

BYLAWS OF
PELICAN WATCH
MASTER OWNERS' ASSOCIATION

ARTICLE I

SECTION ONE: Portions of the Pelican Watch Condominium Development, located in Southern Shores, North Carolina, as shown on plat thereof recorded in Plat Cabinet C, Slide(s) 24D and 24E, Dare County Registry, have been submitted to the provisions of the North Carolina Condominium Act, Chapter 47C, of the General Statutes of North Carolina to the extent Declarations of Condominium Regimes have been duly filed and recorded in the Dare County Registry.

SECTION TWO: The provisions of these Bylaws are applicable to each lot and to each condominium submitted to the North Carolina Condominium Act which lies within the Pelican Watch Condominium Development, as shown on plat thereof recorded in Plat Cabinet C, Slide(s) 24D and 24E, Dare County Registry. (The term "condominium" as used herein shall mean the real property, and any incidents thereto or interests therein, submitted to the provisions of the North Carolina Condominium Act by the Declaration to which this set of Bylaws is an exhibit.) This set of Bylaws provides for the self-government of a Master Owners' Association (hereinafter "Master Association") of which condominium unit and lot owners within the Pelican Watch Condominium Development are members.

SECTION THREE: All present or future lot or unit owners, guests and tenants, and their servants and employees, or any other person entitled to use or occupy a lot or unit or any of the facilities of the condominiums in any manner, are subject to the regulations set forth in these Bylaws which are attached as Exhibit "B" to the recorded plans of unit ownership (the Declarations).

The acquisition or rental of any lots or any unit of the condominiums or the mere act of occupancy of either unit will signify that these Bylaws are accepted, ratified, and will be complied with.

Any lack of such compliance with the provisions of these Bylaws or of the Declaration shall give rise to, at the option of the Association, a suit to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Master Association, or by its

executive organ or any managing agent on behalf of the Master Association or, in a proper case, by an aggrieved lot or unit owner.

SECTION FOUR: Whenever used herein, unless the context clearly indicates otherwise, the following definitions shall govern:

(a) "unit owner" shall mean an owner of any condominium unit submitted by Declaration to the North Carolina Condominium Act, duly recorded in the Dare County Registry, and located in the Pelican Watch Condominium Development as shown on plat thereof recorded in Plat Cabinet C, Slide(s) 24D and 24E, Dare County Registry or an owner of one of the 12 lots in the Pelican Watch Condominium Development as shown on the aforesaid recorded plat.

(b) "member" shall mean a unit owner, including the Declarant.

(c) "Declarations" shall mean any Declaration of a condominium regime which submits any of the land in the Pelican Watch Condominium Development, as shown on plat thereof recorded in Plat Cabinet C, Slide(s) 24D and 24E, Dare County Registry, to the North Carolina Condominium Act.

(d) "Development" shall mean the Pelican Watch Condominium Development located in Southern Shores, North Carolina, as shown on plat thereof recorded in Plat Cabinet C, Slide(s) 24D and 24E, Dare County Registry.

ARTICLE II

VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES, DEFINITIONS

SECTION ONE: Voting. Voting shall be on a fractional basis and the fraction of the vote to which the owner of a unit or units is entitled is the number of units owned over the total number of units in the Pelican Watch Condominium Development submitted to the North Carolina Condominium Act by Declarations duly recorded in the Dare County Registry. An owner of a condominium unit so submitted becomes a member of this Master Association in accordance with the Declarations and is entitled to vote his/her fractional share as determined by the formula stated above. In the event a condominium regime is not established on any of the 12 lots shown on the aforesaid recorded plat, that lot(s) shall be allocated votes in the Master Association otherwise allocated to a 2-unit condominium and shall be liable for 1/12th of the common expenses of 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 Master 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 their unanimous agreement, and such consent 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 is, either alone or in conjunction with another person or persons, 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 TWO: 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 accordance with the fraction assigned to owners by these Bylaws.

