

EXHIBIT "B"

BYLAWS

OF

PIRATES COVE

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Townhome Ownership. The project, located in the Town of Swansboro, Township of Swansboro, Onslow County, North Carolina, known as Pirates Cove and more particularly described in the Declaration which is attached hereto has been submitted to the provisions of North Carolina law by the Declaration recorded in the Office of the Register of Deeds of Onslow County, North Carolina, simultaneously herewith, and shall hereinafter be known as Pirates Cove (hereinafter referred to as "Townhome").

Section 2. Bylaws Applicability. The provisions of these Bylaws are applicable to the project (the term "Project" as used herein shall include the land, the buildings, and all other improvements thereon including the townhome, common areas, and facilities), owned in fee simple absolute and all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith including any property hereinafter acquired by the townhome and intended to be included within the land and improvements and facilities of said project, all of which are intended to be submitted to the provisions of North Carolina law.

Section 3. Personal Application. All present or future owners, tenants, future tenants, or their employees, or any other person or entity that might use the facilities of the project in any manner are subject to these Bylaws upon the same being passed and duly set forth in the minutes of Pirates Cove Homeowners Association, Inc. (hereinafter referred to as the Owners Association).

The mere acquisition or rental of any of the townhome units (hereinafter referred to as "units") of the project or the mere act of occupancy of any of said units will signify that these Bylaws and the provisions of any Rules and Regulations made pursuant hereto and the provisions of the Declarations, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II

VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

Section 1. Voting. Each townhome unit owner shall be a member of the Owners Association. The membership of the Owners Association shall consist of all of the townhome unit owners and each unit owner shall be entitled to one vote per unit with said vote being based upon the percentage of ownership as set forth in Section 9 of the Declarations, but there shall be only one vote allowed per townhome unit. There shall be one person with respect to each townhome unit ownership who shall be entitled to vote at any meeting of the townhome unit owners. Such person shall be known as "The Voting Member". The voting member shall be selected by agreement of the owners of the unit voting, or by the Owners Association if no agreement is reached among the owners of the individual townhome unit. Nothing shall prohibit the townhome unit owner from designating a tenant to be the voting member for his townhome unit. Voting by proxy is permitted.

In all elections for the members of the Board of Directors, each voting member shall be entitled to vote on a cumulative voting basis and the candidates receiving the highest percentage votes with respect to the number of offices to be filled shall be deemed elected.

Section 2. Waiver of Notice. Any unit owner may at any time waive notice of any meeting of the unit owners in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a unit owner at any meeting of the unit owners shall constitute a waiver of notice by him of the time and place of said meeting except where a unit owner attends a meeting for the purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the unit owners are present at any meeting of the unit owners, no notice shall be required and any business may be transacted at such meeting.

Section 3. Action Without Meeting. Any action which may be taken at a meeting of the unit owners may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by all of the voting members who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the Owners Association to be kept in the Owners Association minute book.

Section 4. Initial Meeting of Unit Owners. In order to organize the Owners Association, the initial meeting of the unit owners shall be held upon ten (10) days written notice given by the Declarant upon execution of the Declaration, Bylaws and other documents required for the Owners Association.

Section 5. Annual Meeting. The annual meeting of the Association shall be held on the fourth Monday of January of each year and the fiscal year of the Association shall be a calendar year. If the annual meeting shall not be held on the day assigned by these Bylaws, a substitute annual meeting may be called in accordance with the provisions of the next section of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 6. Special and Substitute Annual Meetings, Notice of Same. Special meetings of the unit owners may be called at any time by the Board of Directors of the Owners Association or upon written request of not less than twenty-five percent (25%) in common interest, in the aggregate, of the unit owners.

Written or printed notice stating the place, day, and hour of the meeting shall be delivered or mailed not less than ten (10) days nor more than twenty (20) days before the date thereof, either personally or by mail at the direction of the Board of Directors or unit owners calling the meeting, to each voting member entitled to vote at such meeting.

If the meeting is to be an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter other than the election of directors on which the vote of unit owners is expressly required by the provisions of North Carolina law. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for not less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

Section 7. QUORUM. The presence in person at any meeting of the voting members as defined in this Article having a majority of the total percentage votes shall constitute a quorum except as otherwise provided by these Bylaws, and any action may be taken at any meeting of the unit owners at which a quorum is present upon the affirmative vote of the voting members having a majority of the total percentage votes present at such meeting.

