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RECORDED & VERIFIED
MARY SUE OOTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

ARTICLES OF INCORPORATION

OF

EFFECTIVE
ELAINE F MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

KURE DUNES HOMEOWNERS' ASSOCIATION, INC.

A NON-PROFIT CORPORATION

In compliance with the requirements of Chapter 55A of the General Statutes of North Carolina, the undersigned resident of New Hanover County, North Carolina, who is of full age, does hereby make and acknowledge these Articles of Incorporation for the purpose of forming a corporation not for profit and does hereby certify:

ARTICLE I.

Corporate Name. The name of the Corporation is KURE DUNES HOMEOWNERS' ASSOCIATION, Inc. hereinafter called the Corporation or the Association.

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ARTICLE II.

Duration. The period of duration of the Corporation shall be perpetual.

ARTICLE III.

Registered Office and Agent. The principal and initial registered office of the Corporation is located at 637 Fort Fisher Blvd., North, New Hanover County, Kure Beach, North Carolina 28449; and the name of the initial registered agent of the Corporation at such address is Joseph C. Hearne.

ARTICLE IV.

Corporate Purposes. This Corporation does not contemplate pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to provide for the maintenance, management, preservation and architectural control of that certain property known as KURE DUNES shown and described on the plats thereof recorded in plat book 29 at page 126; plat book 32 at page 263; plat book 35 at page 160; plat book 37 at page 175; and plat book 38 at page 261 in the Office of the Register of Deeds of New Hanover County, North Carolina, and any additions thereto which may be brought within the jurisdiction of the Corporation; and to promote the health, safety and welfare of the Lot Owners, and for these purposes:

(A) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Corporation set forth in that certain Declaration of Covenants, Conditions and Restrictions for KURE DUNES (the "Declaration"), which are recorded

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in book 1451 at page 0511; book 1499 at page 0524; book 1614 at page 0816; book 1631 at page 1100; book 1635 at page 0182; book 1972 at page 0220; book 2253 at page 0332 and book ____ at page ____ in the Office of the Register of Deeds of New Hanover County, North Carolina, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length (all capitalized terms herein shall have the meaning defined in the Declaration);

(B) To fix, levy, collect and enforce payment by any lawful means of all Assessments and other charges pursuant to the terms of the Declaration and ByLaws; to pay all office and other expenses incident to the conduct of the business of the Corporation, including all licenses, taxes or governmental charges levied or imposed against the property of the Corporation;

(C) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Corporation;

(D) To borrow money, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(E) To dedicate, sell or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members;

(F) To participate in mergers and consolidations with other non-profit corporations organized for the same purposes;

(G) To annex Additional Properties to the Development as provided in the Declaration; and

(H) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

ARTICLE V.

Membership. Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot, including contract sellers, shall be a Member of the Corporation. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

ARTICLE VI.

Voting Rights. The Corporation shall have two classes of voting memberships:

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they, among themselves, determine but in no event shall more than one vote be cast with respect to any Lot. Fractional voting with respect to any Lot is hereby prohibited.

Class B. The Class B Member(s) shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

- (a) When the total vote outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
- (b) On December 31, 2005; or
- (c) Upon the voluntary surrender of all Class B membership by the holder thereof.

ARTICLE VII.

Initial Board of Directors. There shall be three (3) Directors on the initial Board of Directors whose names and addresses are as follows and who shall serve until their successors are selected and qualified:

Joseph C. Hearne	411 Bradley Creek Point Rd. Wilmington, NC 28403
John B. Harris, Jr.	3343 Ridge Crest Court Raleigh, NC 27607
Britt Smith	637 Fort Fisher Blvd., North Kure Beach, NC 28449

ARTICLE VIII.

Incorporator. The name and address of the incorporator of this Corporation is:

W. Talmage Jones
P.O. Drawer 2178
Wilmington, NC 28402

ARTICLE IX.

Dissolution of the Association. In the event of dissolution of the Association, the residual assets of the Association will be dedicated to a public body or conveyed to one or more organizations with purposes similar to those of the Association which are exempt as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986.

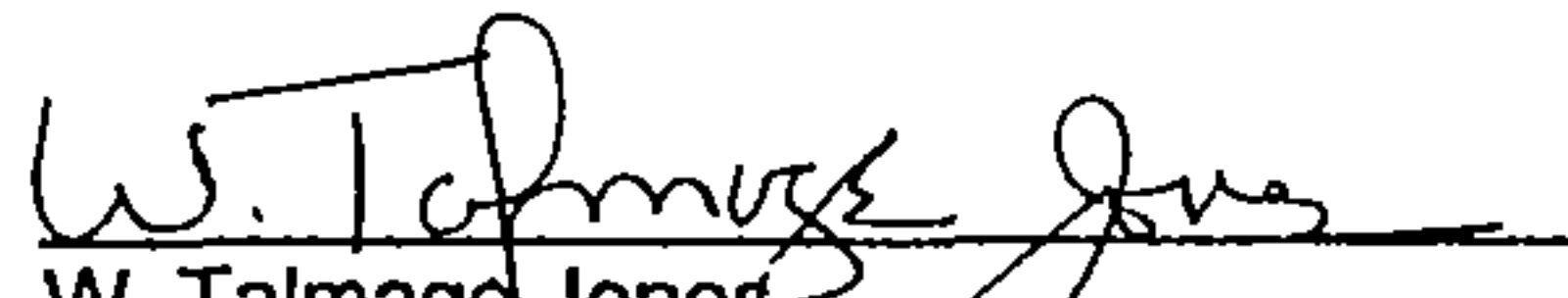
ARTICLE X.