SECTION THREE: QUORUMS. A quorum shall be deemed to be present throughout any meeting of the Master 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 THREE

ADMINISTRATION

SECTION ONE: MASTER ASSOCIATION'S POWERS AND RESPONSIBILITIES. All unit owners constitute and are members of the Pelican Watch Master Owners' Association (the "Master Association"), which will have the responsibility of (1) maintaining and repairing Pelican Watch Way (owned by the Master Association); (2) providing, improving and maintaining easements of access to the beach area contiguous with the Atlantic Ocean lying within the Pelican Watch Condominium Development; (3) maintaining and repairing the fence erected around the perimeter of the Development; (4) improving, maintaining, and repairing the easement and improvements established on a portion of Lot 12 of the Pelican Watch Condominium Development as shown on plat

thereof; (5) improving and maintaining the area between the high water mark of the Atlantic Ocean and the CAMA set back line, as they may from time to time be determined, and lying within the Pelican Watch Condominium Development; and (6) providing improving, maintaining, and repairing any and all other easements, accesses, rights-of-way, improvements, or real estate granted to the Master Association by the Declarations, Declarant, any Unit Owners' Association within Pelican Watch Condominium Development, or any other person or entity. The easement on a portion of Lot 12 referred to hereinabove shall be used by the Master Association to provide, maintain, and repair a Development sign, gate and/or fence, a master electric meter for the Development, post office boxes for unit owners in the Development, a swimming pool, and any other necessary uses as shall be agreed upon by the Master Association. The Master Association shall have the power to approve an annual budget, establish and collect monthly assessments and establish and maintain reserve funds. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority of the unit owners. The Master 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 Master Association shall have the absolute right and duty to employ, designate and appoint the managing entity for each association of condominium unit owners in the Pelican Watch Condominium Development.

SECTION TWO: To the extent damage is inflicted on any of the property or improvements the Master Association is required to provide and maintain, the unit owner causing the same, or the Master Association if it caused the same, shall be liable for the prompt repair thereof. A committee of three (3) disinterested members shall be appointed by the Board of Directors whenever damage is inflicted upon any of the property of the Master Association or on any of the common elements of the condominiums in the Development and such damage is alleged to have been inflicted by a member of the Master Association, his family, guests, licensees or invitees. Said committee shall accord to the party charged with causing damages notice of the charges, opportunity to be heard and to present evidence, and notice of the decision. The committee shall conduct a hearing open to all members of the Master Association, and may assess a liability for each damage incident not in excess of Five Hundred Dollars (\$500.00) against each member charged. The committee may also hear and determine charges against members for violations of the Declarations, these Bylaws or the Rules of Conduct and other rules and regulations of the Master Association. The committee shall accord to the party charged with the violation notice of the charge, opportunity to be heard and to present evidence, and notice of the decision of the committee. The committee may determine any fine(s) to be levied against a member for any such violations, not to exceed One Hundred Fifty Dollars (\$150.00) against each member for each violation or incident.

Any assessments or fines so determined to be owing by the committee shall be assessments against the member as a unit owner secured by lien under N.C.G.S. Section 47C-3-116.

SECTION THREE: 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 monthly to each of said reserve funds of a sum equivalent to not less than 3% of the monthly 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 300% 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 monthly allocation and such monthly 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 300% 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 monthly 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 Master 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 owners in the condominium 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 Master Association shall not fail to establish and maintain the Reserve Fund for Replacements and General Operating Reserve Fund, as set forth hereinabove.

SECTION FOUR: PLACE OF MEETINGS. Meetings of the Master Association shall be held at the principal office of the Pelican Watch Condominium Development or such other suitable place convenient to the unit owners as may be designated by the Board of Directors and shall be held at least once each year after the formation of said Association.

SECTION FIVE: ANNUAL MEETINGS. The first annual meeting of the Association shall be held on the first day of the month following the month in which there is first any unit owner other than the Declarant. Thereafter, annual meetings shall be held on the first Monday of June of each succeeding year. At such meetings there shall be elected by ballot a Board of Directors in accordance with the requirements of Section Six of Article IV of these Bylaws. The unit Owners may also transact such other business of the Association as may properly come before them.

SECTION SIX: SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners as directed by resolution of the Board of Directors or on a petition signed by a majority of the unit owners 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 owners present, either in person or by proxy.

SECTION SEVEN: NOTICE OF MEETINGS. The Secretary shall, at least twenty-one (21) 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 unit owner of record notice of the time, place and purpose or purposes of such meeting. Such notice shall be sent by United States mail, return receipt requested, to all unit owners at the address of their respective units and to such other addresses as any of them may have designated to the Secretary, or such notice may be hand delivered by the Secretary, provided he obtains a receipt of acceptance of such notice from the unit owner to such meeting. The mailing or delivery of notice in the manner provided in this section shall be considered notice served.