If there is not a quorum at the opening of the meeting of the unit owners, such meeting may be adjourned from time to time by the highest percentage vote of a majority of the voting members present and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting. The voting members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting members to leave less than a quorum.

ARTICLE III

ADMINISTRATION, BOARD OF DIRECTORS

Section 1. Administration. The business and property of the townhome shall be managed and directed by the Board of Directors or by such executive committees as the Board of Directors may establish pursuant to these Bylaws.

Section 2. Directors. The number of directors shall be three (3), to be elected by the unit owners at their initial meeting. The number constituting the Board of Directors may be increased or decreased upon the affirmative vote of two-thirds (2/3) of the total percentage votes of the unit owners provided that such Board of Directors shall not be less than three (3) in number. Each director shall hold office for a term of one (1) year or until his death, resignation, retirement, disqualification, or his successor is elected and qualifies. Each director shall be one of the owners or co-owner or a spouse of an owner, or co-owner, provided, that in the event an owner is a corporation, partnership, trust, or other legal entity other than a natural person or persons, then any officer or director of such corporation, partner of such partnership, beneficiary of such trust, or manager of such other legal entity, shall be eligible to serve as a member of the Board of Directors.

Section 3. Officers. The Board of Directors shall elect a chairman and a vice-chairman, a secretary-treasurer at the first meeting after the annual meeting of the unit owners, or at such time as the death, resignation or disqualification of any of said officers requires.

Section 4. Elections. Except as provided in Section 6 of this Article, the directors shall be elected at the annual meeting of unit owners, and those persons who receive the highest number of percentage votes shall be deemed elected.

Section 5. Removal of Directors. Any director may be removed from office with or without cause by affirmative vote of

the unit owners having a majority of the total percentage votes entitled to vote at an election of directors. Unless the entire Board of Directors is removed, an individual director may not be removed if the number of unit owners voting against the removal would be sufficient to elect a director if such unit owners voted cumulatively at an annual election. If any director is so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. A vacancy on the Board of Directors, including vacancies not filled by the unit owners, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director, but a vacancy created by an increase in the authorized number of directors shall be filled only by election at an annual meeting or a special meeting of unit owners called for that purpose. Voting members may elect a director at any time to fill any vacancy not filled by the directors.

Section 7. Compensation. The Board of Directors shall receive no compensation for their services unless expressly allowed by the unit owners having two-thirds (2/3) of the total percentage votes.

Section 8. Executive Committee. The Board of Directors may, if they so desire, by resolution adopted by a majority of the number of directors fixed by these Bylaws, designate two (2) or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the townhomes.

Section 9. Administrative Authority. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Owners Association and may do all such acts and things as are not by law or by the Declaration or by these Bylaws directed to be exercised and one by the unit owners.

Such powers and duties of the Board of Directors shall include, but not exclusively, the following:

A. Care, upkeep and surveillance of the project and the common areas and facilities.

B. Collection of monthly assessments from the unit owners.

C. Designation and dismissal of the personnel necessary for the maintenance for the operation of the project, the common areas, and facilities.

D. Establishment of the common expenses required for the affairs of the townhomes including, but not exclusively,

the operation and maintenance of the project properties.

E. Upon the direction of the unit owners having a majority of the total percentage votes, the adoption and amendment of such reasonable Rules and Regulations as it may deem proper for the maintenance, conservation, and beautification of the project, and for the health, safety, general welfare and comfort of the unit owners and occupants of the project. Written notice of such Rules and Regulations shall be given to all owners and occupants as they may be established from time to time.

F. Opening of bank accounts on behalf of the Owners Association and designating the signatories required. It is specifically provided that any person authorized to sign checks on behalf of the Owners Association shall be bonded with a corporate bonding company in an amount as determined by the Board of Directors.

G. Purchasing, leasing or to otherwise acquire in the name of the Owners Association, or its designee, corporate or otherwise, on behalf of all unit owners, units offered for sale or lease or surrendered by their owners to the Board of Directors as provided by the Declaration.

H. Purchasing of units at foreclosure or other judicial sales in the name of the Owners Association, or its designee, corporate or otherwise, on behalf of all unit owners.

I. Mortgaging, selling, voting the votes appurtenant to or otherwise dealing with units acquired by the Owners Association or its designee, corporate or otherwise, on behalf of all unit owners subject to the Declaration and other applicable restrictions and regulations.

