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NORTH CAROLINA BOONVILLE
RECORDS DECLARATION OF PROTECTIVE COVENANTS
DARE COUNTY SPINNER VILLAGE SUBDIVISION
PIRATE'S COVE, PHASE II

THIS DECLARATION OF PROTECTIVE COVENANTS, made this 31st day of January, 1989, by ROANOKE PROPERTIES, a North Carolina general partnership, hereinafter called the "Declarant";

W I T N E S S E T H:

THAT WHEREAS, the Declarant is the owner of the real property described in Article I of this Declaration and is desirous of subjecting the said real property to the Protective Covenants hereinafter set forth, each and all of which is and are for the benefit of such property and for each owner thereof, and shall inure to the benefit of and pass and run with said real property, and each and every lot or parcel which is a subdivided portion thereof, and shall apply to and bind each and every owner thereof and the successors in interest of any owner thereof.

NOW, THEREFORE, the Declarant hereby declares that the real property described in and referred to in Article I hereof is and shall be held, transferred, sold and conveyed subject to the Protective Covenants set forth below:

ARTICLE I

The real property which is, and shall be held, transferred, sold and conveyed subject to the Protective Covenants set forth in this Declaration is located in Dare County, North Carolina, and is more particularly described as follows:

See Exhibit A attached hereto and incorporated herein by reference.

The real property described in Article I hereof is subjected to the Protective Covenants hereby declared to insure the best use and the most appropriate development and improvements of each lot thereof; to protect the owners of lots against such improper use of surrounding lots as will depreciate the value of their property; to preserve so far as practicable, the natural beauty of said property; to guard against the erection thereon of poorly designed or proportioned structures, and structures built of improper or unsuitable materials, to obtain harmonious color schemes; to insure the highest and best development of said property; to encourage and secure the erection of attractive homes thereon, with appropriate locations thereof on lots; to prevent haphazard and in-harmonious improvements on lots; to secure and maintain proper set-backs from street, and adequate free spaces between structures, and in general to provide adequately for a high type and quality of improvements in said property and thereby to enhance the value of investments made by purchasers of lots therein.

ARTICLE II

LAND USE AND BUILDING TYPE. Except as otherwise provided herein no lot shall be used for any purpose other than for single-family residential purposes. As used herein, the term "single-family" shall mean (1) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of not more than three (3) persons not so related who maintain a common household in a dwelling constructed upon a lot. No building shall be erected, altered, placed or permitted to remain on any lot other than one detached single-family dwelling not to exceed forty-five feet (45') in height measured from average ground level and a private garage for not more than three cars. However, a lot may be used for the location of a well, or as a utility lot including the location thereon of trash containers (screened), house and service lines and facilities and well equipment and other utility services. Also, a lot and building thereon may be used as an amenity and recreational facility owned and operated by the Declarant or Pirate's Cove Homeowners' Association, Inc. or for the dedication by the Declarant of a street or other right of way.

ARTICLE III

SITE AND BUILDING PLANS APPROVAL. No building, fence, swimming pool, or any other structure shall be erected, placed, moved onto or altered on any lot or premises in the Spinnaker Village Subdivision until the building plans, specifications, and plot or site plan showing the proposed location on the lot of such improvements, have been approved in writing as to conformity and harmony of external design with existing improvements in the development, and as to location of the improvements with respect to topography and finished ground elevation by an architectural review committee (the Architectural Review Board or "A.R.B.") composed of three persons designated and appointed by Declarant or its assigns. In the event said committee fails to approve or disapprove such design or location within sixty days after said plans and specifications have been submitted to it, or in any event, if no suit to enjoin the erection of such improvements or the making of such alterations has been commenced prior to the substantial completion thereof in the case of major improvements, such approval will not be required and this covenant will be deemed to have been fully complied with. Members of such committee shall be entitled to compensation for services performed pursuant to this covenant. The Declarant has promulgated an initial Architectural Review Board Application containing the requirements for proper review and approval of site and building plans. Said Application is hereby incorporated by reference herein as if set forth word for word and shall be the form used until otherwise amended by the A.R.B.