SECTION EIGHT: ADJOURNED MEETINGS. If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present either in person or by proxy may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

SECTION NINE: 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 IV

BOARD OF DIRECTORS

SECTION ONE: NUMBER AND QUALIFICATION. The Master Association's affairs shall be governed by a Board of Directors composed of three persons, each of whom must be owners of units in the Development.

SECTION TWO: 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 unit owners or the Association.

SECTION THREE: BUDGET. The Board of Directors shall at least annually, prior to December 31 of each year, prepare a budget for the Development, determine the amount of the common charges required to meet the common expenses of the Development as to those matters which have been entrusted to the Master Association, and allocate and assess such common charges against the unit owners in fractional shares proportionate to their voting power as determined under the formula set forth in Article II, Section One of these Bylaws. The common expenses shall include, among other things, 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 project, 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 unit owner in writing of his share of common charges and shall mail copies of each proposed budget to all unit owners at least ten (10) days in advance of its adoption and of each approved budget immediately after adoption thereof.

SECTION FOUR: OTHER DUTIES. In addition to the duties imposed by these Bylaws or by resolutions of the Master 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 Master Association.

(b) Care, upkeep, maintenance and repair of Pelican Watch Way, and any and all improvements entrusted to the Master Association, including, but not limited to, the fence around the perimeter of the development, the walkways to the Atlantic Ocean, and the improvements on Lot 12 of the Development.

(c) Collection of monthly assessments from the unit owners.

(d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Master Association's easements, accesses, rights-of-way, and Pelican Watch Way.

SECTION FIVE: MANAGEMENT. Unless the Declarant has contracted otherwise, the Board of Directors must provide for the management of those matters entrusted to the Master Association, including, if required, the employment of a "professional" management agent or entering into a management contract, for the Development 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 Four of this Article. The Master Association shall have the absolute right and duty to appoint, designate and employ the managing entity for each of the associations of condominium unit owners in the Development.

SECTION SIX: 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 and hold their first meeting. Each unit owner shall have three (3) votes for electing Directors, which he may vote cumulatively for one director, or which he may vote separately for different directors. The three candidates for director receiving the highest number of votes cast shall comprise the Board of Directors.

SECTION SEVEN: VACANCIES. Any vacancy in the Board of Directors occurring between annual meetings of the Master Association shall be filled by the candidate for director in the last election who received the fourth highest total of votes cast in that election. 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 "unit owner" as defined in these Bylaws.

SECTION EIGHT: 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 owners, and

a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

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

SECTION TEN: 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 ELEVEN: 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 both directors.

SECTION TWELVE: 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 THIRTEEN: 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 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 FOURTEEN: FIDELITY BONDS. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums of such bonds shall be paid by the Association.

ARTICLE V

OFFICERS

SECTION ONE: DESIGNATION AND QUALIFICATIONS. The officers of the Master Association shall be a President, and a Secretary/Treasurer, both of whom shall be elected by and from the Board of Directors. The directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary. The offices of Treasurer and Secretary shall 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 unit owners and any officer who disposes of his unit in fee and/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 unit in the condominium under terms giving him a right of occupancy under such disposition or dispositions.

Since all officers must be unit owners, then notwithstanding the fact that the term "unit owner" normally means one or more persons who own a condominium unit, the term "unit owner" in such context shall be deemed to include, without limitation, any director, officer, partner in, or trustee of any person which is, either alone or in conjunction with another person or persons, a unit owner.

SECTION TWO: ELECTION AND TERM OF OFFICERS. The officers of the Master Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

SECTION THREE: 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 FOUR: 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 FIVE: SECRETARY/TREASURER. The Secretary/Treasurer shall keep the minutes of all meetings of the Board of Directors and 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. The Secretary/Treasurer shall also 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 moneys and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VI

OBLIGATIONS OF THE OWNERS

SECTION ONE: ASSESSMENTS. All unit owners are obligated to pay monthly assessments imposed by the Master Association to meet the common expenses of maintenance, repair, and improvement to the easements, accesses, rights-of-ways, and other aspects of the Pelican Watch Condominium Development owned by or entrusted to the Master Association. The assessments shall be made pro rata according to the fraction assigned to owners by Article II, Section One of these Bylaws. Such assessments shall include monthly payments to a general operating reserve and a reserve fund for replacements. Such assessments shall be made by the Master Association monthly, or more often if the Board of Directors so provides.