J. Repairing and maintaining any unit, if such repair or maintenance is necessary in the discretion of the Board of Directors or by operation of applicable restrictions and regulations to protect any of the common areas and facilities or any other portion of the buildings and if an owner of any unit has failed or refused to perform such maintenance or repair within reasonable time subsequent to written notice of the propriety and necessity of said maintenance or repair delivered or mailed by the Board of Directors to said unit owner, provided that the Board of Directors shall levy a special assessment against such unit owner for the cost of said maintenance or repair. The Board of Directors shall cause such levy of special assessment to be recorded as a lien on such unit in the Office of the Clerk of Superior Court of Onslow County, North Carolina.

K. Entering any unit when necessary for maintenance, repairs or construction for which the Board of Directors is responsible, provided that, such entry shall be made during reasonable hour with as little inconvenience to the unit owner or

occupant as practicable, and any damage caused thereby shall be repaired by the Board of Directors and such expense shall be treated as a common expense of the Owners Association.

L. Executing all agreements, contracts, deeds and vouchers or invoices for payment of expenditures and other instruments in such manner as shall be determined by written resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such documents shall be signed by the treasurer and countersigned by the chairman of the Board of Directors.

M. Acquiring of insurance for the project, including the units, pursuant to the provisions of Paragraph 15 of the Declaration.

N. As a result of condemnation or eminent domain proceedings or damage after destruction by fire or other casualty, the Board of Directors shall have the authority to make repairs and improvements or other alterations of the project properties in accordance with the other provisions of these Bylaws and the Declarations.

O. To enter into contracts with unit owners for the leasing of the unit belonging to the unit owner to third parties under such terms and conditions as are hereinafter set forth.

P. To foreclose the lien on any unit or property of a member for which assessments are not paid within thirty (30) days after the due date and to bring such actions at law against the owner personally obligated to pay the same as it may deem proper and necessary.

Q. Upon approval of the unit owners having a majority of the total percentage votes as set forth in Article II, Section 1 of these Bylaws, the Board of Directors may construct improvements and additions to the common areas or purchase additional common areas and enter into contracts for same.

R. The Board of Directors may suspend the voting rights and right to use of the project facilities and common areas of a member during any period in which such member shall be in default of the payment of any assessment levied by the Board of Directors. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for any willful infraction of the published Rules and Regulations committed by the unit owner, his family, guests, tenants, employees or agents.

Section 9. Managing Agent. The Board of Directors for the Owners Association may engage the services of a person, firm,

or corporation to act as managing agent of the project at the compensation established by the Board of Directors and to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may not delegate to said managing agent those powers granted to the Board of Directors set forth in subdivisions D,E,F,G,H,I,L,P,Q and R.

ARTICLE IV

DIRECTOR'S MEETING

Section 1. First Meeting of Board of Directors. The first meeting of the Board of Directors shall immediately follow the first meeting of the unit owners. No notice shall be necessary to the newly elected Board of Directors in order to legally constitute such meeting providing that a quorum shall be present.

Section 2. Regular Meeting. A regular meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of the unit owners. The Board of Directors may provide by resolution the time and place either within or without the State of North Carolina for the holding of a regular meeting of the Board of Directors.

Section 3. Special Meeting. The Board of Directors may call special meeting by or with the request of the chairman or any two (2) directors. Such special meeting may be held either within or without the State of North Carolina.

Section 4. Notice of Meeting. Regular meetings of the Board of Directors may be held without notice. Whoever calls a special meeting of directors shall, at least forty-eight (48) hours before the meeting, give the notice thereof by any usual means of communication. Such notice does not have to specify the purposes for which the meeting is being called.

A directors attendance at a meeting shall constitute his waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting the transaction of any business because the meeting was not lawfully called.

Section 5. Waiver of Notice. A member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors in writing and such written waiver shall be considered equivalent to the provisions of such notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice of the time and place thereof. If all directors are present at any meeting of the

Board of Directors, no notice shall be necessary or required and any business may be transacted at such meeting.

Section 6. Quorum. A majority of the number of directors fixed by these Bylaws shall be required for and shall constitute a quorum for the transaction of any business at a meeting of the Board of Directors.

Section 7. Voting. Except as provided hereinafter, an act of the majority of the directors present at a meeting which a quorum is present shall be considered the act of the Board of Directors.