The A.R.B. shall charge a fee of not less than \$100.00 to defray the costs of the review procedures contemplated hereunder. The fee for architectural review may be increased to a maximum of \$200.00, in the event independent or outside architects or engineers are used or consulted in the review process.

The A.R.B. will provide each owner of a lot within Spinnaker Village a list of standards and guidelines to be followed with regard to improvements erected within the subdivision. Said list is incorporated by reference herein as if set forth word for word, and shall be binding upon all owners and purchasers of lots in Spinnaker Village.

The following items must be submitted to the A.R.B. in order for the plans to be reviewed: site plans, house building or construction plans, elevation plans, landscape plans (showing walks, drives, and type, size and location of major plantings and shrubbery) and samples of exterior siding and roofing materials and colors. The site plans must indicate the distances to existing structures and lot lines on the same or adjacent lots.

Each lot owner must also comply with all permit requirements of municipal and other governmental authorities before beginning construction, including, but not limited to, the obtaining of a CAMA permit in the event such a permit is required. CAMA regulations require that the maximum allowable impervious area per each lot not exceed 3,132 square feet. All built upon area shall be at least 30 feet from mean high water of all surface waters classified as SA waters.

ARTICLE IV

DWELLING SIZE AND DRIVEWAYS. Except with the prior written approval of the A.R.B., no single-story residential structure which has a heated area of less than 1700 square feet, exclusive of porches, breeze-ways, steps and garages, shall be erected or placed or permitted to remain on any lot; no story and one-half, residential structure which has a heated area of less than 1900 square feet, exclusive of porches, breeze-ways, steps and garages, shall be erected or placed or permitted to remain on any lot; no two story residence exclusive of porches, breeze-ways, steps and garages which has a heated area of less than 2000 square feet shall be permitted.

A building used in conjunction with a water, sewer or public utility shall be exempt from the size requirements contained herein. All driveway material must meet the approval of the A.R.B. If driveway materials are installed that have not been approved by the A.R.B., the A.R.B. shall have the right to require the removal of any such driveway materials and the replacement thereof with materials suitable to the A.R.B. Declarant reserves the right to waive in writing any minor violation of this Article, and for purposes hereof, any violation which does not exceed 20% shall be considered a minor violation.

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ARTICLE V

BUILDING LOCATION. In addition to and notwithstanding other applicable setback provisions contained herein, no building shall be located on any lot nearer to the street than 20 feet, nearer to the CAMA line or any canal than 10 feet, or nearer to the side lines of lots than 5 feet. No structure shall be located closer than 20 feet from an adjacent structure. In the event other setback provisions contained herein, or as shown on the plat of Spinnaker Village shall conflict with the foregoing setback provisions, the more restrictive setbacks shall apply. The A.R.B. may waive a violation of the set-back requirement provided for herein. This waiver shall be in writing. A structure may be constructed or located closer than 20 feet from an adjacent structure if the structure under review meets all applicable fire code standards. For the purpose of this covenant, eaves, steps, chimneys and stoops shall not be considered a part of the building. However, this Article shall not be construed so as to permit or authorize any portion of a building on a lot to encroach upon another lot. Declarant reserves the right to waive in writing any minor violation of this Article.

ARTICLE VI

EASEMENTS. Easements for installation and maintenance of utilities (cable, water, sewer, electricity, telephone, etc.) and drainage facilities are reserved as shown on the recorded plat and over the front 10 feet (canal side) and the rear 15 feet (streetside) of each lot and 5 feet on each side line unless shown in excess of such distances on the recorded subdivision plat, in which case the plat shall control. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the use, installation and maintenance of the easements. The easement on each lot and all improvements within the easements shall be continuously maintained by the owner of each lot, except for those improvements for which a public authority or utility company is responsible for maintaining.

The developer reserves the right to subject the real property in this subdivision to a contract with North Carolina Power for the installation of underground electric cables which may require an initial contribution and/or the installation of street lighting, which may or will require a continuing monthly or other periodic payment to North Carolina Power by the Pirate's Cove Homeowners' Association, Inc.