SECTION TWO: LIEN FOR ASSESSMENTS. The Master Association shall have a lien on every condominium unit for unpaid assessments levied against that condominium unit in accordance with the provisions of the North Carolina Condominium Act and all lawful provisions of the condominium instruments, if perfected, as hereinafter provided.

The Master Association, in order to perfect the said lien for assessments, shall file in the Clerk's office of the Superior Court of Dare County, North Carolina, a claim of lien in the amount of the unpaid assessments against that unit pursuant to North Carolina General Statutes Section 47C-3-116.

Any unit owner or purchaser of a condominium unit, having executed a contract for the disposition of the same, shall be entitled upon request to a recordable statement setting forth the amount of unpaid assessments currently levied against that unit. Such request shall be in writing, directed to the principal officer of the Master Association or to such other officer as the Board of Directors may specify. Failure to furnish or make available such a statement within five (5) business days from the receipt of such request shall extinguish the lien for such

assessments as to the condominium unit involved. Such statement shall be binding on the Master Association, the Board of Directors, and every unit owner. Payment of a fee of Ten Dollars (\$10.00) may be required as a prerequisite to issuance of such a statement.

SECTION THREE: UNPAID ASSESSMENTS UPON FORECLOSURE. When the mortgagee of a duly recorded first mortgage securing an institutional lender or other purchaser of a unit obtains title to such unit by reason of foreclosure of a duly recorded first mortgage securing an institutional lender covering the unit, such acquirer of title, his successors, heirs, personal representative 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 FOUR: MAINTENANCE AND REPAIRS.

(a) An owner shall reimburse the Master Association for any expenditures incurred in repairing or replacing any of the easements, accesses, rights-of-way, and other aspects of the Pelican Watch Condominium Development owned by or entrusted to the Master Association which are damaged through his fault or in performing any obligations of an owner which he fails, refuses, or neglects to perform.

(b) If at any time the owner of a unit fails to pay his monthly assessment as provided in these Bylaws or fails to perform his maintenance, repair, or other obligations imposed upon him by the Declaration, these Bylaws or the administrative rules and regulations adopted pursuant thereto, the Association shall perform such obligation and initiate legal action to collect the assessment or to effect reimbursement for the expenditures made in carrying out the delinquent owner's obligation.

SECTION FIVE: USE OF FAMILY UNITS; CHANGES.

(a) All units shall be utilized for single-family residential purposes only. This restriction shall not preclude occupancy of any unit by unrelated persons who live together as a single family unit.

(b) No unit owner or his tenants, agents or assigns shall change the exterior appearance of his unit without the express written consent of the Master Association.

SECTION SIX: RULES OF CONDUCT.

(a) No owner, guest, lessee, or other person shall commit any act which will result in an increase in the rate of any policy of insurance maintained by the Master Association, or

violate any provision in respect to any policy of hazard insurance or liability insurance for the Pelican Watch Condominium Development.

(b) The Master Association shall enforce the following initial Rules of Conduct and shall maintain such Rules of Conduct as the "Pelican Watch Condominium Development Rules of Conduct" as required by the Declarations. The Master Association, by a vote of a majority of all unit owners at a duly convened meeting, may adopt additional rules of conduct which shall be binding upon all unit owners as fully as if set forth in these Dylaws.

The Rules and Regulations hereinafter enumerated shall be deemed in effect unless or until amended by the Board of Directors of Pelican Watch Master Association or its duly authorized agent and shall apply to and be binding upon all owners. The owners shall obey at all times said Rules and Regulations and shall use their best efforts to see that they are faithfully observed by their families, guests, invitees, servants, lessees and persons over whom they exercise control and supervision. The initial Rules and Regulations are as follows:

1. The sidewalks, walkways, entrances and the common areas in general of Pelican Watch shall not be obstructed or encumbered or used for any purpose other than ingress and egress to and from the Pelican Watch property, and no carriages, motorcycles, bicycles (or similar vehicles), wagons, shopping carts, chairs, benches, tables or any other object of a similar type and nature shall be left therein or thereon. No motor vehicles shall be parked along Pelican Watch Way.