A vote by a majority of the number of directors fixed by the Bylaws shall be required to adopt a resolution constituting an executive committee. A vote of a majority of the directors then holding office shall be required to adopt, amend, or repeal a Bylaw provided that no amendment to or modification of the Bylaws shall be binding and effective unless approved by a two-thirds (2/3) majority of the total percentage votes of the unit owners and set forth in an amended Declaration duly recorded as by law provided. Vacancies on the Board of Directors may be filled as provided in Article III, Section 6 of these Bylaws.

Section 8. Presiding Officer. All meetings of the Board of Directors shall be presided over by the chairman of the Board of Directors and in his absence, by any person selected to preside by vote of the majority of the directors present. The secretary, or in his absence, assistant secretary, or in the absence of both, the secretary and assistant secretary, any person named and designated by the chairman of the meeting shall act as the official secretary of the meeting and shall record the minutes thereof in the minute book of the Owners Association. Such minute book shall be kept at a location designated by the Board of Directors and shall be available for examination by the unit owners at reasonable times which may be established by the Board of Directors.

Section 9. Action Without Meeting. Any action taken by a majority of directors without meeting is nevertheless Board of Directors action so long as written consent to the action is signed by all of the directors and filed with the minutes of the proceedings of the Board of Directors whether done before or after the action so taken. All actions which may be taken at a meeting of the Board of Directors may be taken without a meeting with approval of, and in writing signed by, members of the Board of Directors constituting a majority of said Board of Directors. Such writings designating the approval shall be permanently filed with the Secretary of the Board of Directors and made a part of the minutes.

Section 10. Liability. The members of the Board of Directors shall not be liable to unit owners for any mistakes of

negligence, judgment, or otherwise except for their own individual willful bad faith, or misconduct. The unit owners shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Owners Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declarations or these Bylaws. The intention is that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Owners Association except to the extent they are unit owners. Further, it is the intention that the liability of any unit owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors, shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all the unit owners in the common areas and facilities. Each agreement made by the Board of Directors or the managing agent shall provide that the members of the Board of Directors or the managing agent, as the case may be, are acting only as agents for the unit owners and shall have no personal liability thereunder except as unit owners, and that each unit owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all unit owners in said common areas and facilities.

ARTICLE V

OFFICERS

Section 1. Designated Officers. The principal officers of the Owners Association shall consist of a Chairman of the Board of Directors, Secretary-Treasurer and such Vice Chairman, Assistant Secretaries-Treasurers, and other officers as the Board of Directors may from time to time elect. Any two (2) or more offices may be held by the same person except the offices of chairman and secretary-treasurer.

Section 2. Election. Officers of the Owners Association shall be elected by and from the Board of Directors. Such elections may be held at the regular annual meeting of the Board of Directors. Each officer shall hold office for a period of one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed with or

without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation. No officer shall receive any compensation from the Owners Association for acting in such capacity.

Section 5. Chairman of the Board. The Chairman of the Board of Directors shall be the principal executive officer of the Owners Association and shall supervise and control the management of the townhome subject to the control of the Board of Directors. The Chairman, when present, shall preside at all meetings of the Board of Directors and the unit owners and, in general, perform all duties incidental to the office of chairman of the Board of Directors and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-Chairman. The vice-chairman, and if there be more than one, the vice chairman designated by the Board of Directors shall, in the absence or disability of the chairman, have the powers to perform the duties of said office. Furthermore, each vice-chairman shall perform such other duties and have such other powers as shall be prescribed by the chairman of the Board of Directors.

Section 7. Secretary. The secretary shall keep accurate records of the acts and proceedings of all meetings of the owners and directors. He shall give or cause to be given all notices required by law and by these Bylaws. He shall have the general charge of the minute books and records of both the unit owners and the Board of Directors, and he shall sign such instruments as may require his signature, and, in general, shall perform all duties incidental to the office of secretary and such other duties as may be assigned from time to time by the chairman of the Board of Directors or by the Board of Directors.

Section 8. Treasurer. The treasurer shall have custody of all Owners Association funds and securities and shall receive, disburse or deposit said funds and securities under the direction of the Board of Directors. He shall keep accurate accounts of the Owners Association finances in books provided for that purpose. He shall cause a true statement of the Owners Association assets and liabilities as of the close of each fiscal year and of the results of its operations and of changes in surplus for each fiscal year, all in reasonable detail, to be prepared and distributed to all unit owners and members of the Board of Directors, on or before the 15th day of the first month following the close of each fiscal year. The statement so filed shall be kept available for inspection by unit owners for a period of three (3) years and the treasurer shall mail or deliver a copy of the latest such statement to each unit owner annually on or before the 15th day of the first month following the close of the fiscal year. The treasurer shall also prepare and file all reports and returns

required by federal, state or local laws, and shall generally perform all other duties as may be assigned to him by the chairman of the Board of Directors from time to time.