Easements are hereby reserved over and through each and every lot in the Spinnaker Village Subdivision for the use, benefit and enjoyment of the Declarant, its agents, employees,

successors and assigns for the installation and maintenance of docks, piers, boat slips, roads, streets and parking areas and for cable television services, sewage, water and other utility services, and such other reasonable services that the Declarant may, in its sole discretion, provide to said lots. Easements are also hereby granted over and through each and every lot in the Spinnaker Village Subdivision for the use, benefit and enjoyment of the Pirate's Cove Homeowners' Association, Inc., its agents, employees, successors and assigns for the installation and maintenance of any docks, piers, boat slips, roads, streets, parking areas and such other properties or improvements in and adjacent to the Spinnaker Village Subdivision owned by or entrusted to the Pirate's Cove Homeowners' Association, Inc. Said easements in favor of Pirate's Cove Homeowners' Association, Inc. shall include the rights of access, ingress and egress to fulfill its obligations under the By-Laws of said Association and all applicable Declarations and to enforce said By-Laws and Declarations for the benefit of and against all lot owners in the Spinnaker Village Subdivision. Easements of access, ingress and egress are hereby granted to Dare County and the Town of Manteo over and through each and every lot in the Spinnaker Village Subdivision as are reasonably necessary for the fulfilling of its obligations and purposes as a governmental body and for the providing of utility and other rights of access to the lots in the subdivision. Any easement and rights of access herein granted or reserved by this Article shall not obligate the person, corporation, municipality, or other entity in whose favor the easement has been granted or reserved to provide the services or improvements for which the easements have been created, unless, in each instance, they are otherwise obligated to provide such service or improvement.

The docks, piers and boat slips located along and adjacent to that certain canal which borders the platted lots in the Spinnaker Village Subdivision are the property of and is hereby entrusted to the Pirate's Cove Homeowners' Association, Inc., to be assigned to lot owners in Spinnaker Village Subdivision and to be otherwise repaired, maintained, owned and administered by the said Association in accordance with its Bylaws attached hereto. No portion of any of the said docks, piers and boat slips which may be located upon and within the platted lots of Spinnaker Village Subdivision shall be considered a part of such lots and the owner of such lots may not claim to be the fee simple owner of any such portions of the docks, piers and boatslips located on their lot(s). Said lot owners are granted a non-exclusive easement of access, ingress and egress over the docks, piers and boatslips of the Pirate's Cove Homeowners' Association, Inc., as is otherwise herein provided.

ARTICLE VII

NUISANCES. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood.

No signs or bill boards shall be erected or maintained on the premises. Except during the initial period of construction, no building materials or equipment may be stored or regularly maintained on the premises. No business activity or trade of any kind whatsoever, which shall include, but not be limited to, the use of any residence as a doctor's office or other professional office of any kind, a fraternity house, a rooming house, a boarding house, an antique shop or gift shop, shall be carried on upon any lot. However, the prohibition in this Article against business activity shall not apply to lots remaining unsold and still owned by the Declarant.

ARTICLE VIII

TEMPORARY STRUCTURES. Except with the prior written consent of the A.R.B. no trailer, tent, shack, barn, or other outbuilding, other than a private garage for not more than three cars, shall be erected or placed on any lot in the subdivision. Except with the prior written consent of the A.R.B. no detached garage shall at any time be used for human habitation temporarily or permanently.

ARTICLE IX

FENCES. No fence, wall, hedge, or mass planting shall be permitted to extend beyond the minimum building set-back line or within 20 feet of any street established herein except upon the prior written approval by the A.R.B. No chain link fence shall be used. All fences, walls or other barriers or structures shall be approved, in writing, by the A.R.B. prior to the commencement of construction thereof.

ARTICLE X

ACCESSORY BUILDINGS. No accessory building of any nature whatsoever (including, but not limited to, detached garages, storage buildings, dog houses, greenhouses) shall be placed on any lot without the prior written approval of the A.R.B. The A.R.B. shall determine, in its sole discretion, the location, type and use of accessory buildings which may be permitted on any lot. No garage may face the street directly without the prior written approval of the A.R.B.