2. No linens, cloths, clothing, curtains, rugs, mops or laundry of any kind or other articles shall be exposed on any part of the common area. The common area shall be kept free and clear of refuse, debris, and other unsightly material.

3. No owners shall allow anything whatsoever to fall from the windows, decks, balconies, entry ways or doors of his house, nor shall he sweep or throw from his house any dirt or other substance outside of his house or into the common area.

4. No pets shall be allowed in or on the common areas.

5. Refuse and bagged garbage shall be kept underneath the condominium and may be placed alongside Pelican Watch Way only on days scheduled for garbage pickup by the Town of Southern Shores and only in receptacles approved by the Master Association.

6. Recreational vehicles and trailers and boats may be parked or left only in areas designated by the Master Association or underneath the condominium.

7. The employees of a duly authorized agent of the Pelican Watch Master Association shall not be sent off the Pelican Watch property by any owner at any time for any purpose, and no owner or resident shall direct, supervise or in any manner attempt to assert any control over such employees.

8. No owner shall make or permit any disturbing noises by himself, his family, servants, employees, agents, visitors and licensees, nor do or permit anything by such persons that would interfere with the rights, comforts or convenience of other owners. No owner shall play upon or suffer to be played upon any musical instrument or operate or suffer to be operated a phonograph, television, radio or sound amplifier in his house in such a manner as to disturb or annoy other occupants. All persons shall lower the volume as to the foregoing from 12:00 p.m. to 8:00 a.m. each day.

9. No owner, resident, guest, lessee, or other person shall install wiring for electrical or telephone installation, television antennae or satellite discs, machines, air conditioning units, or the like on the exterior of the project or that protrude through the walls or the roof of the project except as allowed by the Master Association.

10. No owner, guest, or other person shall paint the exterior of his unit without the authority and written approval of the Association, it being intended to preserve and present a uniform appearance for the condominium. No owner may otherwise alter the exterior appearance of his unit.

11. No resident or guest of the condominium shall post any advertisements or posters of any kind in or on the condominium except as authorized by the Association. No "for sale" or "for rent" signs shall be displayed without the prior approval of the Association. This Rule shall be inapplicable to the Developer, Outer Banks Associates, and to any first mortgagees acting pursuant to a power of foreclosure sale.

12. The Association shall have sole control of all planting and landscaping and sole control of all watering.

13. The Association may make such rules and regulations as it deems necessary for the storage and keeping of firewood, and the Association may limit said storage and keeping to certain areas only.

14. No inoperable vehicles may be parked or left upon any portion of the common area.

15. Motor vehicles may not be washed or cleaned on Pelican Watch Way.

16. Complaints regarding the management of Pelican Watch shall be made in writing to the Board of Directors of the Pelican Watch Master Association or to its duly authorized agent.

17. All owners shall adhere to and obey all state and federal laws and regulations with respect to the area east of the CAMA line of first stable natural vegetation, as it may from time to time be determined, and all local rules, regulations, and ordinances of the County of Dare and the Town of Southern Shores pertaining to beach and ocean access areas along the Atlantic Ocean.

18. No unit shall be occupied by more than ten (10) persons at any one time.

19. No flammable, combustible, or explosive fluid, chemical or substance shall be kept in any unit (except as required for normal household use) or on any of the common elements.

20. These Rules of Conduct for the Pelican Watch Condominium Development have been incorporated by reference within the Declarations applicable to each two-unit condominium regime duly recorded in the Dare County Registry and are enforceable as if fully set forth therein. A violation of any Rules contained herein may subject the violator to a fine levied at the discretion of the committee of the Association and enforceable by a claim of lien as provided in the Declarations as set forth in Article III, Section Two of these Bylaws. An amendment or addition to these Rules of Conduct shall not require an amendment to any recorded Declarations.

21. These rules and regulations as to the use of Pelican Watch facilities shall be posted by each owner in his unit.

ARTICLE VII

INCONSISTENCY BETWEEN DECLARATION AND BYLAWS

In the event that any provision of these Bylaws is inconsistent with or in conflict with any provision contained in the condominium Declarations or any amendment thereof, these Bylaws shall control and govern and the inconsistent or conflicting provision of the Declarations shall be null and void and of no effect and no amendment of the Declarations shall be necessary.

