Receipts and Expenditures; Availability for Examination; Annual Audit. The Manager or Board of Directors, as the case may be, shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Townhouse Common Area and facilities, specifying and identifying the maintenance and repair expenses of the Townhouse Common Area and facilities and any other expense incurred. Both records and any vouchers accrediting the entries thereupon shall be available for examination by all Owners or their duly authorized agents or attorneys at convenient hours on normal working days; provided, however, that a single day may at the option of the Board of Directors, be set for this purpose and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices and an outside audit shall be made at least once a year.

Article IX

Obligations of Owners

A. Internal Maintenance, In general - Every Owner shall perform all maintenance and repair work within his own Unit which, if omitted, would affect the general condition of any other unit, such Owner being expressly responsible for the damages and liabilities caused by his failure to do so.

B. Repairs - All the repairs of internal installations of each Unit such as water, light, power, telephones, cable television, doors, windows, lamps and all other accessories belonging to the unit shall be at the Owner's expense.

C. Owner Damage - Each Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Townhouse Common Area damaged through his fault.

D. Winter Precautions - Each Owner shall be responsible for maintaining heat and for other winter precautions necessary for the protection of the individual

unit and same shall not be a responsibility of the Association.

E. Structural Internal Changes. An Owner shall not make structural modifications or alterations in his Unit unless he has previously notified the Association in writing through the President or the Board of Directors and received no objection thereto from the Association. The Association shall have the obligation to answer within thirty (30) days, and failure to do so within that time, shall mean that there is no objection to the proposed modification or alteration.

F. Right of Entry - Owners, by act of ownership, grant right of entry to any person authorized by the Board of Directors of the Association in case of any emergency originating in or threatening his Unit, whether the Owner is present at the time or not.

G. Rules of Conduct - Each Owner shall observe all use restrictions specified in the Declaration and all Rules of Conduct which may be adopted pursuant to Article IV of these By-Laws. The Board of Directors shall from time to time notify all Owners of such Rules of Conduct.

H. Insurance - Each Owner shall carry fire and extended coverage insurance as well as liability insurance, as and in the amount set forth in the Declaration.

I. Destruction of Units - If fire or other events occur resulting in the destruction of substantially all of a Unit, the Owner shall be obligated to rebuild the Unit to the same or similar standards as the original construction. If the rebuilding is not completed within one year of the destruction, the Board of Directors of the Association shall have authority hereunder to complete such rebuilding to protect the interests and values represented by the other Units. The cost of such rebuilding by the Association shall be the responsibility of the damaged Unit Owner and shall become a lien on that property in the same manner as other liens described in the By-Laws or The Declaration. No such rebuilding by the Owner shall be commenced until the plans and specifications therefor shall have been submitted to and approved by the Board of Directors in accordance with the procedure described in Article VI of the Declaration. Nothing in this Paragraph I shall have any effect upon the right of the Association to perform exterior maintenance on each Lot as provided in Article VII of the Declaration and in these By-Laws.

Article X

Insurance

A. Insurance to be Maintained. The Board of Directors shall seek to obtain and continuously maintain insurance having the following recommended provisions:

(1) Insurance against loss by damage to or destruction of the Townhouse Common Area facilities by fire or by such other risks as may be covered by an endorsement for extended coverage. The total amount of such insurance coverage should be equal to no less than ninety (90%) percent of the replacement value of the Townhouse Common Area facilities with a deductible provision in an amount to be determined by the Board of Directors but not to exceed \$10,000, payable to the Association.

(2) Comprehensive liability insurance, insuring the Owners, and the Board of Directors and its members and officers, against any liability to other persons or entities or to the Owners, their tenants or invitees, relating in any way to the ownership and/or use of the Townhouse Common Area and Properties including operation of the premises, liability attributable to work or other act of an independent contractor, let or sublet work, landlord-tenant liability, and contractual liability, provided that said insurance shall not insure any Owner against liability for injuries to persons or property occurring solely within his Unit. Limits of liability shall be at least \$1,000,000 for any person injured or killed in any single occurrence, at least \$1,000,000 for any injuries or death sustained by any two or more persons in any single occurrence, and at least \$100,000 for property damage resulting from each occurrence.

(3) If available, policies of Directors and Officers liability insurance, insuring the Officers and members of the Board of Directors against personal liability arising in connection with the performance of their official duties.

B. Additional Provisions. It is further recommended that the insurance maintained by the Board of Directors pursuant to this Article X A hereof comply with the following requirements:

(a) All policies shall be issued by a company licensed to do business in North Carolina and holding a rating of B+ or better by Best's Insurance Reports, or by an equivalent rating bureau should Best's Insurance Reports cease to be issued.

(b) Exclusive authority to adjust losses under said policies shall be vested in the Board of Directors or its authorized representative.

(c) Coverage under said policies shall not be brought into contribution with insurance purchased by individual Owners or their mortgagees.

(d) The policies include a waiver of subrogation by the insurer as to any claims against the Board and its members and officers, the Manager, the Owners (and members of their households) and their respective servants, agents and guests;

(e) The policies cannot be cancelled, invalidated or suspended on account of the conduct of any one or more Owners and in no event can cancellation, invalidation or suspension for any reason be effected without at least thirty (30) days' prior written notice to the Board.