ARTICLE XI

APPEARANCE. Each Owner shall keep his lot or building site free of undergrowth, dead trees, trash and rubbish and maintained so as to present a pleasing and tidy appearance. In the event an owner does not properly maintain his lot or building site as above provided, in the opinion of the A.R.B. then Declarant may have the required work done and the costs thus incurred shall be paid by the Owner. The Declarant reserves the right to approve all exterior paint colors, masonry colors and

designs and all roofing material selection. The Declarant recommends earth-tone colors on all exteriors of structures or improvements. Declarant reserves the right to select one mail delivery box which must be used by the owners or occupants of all lots or units. No overhead service or utility lines shall be allowed except during periods of construction. No satellite dishes or other antennae shall be allowed on individual lots. No statuesques or other ornamentation shall be allowed without the prior written approval of the A.R.B.

It is the purpose of the landscaping and appearance review and approval provisions hereinabove to assure that the removal of existing trees is minimized and that the dwellings and improvements constructed are situated on the lot(s) in the most advantageous positions possible, with respect to other dwellings and improvements. All backboards and other fixed game or play structures shall be located on the front (canal) side of the dwelling away from the street.

ARTICLE XII

SEWER AND WATER. No sewage disposal system or individual well is permitted, as long as adequate services are provided, without the written consent of the Declarant. The Declarant has the absolute right to determine the manner in which sewage services are provided to the lots.

The Spinnaker Village Subdivision has been annexed by the Town of Manteo. In anticipation thereof, the Declarant and the Town of Manteo entered an agreement to assure that water and sewage services are provided to the lots. Each lot owner will be responsible for the costs of such water and sewage services to the individual lot(s), or shall share the costs thereof as common expenses of PCHA. The aforesaid agreement for water and sewage services obligates the Declarant to make payments to and establish escrow accounts for the benefit of the Town of Manteo to facilitate the expansion of present or construction of new wastewater treatment plants adequate to meet the needs of the Pirate's Cove Development.

Trash and garbage pickups by the Town of Manteo shall be by means of the use of dumpsters. In the event door-to-door pickup is requested by individual lot owners, any such door-to-door pickup will be provided by the Declarant, and not by the Town of Manteo, unless otherwise agreed. Throughout the Pirate's Cove Development, the Declarant will provide trash or garbage pickup which requires special handling, e.g. fish carcasses.

The Declarant and or the PCHA shall provide street, sidewalk and street lighting maintenance for the subdivision, and such shall not be the responsibility of the Town of Manteo.

Any and all of the aforesaid services for utilities, garbage and trash pickup, and street, sidewalk, and street lighting maintenance services which shall be the responsibility and obligation of the Declarant may be transferred and conveyed to the PCHA, at Declarant's sole discretion.

ARTICLE XIII

ANIMALS. No animals (including horses) or poultry of any kind, other than house pets shall be kept or allowed to remain on any lot in the subdivision.

ARTICLE XIV

A non-exclusive easement and right is hereby given, granted and conveyed to each owner for access, ingress and egress to and from U.S. Highway 64/264 over Pirate's Way and over and through all roads, streets, and accesses constructed and maintained by the Declarant or by the Pirate's Cove Homeowners' Association, Inc. The Pirate's Cove Homeowners' Association, Inc. is obligated to accept and shall accept responsibility for maintaining the streets, roads, cul-de-sacs, other easements and accesses, sidewalks and street lights within this subdivision of single-family lots, the costs of which shall be borne on a pro rata basis by the lot owners in the subdivision along with other Class A members of the Pirate's Cove Homeowners' Association, Inc. The streets within the subdivision's boundaries are private and their use shall be limited to lot owners in the subdivision and their agents, invitees and guests. The standard to which said roads and streets in said subdivision shall be maintained is the same standard and condition maintained by the Declarant as of the date hereof.

ARTICLE XV

Each owner in Spinnaker Village, Single-Family Subdivision shall be a Class A member of and shall be entitled to all the rights and privileges of a Class A member of the Pirate's Cove Homeowners' Association, Inc. The Pirate's Cove Homeowners' Association, Inc. has been incorporated by the Declarant as a comprehensive property owners' association for the entire residential area of Pirate's Cove for the purpose of owning and maintaining the roads, streets, amenities, and other common properties in Pirate's Cove, including the single-family lot subdivision of Phase II affected by these covenants. As a member of the Pirate's Cove Homeowners' Association, Inc., each lot owner will enjoy the benefits of membership in the incorporated property owners' association, which shall include the rights and privileges of use and access to all recreational amenities and facilities within Pirate's Cove which shall be or has been dedicated by or granted and conveyed to the Pirate's Cove Homeowners' Association, Inc. by the Declarant or its successors. Among these rights and privileges shall be the use and enjoyment of a dock, pier, or boat slip assigned to a lot owner as a member