Section 9. Assistant Secretaries and Treasurers. If there be any assistant secretaries and treasurers, in the absence or disability of the secretary and treasurer, respectively, they shall have all of the powers and perform all of the duties of those officers and shall, in general, perform such duties as may be assigned to them by the secretary or the treasurer, respectively, or by the chairman of the Board or the Board of Directors.

ARTICLE VI

PROPERTY OPERATIONS AND REGULATIONS

Section 1. Budget. The Board of Directors shall from time to time and, at least on an annual basis, prepare a budget for the townhomes, determine the amount of the common charges payable by the unit owners to meet the common expenses of the townhomes, and allocate and assess such common charges among the unit owners according to their respective common interest. The common expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of the Declaration. The common expenses may also include such amounts as the Board of Directors deems proper for the operation and maintenance of the property including, but not exclusively, an amount for working capital of the Owners Association for a general operating reserve, for a reserve fund for replacements, and to compensate for any deficit in the common expenses for any prior year. The common expenses may also include amounts as may be required for the purchase or lease by the Owners Association or its designee, corporate or otherwise, on behalf of all unit owners of any unit whose owner has elected to sell or lease such unit or of any unit to be sold at a foreclosure or other judicial sale. The common expenses also may include such amounts as may be required for the purchase of additional common areas or facilities as approved by the unit owners and Board of Directors pursuant to Sub-paragraph I. of Section 9 of Article III. The Board of Directors shall inform all unit owners in writing of the amount of common charges payable by each of them respectively as determined by the Board of Directors and shall furnish copies of each budget on which such common charges are based to all unit owners and their mortgagees promptly after establishing said common charges.

Section 2. Obligations. All unit owners shall be obligated to pay the common charges assessed by the Board of

Directors pursuant to the provisions of Section 1 of this Article VI at such time or times as the Board of Directors shall determine.

No owner shall be liable for the payment of any part of the common charges assessed against his unit subsequent to a sale, transfer, or other conveyance by him made in accordance with the provisions of the Declaration and applicable restrictions of record on such unit together with his interest in the common areas and facilities and limited common areas as defined in the Declaration. A purchaser of a unit shall be jointly and severally liable with the seller for the payment of common charges assessed against such unit prior to the acquisition by the purchaser of such unit without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefore; provided, a mortgagee or other purchaser of a unit at a foreclosure sale of such unit shall not be liable for and such unit shall not be liable to a lien for the payment of common charges assessed prior to the foreclosure sale. Such unpaid common charges shall be deemed to be common charges collectable from all the unit owners including such purchaser, his successor and assigns.

Section 3. Assessments. The Board of Directors shall assess charges against the unit owners from time to time at least annually and shall take prompt action to collect any common charge due from any unit owner which remains unpaid for more than thirty (30) days from the date due for payment thereof.

Section 4. Default. In the event an assessment against a unit is not paid within thirty (30) days of the date it is due and payable, the Owners Association, through its Board of Directors, may proceed to enforce and collect the assessments, and interest at the rate of twelve percent (12%) per annum, against the unit owner of same in any manner provided for in North Carolina General Statutes, or by any other method, consistent with North Carolina law, allowed by the Declaration or these Bylaws.

Section 5. Collection and Enforcement. In connection with any assessment, the Owners Association shall have all of the powers, rights, and privileges and legal remedies provided for by the Declaration and North Carolina law concerning liens, collection and enforcement. Further, in this connection, each unit owner shall be liable for his assessment in the same manner provided for by the Declaration, and shall likewise be responsible for reasonable attorneys fees in the amount of at least fifteen percent (15%) of the unpaid assessment and accrued interest, and costs incurred by the Owners Association incidental to the collection of such assessment or enforcement of any lien held by the Association for unpaid assessments. The Owners Association shall have the right to impose a lien upon any unit whose owner has defaulted as defined above, such lien to be recorded in the

Office of the Clerk of Superior Court of Onslow County, North Carolina, in such manner as other liens are recorded pursuant to North Carolina law.