In view of the difficulty of obtaining liability insurance for associations under any conditions, the steps to be taken to obtain insurance meeting the recommendations of this Article X shall be in the sole discretion of the Board of Directors and no Director or Officer shall be liable for the failure of any insurance policy to meet one or more of said recommendations.

Article XI

Miscellaneous

A. Checks, Drafts, etc. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Association, shall be signed by the Treasurer, or by the President and Treasurer, as provided in Article V, or by such other Officers or Manager, as determined by the Board of Directors.

B. Annual Reports. There shall be prepared annually a full and correct statement of the affairs of the Association, including a balance sheet and a financial statement of operations for the preceding fiscal year, which shall be prepared by an independent certified public accountant and distributed to the Owners and filed at the principal office of the Association.

C. Audits. Any Owner may at his own expense, cause an audit or inspection to be made of the books and records of the Association or of the Manager as they pertain to Properties, provided that any such audit or inspection shall be made at such time and in such manner so as to least interfere with Association's and/or Manager's normal operations.

D. Fiscal Year. The fiscal year of the Association shall be the calendar year, unless otherwise provided by the Board of Directors.

E. Mortgages. An Owner who mortgages his Unit shall notify the President or the Board of Directors of the name and address of his mortgagee; and the Board shall maintain such information in a book entitled "Mortgagees of Units". Each Townhouse Unit is subject to alienation, mortgage or transfer as is any other real property located within the State of North Carolina.

F. Enforcement. Each Owner shall comply with all of the provisions of the Declaration, these By-Laws and the Rules of Conduct, as the same may be lawfully amended from time to time; with the covenants, restrictions and easements set forth in the Declaration, and the deed to his Unit; with such decisions as may be rendered pursuant to such documents and with all requirements of applicable laws. Failure to so comply shall be grounds for an action for the recovery of damages or for injunctive relief or both, maintainable by the Association on behalf of the Unit Owners, or, in a proper case, by an aggrieved Owner or by any person who holds a mortgage which is a lien upon a Unit and is an aggrieved party as a result of such noncompliance.

G. Interpretation. The provisions of these By-Laws shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the Georgetown Sands townhouse development.

H. No Waiver. The failure of the Board of Directors or Manager to insist in any one or more instances upon the strict performance of any of the terms, covenants, conditions or restrictions of the Declaration, these By-Laws, or the Rules of Conduct, or to exercise any right or option herein or therein contained, or to serve any notice or to institute any action shall not be construed as a waiver thereof for the future, but such term, covenant, condition, restriction, option or right shall remain in full force and effect. The receipt by the Board of Directors or Manager of any payment of assessments from any Owner, with knowledge of the breach of any covenant hereof or thereof, shall not be deemed a waiver of such breach, and no waiver by the Board of Directors or Manager of any provision hereof or thereof shall be deemed to have been made unless expressed in writing and signed by the Board of Directors or Manager, as the case may be.

I. Amendment. These By-Laws may be amended by the Townhouse Association at any duly constituted meeting, provided, that the notice thereof shall specify the amendment to be voted on, and provided that the amendment is approved by the Owners of not less than two-thirds (2/3rds) of the Lots. All Owners shall be bound by any amendment upon the same being duly passed and set forth in an Amended Declaration duly recorded in the Dare County Registry.

J. Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision thereof shall not affect the validity or enforceability of any other provision thereof unless the deletion of the one provision shall destroy the uniform plan for development and operation of the townhouse development which these By-Laws are intended to create.

K. Persons Subject to Declaration and By-Laws.

(a) All Owners, tenants of such Owners, employees of Owners and tenants, or any other persons that may in any manner use the property or any part thereof, shall be subject to the Declaration and these By-Laws.

(b) All agreements, decisions and determinations lawfully made by the Owners in accordance with the voting percentages established in the Declaration or By-Laws shall be deemed to be binding on all Unit Owners.

(c) No third person or entity other than an Owner, Officer or Director shall have any rights under these By-Laws.

IN WITNESS WHEREOF, the Owners have herein to set their hands and seals, or if corporate, have executed this instrument by its President and attested by its Secretary with corporate seal affixed as of the day and year first above written.

(Corporate Seal)

GEORGETOWN SANDS CORPORATION

BY: Joseph M. White
President

ATTEST:

William J. Turner, Jr.
Asst. Secretary

DISTRICT
STATE OF _____
COUNTY OF _____ SS

I, a Notary Public of the ~~DISTRICT~~ County and State aforesaid, certify that _____ personally came before me this day and acknowledged that he is Secretary of Georgetown Sands Corporation, a North Carolina Corporation, and that by authority duly given and as the act of the Corporation, the foregoing By-Laws of Georgetown Sands Property Owners Association, Inc. was signed in its name by its President, sealed with its corporate seal and attested by him (her) as its Secretary. Witness my hand and official stamp or seal, this 25TH day of MARCH, 1986.

Lee H. Long
Notary Public

My commission expires: _____

(Notary Seal)