in good standing of the Pirate's Cove Homeowners' Association, Inc. The terms and provisions of the By-Laws of the Pirate's Cove Homeowners' Association, Inc., which are attached hereto as Exhibit "B", are hereby incorporated by reference herein as if set forth word for word. Each lot owner takes title subject to said By-Laws, and in the event of a conflict between said By-Laws and this Declaration, the By-Laws of the Pirate's Cove Homeowners' Association, Inc. shall prevail.

ARTICLE XVI

ASSESSMENTS. Each and every owner of a lot, as a member of the Pirate's Cove Homeowners' Association, Inc., agrees to pay for each lot owned to said Association for the maintenance of the streets, roads and other common properties, amenities and facilities which said Association may now own or hereafter acquire, a sum equal to $1/X$ (X equalling the total number of Class A votes in the Pirate's Cove Homeowners' Association, Inc.) of the common expenses of the Pirate's Cove Homeowners' Association, Inc. during that year, which shall be a recurring quarter-annual assessment due to the said Association, unless and until terminated pursuant to ARTICLE XVIII of this Declaration. Each owner shall pay said sums promptly when they become due but in any event within thirty (30) days after they become due. Upon failure of said lot owners to pay said sums when due, the amount due shall become a lien upon the lot or lots owned by such lot owners which lien may be claimed by notice and enforced by civil action in the nature of the enforcement of a laborer's and materialmen's lien against real property pursuant to G.S. 44A-7, et seq. or, in the sole discretion of the Pirate's Cove Homeowners' Association, Inc., by civil action in the nature of the foreclosure of the lien of a deed of trust. In lieu of payment of said sums on lots owned by the Declarant, Roanoke Properties, or its successors, the Declarant may elect, in its sole discretion, to pay for actual operating expenses in excess of the collections of assessments herein provided for to the extent that said excess would be otherwise payable for lots then remaining unsold. In the event a court of competent jurisdiction shall rule that an owner(s) other than the Declarant is not liable for the common expenses and assessments herein provided for, such owner(s) shall pay, in lieu thereof, \$1,200.00 in annual assessments to the Pirate's Cove Homeowners' Association, Inc. Special assessments may be made in accordance with the By-Laws of the Pirate's Cove Homeowners' Association, Inc.

No lot owner may escape or absolve himself of liability for the common expense assessments, maintenance fees, and other assessments by abandonment or non-use of his lot, the common properties and recreational facilities of the Pirate's Cove Homeowners' Association, Inc. or by attempting maintenance by himself.

DEVELOPMENT RIGHTS. The Declarant hereby reserves unto itself, its successors and assigns non-exclusive easements and rights over and through Pirate's Way, the roads, streets,

parking areas, docks, piers, boat slips and other areas in and adjoining the Spinnaker Village Subdivision, for the use, benefit and enjoyment of Roanoke Properties, its agents, employees, successors and assigns. Said easements are reserved for the purpose and intent of developing and improving lands and properties in Pirate's Cove according to its Master Plan and as it, in its sole discretion, may deem proper. Declarant reserves the right to create additional subdivisions or other planned communities in Pirate's Cove and to add such additional subdivisions or other planned communities to the Pirate's Cove Homeowners' Association, Inc. The plans of the Declarant are to build or develop approximately 627 residential units in the residential area of Pirate's Cove, which units may be condominium units, townhouse units, or lots in a subdivisions, but no assurances are given that any or all of such units shall be built or developed. To the extent such residential units are completed, they will be added to the Pirate's Cove Homeowners' Association, Inc., and the owners thereof will be obligated to pay their pro rata share of the common expenses of said Association.