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

Section 7. Violations of Rules. The violation of any Rule or Regulation adopted by the Board of Directors or the breach of any Bylaw contained herein or the breach of any provision of the Declaration shall give the Board of Directors the right in addition to the other rights set forth in these Bylaws:

A. To enter the unit in which or as to which, such violation or breach exists and to summarily abate and remove at the expense of the defaulting owner any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof and the Board shall not thereby be deemed guilty in any manner of trespass;

B. To enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach;

C. Suspend for a period not to exceed sixty (60) days beyond correction, abatement, or remedy of the breach, the unit owner's right to use the common facilities.

Section 8. Maintenance and Repairs. Repairs and maintenance to any unit or the common areas shall be conducted as follows:

A. All maintenance and any repairs to any unit, structural or non-structural, ordinary or extraordinary (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse, or neglect to the owner of such unit) shall be made by the owner of such unit. Each unit owner shall be responsible for all damages to any and all other units and to the common areas and facilities that his failure so to do may endanger.

B. All maintenance, repairs and replacements to the common areas and facilities, whether located inside or outside the units (unless necessitated by the negligence, misuse, or

neglect of a unit owner, in which case such expense shall be charged to such unit owner) shall be made by the Board and be charged to all the unit owners as a common expense.

C. Each unit owner shall own and be responsible for the repair, maintenance and upkeep of the equipment (heat pump, air conditioner, heater, hot water heater, electrical, mechanical and plumbing, windows, doors and thresholds) which serve his unit except as may be otherwise provided in the Declaration.

D. No unit owner shall make any structural or exterior additions, alterations or improvements in or to his unit without the prior written consent thereto the Board of Directors. The Board of Directors shall have the obligation to answer any written request by a unit owner for approval of a proposed structural addition, alteration, or improvement in such owner's unit within thirty (30) days after such request and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed addition, alteration or improvement.

Section 9. Use. The use of the property of the townhome shall be in accordance with the following provisions:

A. Each of the units shall be occupied only as residential unit. No unit may be divided into smaller units or any portion thereof sold or otherwise transferred without first amending these Bylaws to show the changes in the units to be affected thereby.

B. The common areas and facilities shall be used for the purpose for which they are intended in the furnishing of services and facilities for the enjoyment of the units.

C. No use or practice shall be permitted on the property which is the source of annoyance to unit owners or which interferes with the peaceful possession and proper use of the property by the unit owners. All parts of the property shall be kept in a clean and sanitary condition and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. It shall be the responsibility of each unit owner and the Board of Directors to prevent the development of conditions which render the property or the buildings unclean, unsightly, or unkept, or which substantially decreases the beauty of the area as a whole. No unit owner shall permit any use of his unit or of the common areas and facilities which will increase the rate of insurance upon the townhome property. No immoral, improper, offensive or unlawful use shall be made of the townhome property or any part thereof. Garbage receptacles shall be located in accordance with reasonable standards established by Declarant or the Board of Directors. All valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction

thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the townhome property shall be the same as the responsibility for the maintenance and repair of the property concerned.

D. The parking area designated on the plan for the townhome project is to be utilized as a parking area for the convenience of the owners, and invitees of the unit owners and said parking area is not to be used for the parking of any boats, trailers, mobile homes or campers.

Section 10. Access. A unit owner shall grant a right of access to his unit to the managing agent or any other person authorized by the Board of Directors or the managing agent, for the purpose of making inspections or the purpose of correcting any condition originating in this unit and threatening another unit or a common area and facility, or for the purpose of performing installation, alterations, or repairs to the mechanical or electrical services or other common areas and facilities in his unit or elsewhere in the building or to correct any condition which violates the provisions of any mortgage covering another unit, provided that requests for entry are made in advance, and that any such entry is at a time reasonably convenient to the unit owner. In cases of emergency, such right of entry shall be immediate whether the unit owner is present at the time or not.

Section 11. Additional Regulations. Additional Rules and Regulations concerning the use of the units and the common areas and facilities may be promulgated and amended by the Board of Directors with the approval of a majority of the voting members of the Owners Association. Copies of such Rules and Regulations shall be furnished by the Board of Directors to each unit owner prior to the time when the same shall become effective.

Section 12. Utilities. Water, sewer and electricity shall be supplied to all units and the common areas and facilities. The owner of each Unit shall be responsible for all of his electric and water utilized within his unit. Common expenses shared by the Owners Association shall be the garbage removal, lawn services and liability and casualty insurance.