Amendment. These Articles of Incorporation may be amended only upon the vote of not less than two-thirds (2/3) of the members of each class.

ARTICLE XI.

HUD/VA Approval. If HUD or VA has approved the making, insuring or guaranteeing of loans within the Development, then annexation of Additional Property, mergers and consolidations, mortgaging of Common Areas, dissolution of the Association and Amendment of these Articles or the Corporation's Bylaws requires the prior approval of HUD/VA so long as there is Class B members.

IN WITNESS WHEREOF, for the purpose of forming this Corporation under the laws of the State of North Carolina, I, the undersigned, being the incorporator of this Corporation, have executed these Articles of Incorporation this the 24th day of February, 1999.


W. Talmage Jones
INCORPORATOR

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

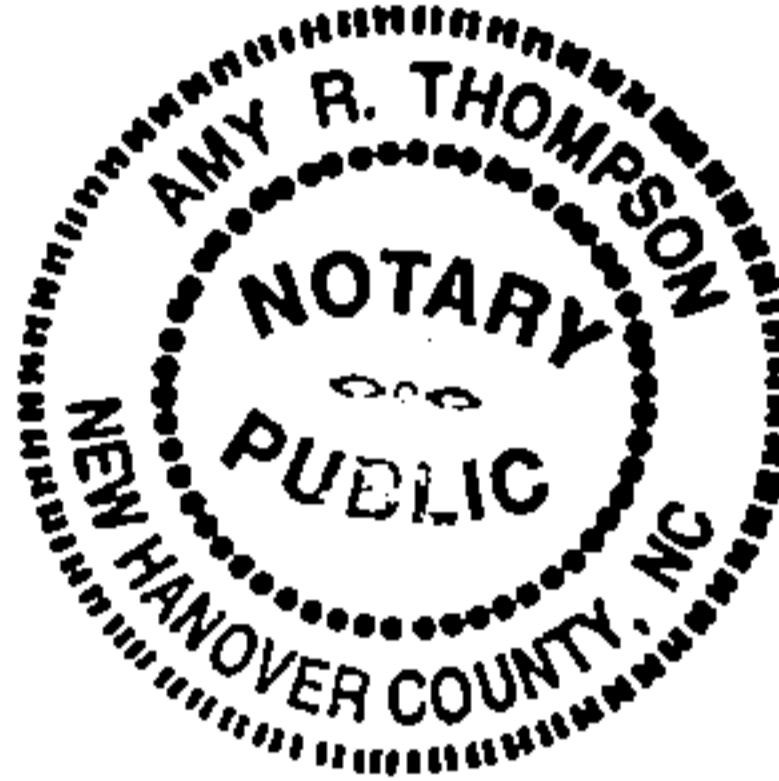
This is to certify that on this 24th day of February, 1999, before me, Amy R. Thompson a Notary Public, personally appeared W. Talmage Jones who, I am satisfied is the person named in and who executed the foregoing Articles of Incorporation, and I having first made known to him the contents thereof, he did acknowledge that he signed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal, this the 24th day of February 1999.

Amy R. Thompson
Notary Public

My commission expires:
1-15-2003

(SEAL)



STATE OF NORTH CAROLINA
New Hanover County

The Foregoing/ Annexed Certificate(s) of

Amy R. Thompson

Notary (Notaries) Public is/ are certified to be correct.

This the 19 day of April 1999

Mary Sue Oots, Register of Deeds

by Patricia Barnes

Deputy/Assistant per m50

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MARY SUE OOTS

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REGISTER OF DEEDS

KURE DUNES HOMEOWNERS' ASSOCIATION, INC.

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ARTICLE 1. INTRODUCTION

These are the Bylaws of KURE DUNES Homeowners' Association, Inc. Capitalized terms used herein shall have the meaning set out in the Declaration of Covenants, Conditions and Restrictions for KURE DUNES ALL PHASES (the "Declaration") unless otherwise defined in these Bylaws.