DECLARANT CONTROL PERIOD. Notwithstanding anything contained herein to the contrary, the Declarant, Roanoke Properties, its successors and assigns, shall have the right to appoint and designate the entire Board of Directors of the Pirate's Cove Homeowners' Association, Inc. until January 1, 1992. Said Board of Directors shall have all powers given or granted by these Declarations, the By-laws of the Pirate's Cove Homeowners' Association, Inc., and other applicable Declarations. Beginning with the next annual meeting of the membership of said Association after January 1, 1992, the Board of Directors shall be elected as set forth in Section 1.A. of Article I of the By-laws of the Pirate's Cove Homeowners' Association, Inc.

RIGHTS OF PIRATE'S COVE HOMEOWNERS' ASSOCIATION, INC. The Pirate's Cove Homeowners' Association, Inc. is hereby granted the absolute and exclusive right to maintain, control and assign the docks, piers and boat slips throughout the residential area of Pirate's Cove, including those adjacent to the Spinnaker Village Subdivision. The docks, piers and boat slips adjacent to this subdivision are to be used by and assigned solely to the lot owners in the Spinnaker Village Subdivision. The Pirate's Cove Homeowners' Association, Inc. is hereby given the right and option, in its sole discretion, to charge and assess the lot owners in this subdivision alone for the costs of maintenance, upkeep and repair of the docks, piers and boat slips adjacent to Spinnaker Village Subdivision. This shall include the right to charge a recurring fee for water, electricity and other services provided to lot owners who, in fact, have been assigned an area of dockage. The assignment of dockage shall be in accordance with the provisions of the By-Laws of the Pirate's Cove Homeowners' Association, Inc.

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

The Pirate's Cove Homeowners' Association, Inc. is hereby granted the absolute right to appoint, designate and hire the managing entity who will provide management services for all property owners' associations in Pirate's Cove, including the Pirate's Cove Homeowners' Association, Inc., as set forth in its By-Laws.

ARTICLE XVII

PARKING. Adequate off-street parking shall be provided by the owner of each lot for the parking of motor vehicles owned by such owner, and owners of lots shall not be permitted to park their automobiles on the streets in the development. Owners of lots shall not be permitted to park boats, trailers, campers and all other similar property on the streets in the subdivision and such property shall be parked in a garage or screened area approved by the A.R.B. concealing it from view.

ARTICLE XVIII

TERM. These covenants are to run with the land and shall be binding on all parties and all persons claiming under them for a period of twenty-five (25) years from the date these covenants are recorded, after which time such covenants shall be automatically extended for a successive period of twenty (20) years unless an instrument signed by a majority of the then owners of the lots has been recorded, agreeing to change said covenants in whole or in part.

ARTICLE XIX

ENFORCEMENT. Enforcement shall be by proceeding at law or in equity against any person or persons violating or attempting to violate any covenant either to restrain violation or to recover damages.

ARTICLE XX

SEVERABILITY. Invalidation of any one of these covenants or any part thereof by judgment or court order in no way affects any of the other provisions which shall remain in full force and effect, and the failure of any person or persons to take action to enforce the violation of any of these covenants and

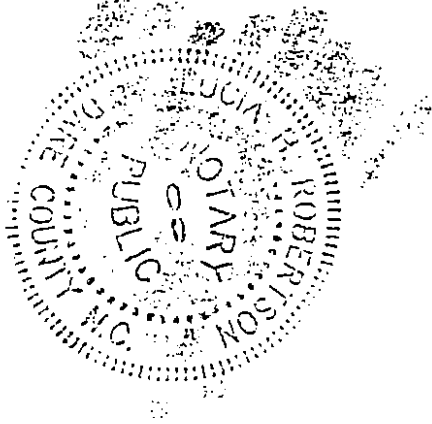
restrictions shall not be construed as a waiver of any enforcement rights and shall not prevent the enforcement of such covenant or covenants in the future.

ARTICLE XXI

AMENDMENTS. Declarant reserves the right to amend these restrictions from time to time as it may deem necessary. This Declaration may also be amended by an instrument approved by three-fourths (3/4ths) of all lot owners in the Spinnaker Village Subdivision and two-thirds (2/3rds) of all Class A members of the Pirate's Cove Homeowners' Association, Inc. Said amendment shall be effective upon recordation in the Dare County Registry.