ARTICLE VIII

AMENDMENTS TO PLAN OF UNIT OWNERSHIP

SECTION ONE: BYLAWS. These Bylaws may be amended by the Master Association in a duly constituted meeting for such purpose, and no amendment shall take effect unless approved in the manner provided in the Declaration. Such amendment shall be recorded in the office of the Register of Deeds of Dare County, North Carolina. Prior written notice of any proposed Bylaws change shall be given in accordance with Article 111, Section Seven of these Bylaws.

ARTICLE IX

MORTGAGES

SECTION ONE: NOTICE TO ASSOCIATION. An owner 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 "Mortgages of Units".

SECTION TWO: NOTICE OF UNPAID ASSESSMENTS. Mortgages under any first mortgage or first deed of trust record encumbering a condominium unit and securing an institutional lender shall be provided written notification setting forth the amount of unpaid assessments currently levied against the unit securing its mortgage and a first mortgagee will be provided notice specifying any default under the condominium instruments which is not cured within thirty (30) days. Such notice shall be in writing sent by the principal officer of the Master Association or such other officer as the Board of Directors may specify.

Any institutional first mortgagee who comes into possession of the 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 prorata 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 THREE: RIGHT OF INSPECTION AND EXAMINATION. The books, contracts, records, documents, bank statements, budget, audit reports, and papers of the Association and all of the property of the project shall be subject to inspection, examination and copying by all institutional first mortgagees of record or their duly authorized agents at all reasonable times.

ARTICLE X

INSURANCE

It shall be the responsibility of the Master Association to obtain and maintain in force such policies of insurance as are required by the Declaration. It shall be the responsibility of the Master Association to give prompt notice to each owner of the obtaining, change in coverage or cancellation of any such policy.

ARTICLE XI

DEVELOPMENT RIGHTS

SECTION ONE: The Developer and Declarant, Outer Banks Associates, has reserved the rights to develop the lots numbered through 12 as set forth in ARTICLE NINE of the Declarations. Notwithstanding anything contained herein to the contrary, in the event a condominium Declaration is not recorded for any of the lots numbered 1 through 12 inclusive as shown on the recorded Plat of Pelican Watch Condominium Development, then those lots shall be allocated votes in the Master Association that would otherwise be assignable to a two-unit condominium located on said lots. The said lot(s) shall also be liable and responsible for 1/12th of the common expenses and assessments of the Association, subject to the lien rights of the Association. Any and all references in these Bylaws and the Condominium Instruments to "units" or "unit owners" shall be deemed to apply to the fee simple owners of the lot(s) and any improvements thereon. The Declarant hereby covenants to convey title to any of the said lot(s) subject to these Bylaws and the terms and provisions herein governing the Pelican Watch Master Owners' Association, Inc. including, but not limited to, easements, assessments, and use. Provided, however, that the Declarant, Outer Banks Associates, its successors and assigns, shall not be liable for common expenses of the Master Association in the percentage allocated to said lot(s) so long as and to the extent that Declarant remains the fee simple owner of any of the 12 lots shown on the recorded Plat of the Pelican Watch Condominium Development and not yet submitted to a condominium regime by appropriately recorded Declarations. In lieu thereof, the Declarant shall be obligated to pay and shall be responsible for actual operating expenses of the Pelican Watch Master Owners' Association, Inc. in excess of the collections of assessments to the extent that said excess would be otherwise payable for the lot(s) remaining unsold and not submitted to a condominium regime.

ARTICLE XII

COMPLIANCE

These Bylaws are set forth to comply with the requirements of the North Carolina Condominium Act. In the case any of these Bylaws conflict with the provisions of that statute, it is hereby agreed and accepted that the provisions of the statute will apply.

IN WITNESS WHEREOF, we the undersigned, being all of the directors of the Pelican Watch Master Owners' Association, Inc., have hereunto set our hands this _____ day of _____, 198__.

Director

Director

Director

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Pelican
Hatch Master Owners' Association, a non-profit incorporated
association organized and existing under the laws of the State of
North Carolina.

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 _____,
198__.

IN WITNESS WHEREOF, I have hereunto subscribed my name this
_____ day of _____, 198__.

Secretary