ARTICLE VII

RECORDS AND AUDITS

The Board of Directors or the managing agent shall keep detailed records of the actions of the Board of Directors and the managing agent, minutes of the meetings of the Unit Owners, and financial records and books of account of the Owners Association, including a chronological listing of receipts and expenditures, as well as a separate account for each unit which, among other things, shall contain the amount of each assessment of the common charges against such unit, the date due, the amounts paid thereon, and the balance remaining unpaid. The financial record and books of account shall be available for examination by all the unit owners, their duly authorized agents or attorneys at convenient hours on working days that shall be set and announced for general knowledge. A written report summarizing all receipts and expenditures of the Owners Association shall be rendered by the Board of Directors to all unit owners on or before the 15th day of the first month following the close of each fiscal year covering the preceeding year. In addition, an annual report of the receipts and expenditures of the Owners Association certified by an independent certified public accountant, shall be rendered by the Board of Directors to all unit owners and to all mortgagees of units who have requested the same, promptly after end of each fiscal year.

ARTICLE VII

PARKING

It is expressly understood and agreed that the Owners Association, acting by and through its Board of Directors, shall have the right to designate particular parking areas for owners and their invitees. All such decisions as to parking and to traffic control shall be made so as to make such Rules and Regulations fair to all unit owners and tenants. All unit owners and tenants agree to be bound by said parking Rules and Regulations just as the same are bound by other Rules and Regulations promulgated and adopted by the Owners Association.

ARTICLE IX

DISSOLUTION

In the event of dissolution of this non-profit Association, any assets then remaining shall be transferred to and become the property of such other non-profit association(s) as the Board of Directors shall determine and in the event of the failure of said Board of Directors to make such determination, then said assets shall be transferred and conveyed unto a like-kind non-profit association or organization pursuant to IRS Code Section 501(c) (3).

Prior to entering a voluntary dissolution, the disposal system shall be transferred to some person, corporation, or other entity acceptable to and approved by the North Carolina Environmental Health Management Commission by the issuance of a permit. Nevertheless, the Developer shall not transfer, convey, assign or otherwise relinquish or release its responsibility for the operation and maintenance of its disposal system until a permit has been issued to the successor.

The above Bylaws are certified by the undersigned to be a true and exact copy of the Bylaws of Pirates Cove Townhome Owners Association as they pertain to the townhome property known as Pirates Cove.

This the 27th day of July, 1998.

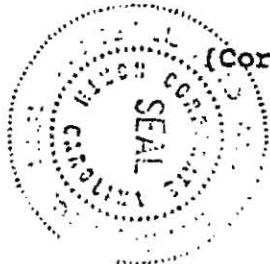
PIRATES COVE LLC

McNeill & Associates, Inc., Manage

BY: *L. E. McNeill* (SEAL)
L. E. McNeill, President

Attested By:

Sherry Deisinger (SEAL)
Asst. Secretary



(Corporate Seal)

James M. Davis, Jr. (SEAL)
James M. Davis, Jr., Manager

NORTH CAROLINA

CARTERET COUNTY

I, Paula G. Williams, a Notary Public in and for said County and State, do hereby certify that Sherry Hilsinger, personally came before me this day and acknowledged that she is Assistant Secretary of McNeill and Associates, Inc., a corporation formed under the laws of the State of North Carolina, which is a manager of Pirates Cove LLC, and that by authority duly given and as the act of the corporation, the foregoing Bylaws was signed in its name by its President, L. E. McNeill, sealed with its corporate seal, and attested by herself as its Assistant Secretary.

Witness my hand and official seal, this the 27th day of July, 1998.

Paula G. Williams
Notary Public

My commission expires: 7/12/⁰³~~98~~

NORTH CAROLINA

CARTERET COUNTY

I, Paula G. Williams, a Notary Public for said County and State, do hereby certify that James M. Davis, Jr., manager of Pirates Cove LLC, personally appeared before me this day and acknowledge the due execution of the foregoing Bylaws.

Witness my hand and official seal, this the 27th day of July, 1998.

Paula G. Williams
Notary Public

My commission expires: 7/12/⁰³~~98~~

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

The foregoing certificate of Paula G. Williams is certified to be correct. This instrument was presented for registration and record in this office in Book 1493 at Page 286.

This 16th day of October, 1998 at 12:41 o'clock P.M. 1998

Michael M. Thomas (SEAL)
Register of Deeds