ARTICLE XXII

IN TESTIMONY WHEREOF, the said Declarant, Roanoke Properties, a North Carolina General Partnership has caused this instrument to be signed and sealed the day and year first above written.



ROANOKE PROPERTIES, A North Carolina General Partnership

By: James R. Rogers III
James R. Rogers III
Designee of the Executive Committee

STATE OF NORTH CAROLINA

COUNTY OF Dare

I, the undersigned Notary Public, do hereby certify that James R. Rogers, III appeared before me this day and acknowledged that he is Designee of the Executive Committee of Roanoke Properties, a North Carolina General Partnership, and that by authority duly given and as the act of the partnership, he has acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this 2nd day of February, 1989.

Lucia H. Robertson
Notary Public

My commission expires: 06/06/93

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NORTH CAROLINA

DARE COUNTY

The foregoing certificates of Jucia H. Robertson,
a notary public of Dare Co. NC,
and _____, a notary public of
_____, are certified to be correct.

Presented for registration this the 9 day of
Sept., 1989, at 3:57 o'clock P.m., and
recorded in this office in Book 612, Page 259.

Dennis A. Gray
Register of Deeds

By: Norma Jean Ward
~~Assistant/Deputy~~
Register of Deeds

EXHIBIT A
ATTACHED TO DECLARATION OF PROTECTIVE COVENANTS
FOR
SPINNAKER VILLAGE SUBDIVISION
PIRATE'S COVE, PHASE II

All those certain lots numbered 1 through 29 inclusive of Spinnaker Village Subdivision, and all roads, streets, right-of-ways, cul de sacs and any other property and improvements as shown and depicted on that certain plat entitled "SPINNAKER VILLAGE, PIRATE'S COVE, MANTEO, DARE, NORTH CAROLINA, FINAL PLAT" prepared by Bissell Associates, Jesse S. Jewell, Jr., R.L.S., dated 1/17/89 and recorded in Plat Cabinet C, Slides 68A & 68B, Dare County Registry, which plat is hereby referred to and incorporated by reference herein for a more particular description of the property.



745341-0000
BK 612 PG 0278

BYLAWS OF

PIRATE'S COVE HOMEOWNERS' ASSOCIATION, INC.

PREAMBLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MEMBERSHIP

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

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

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

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

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

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

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

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

ARTICLE II

OFFICES

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

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

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

ARTICLE III

VOTING, QUORUM, PROXIES

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

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

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

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

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

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

ARTICLE IV

ADMINISTRATION

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

MEETINGS

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

BOARD OF DIRECTORS

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

Section 2. Powers and Duties: The Board of Directors shall have and are hereby delegated all of the powers, responsibilities, and duties necessary for the administration of the Association's affairs and may do all such acts and things as are not by law or by these Bylaws exclusively assigned to and directed to be exercised and done only by the members of the Association. The Board of Directors may issue or cause to be issued, upon request by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

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

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

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

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

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

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

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

(a) Care and upkeep of the easements, accesses, and rights-of-way of the Association.

(b) Care, upkeep, maintenance and repair of Pirate's Way, and any other roads, streets and parking areas owned by or entrusted to the Association.

(c) Collection of quarterly assessments from the members of the Association.

(d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Association's easements, accesses, rights-of-way, portions of Pirate's Way and other roads and streets, and other common properties, amenities and facilities of the Association.

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

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

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

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

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

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

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

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

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

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

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

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

OFFICERS

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

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

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

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

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

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

Association in such depositories as may ^{3x 5 1 2} from ^{2 2 2} time ^{2 2} to time be designated by the Board of Directors.

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

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

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

ARTICLE VIII

OBLIGATIONS OF THE MEMBERS

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS

Section 1. Rules of Conduct:

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

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

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

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

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

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

Section 5. Insurance:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Boat Slip Committee shall be responsible for:

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

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

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

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

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

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

/s/ James R. Rogers, III
Director

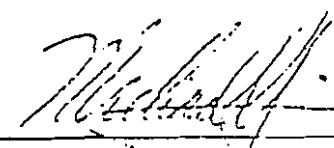
/s/ Barry W. Martin
Director

/s/ Michael A. Zimmerman
Director

CERTIFICATION

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

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



Secretary