ARTICLE 2. BOARD OF DIRECTORS

Section 2.1. Number and Qualification: Developer Control.

a. The administration of the Property and the Association shall be governed by a Board of Directors, consisting of not less than three nor more than seven persons, each of whom shall be Members of the Association. If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Lot Owner shall be eligible to serve as a Director and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. Directors shall be elected by the Lot Owners. At any meeting at which Directors are to be elected, the Lot Owners may, by resolution, adopt specific procedures for conducting the elections, not inconsistent with these Bylaws.

b. After termination of the Developer control period provided for in the Declaration, the terms of at least one-third (1/3) of the Directors not appointed by the Declarant shall expire annually, as established in a resolution of the Lot Owners setting terms.

c. At any time after Lot Owners, other than the Declarant, are entitled to elect a Director, the Association shall call and give not less than ten (10) nor more than fifty (50) days' notice of a meeting of the Lot Owners for this purpose. Such meeting may be called and the notice given by any Lot Owner if the Association fails to do so.

Section 2.2. Powers and Duties.
The Board of Directors may act in all instances on behalf of the Association, except as provided in the Declaration, its charter, these Bylaws or the laws of North Carolina. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association in accordance with its Charter, the Declaration and these Bylaws, which shall include, but not be limited to, the powers and duties to:

a. Adopt, amend and enforce Bylaws and Rules and Regulations;

b. Adopt and amend budgets for revenues, expenditures and reserves;

c. Establish and collect Assessments from Lot Owners and

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perform all other acts and duties to be performed by the Association under the terms of the Declaration;

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Directors and maintain directors and officers' liability insurance;

d. Hire and discharge managing agents, employees and independent contractors;

k. Assign the Association's right to future income, including the right to receive Assessments;

e. Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Declaration, Bylaws or Rules and Regulations in the Association's name on behalf of the Association or two or more Lot Owners on matters affecting the Property;

l. Purchase hazard and liability insurance;

f. Make contracts and incur liabilities, including borrowing money;

m. Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;

g. Maintain, operate, repair, replace, improve and protect the Common Areas and any Limited Common Areas which are made the responsibility of the Association by the Declaration.

n. Exercise any other power necessary and proper for the convenience and operation of the Association; and

h. Acquire, hold, encumber and convey in the Association's name any right, title or interest to real estate or personal property (the Declaration may require that the conveyance or encumbrance of Common Area be approved by the Lot Owners);

o. By resolution, establish committees of Directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards, as designated in the resolution establishing the committee. All committees must maintain and provide to the Board of Directors and Lot Owners records and written notice of their actions. Actions taken by a committee may be appealed to the Board of Directors by a Lot Owner within forty-five (45) days of publication of such notice, and such committee action must be ratified, modified or rejected by the Board of Directors at its next regular meeting.

i. Impose a reasonable charge for late payment of Assessments and, after Notice and Hearing, levy a reasonable fine for a violation of the Declaration, Bylaws or Rules and Regulations of the Association;

Section 2.3. Standard of Care. In the performance of their duties, the officers and members of the Board of Directors shall be deemed to stand in a fiduciary relationship to the Association

j. Provide for the indemnification of the Association's officers and Board of

and the Lot Owners and shall discharge their duties in good faith, and with that diligence and care which ordinarily prudent men would exercise under similar circumstances in like positions.

Section 2.4. Removal of Directors.
The Lot Owners, by a two-thirds (2/3rds) vote of all persons present and entitled to vote at any meeting of the Lot Owners at which a quorum is present, may remove any Director of the Board of Directors with or without cause.

Section 2.5. Vacancies.
Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Lot Owners, may be filled at a special meeting of the Board of Directors held for that purpose at any time after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum, in the following manner:

a. as to vacancies of Directors whom Lot Owners other than the Declarant elected, by a majority of the remaining such Directors constituting the Board of Directors;

b. as to vacancies of Directors whom the Declarant has the right to appoint, by the Declarant.

Section 2.6. Regular Meetings.
The first regular meeting of the Board of Directors following each annual meeting of the Lot Owners shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Lot Owners at the meeting at which such Board of

Directors shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors shall be present. The Board of Directors may set a schedule of additional regular meetings by resolution and no further notice is necessary to constitute such regular meetings, except such notice as may be required by the Declaration.

Section 2.7. Special Meetings.
Special meetings of the Board of Directors may be called by the President or by a majority of the Directors on at least three (3) business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

Section 2.8. Meetings to Fix Annual Assessments and Special Assessments for Capital Improvements.
Meetings of Members to fix Assessments may, upon giving of the required notice, be held at the annual meeting or at any special meeting of Lot Owners.

Section 2.9. Location of Meetings.
All meetings of the Board of Directors shall be held within New Hanover County, North Carolina.

Section 2.10. Waiver of Notice.
Any Director may waive notice of any meetings in writing. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required and any business may be transacted at such meeting.

Section 2.11. Quorum of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the meeting. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present any business which may have been transacted at the meeting originally called may be transacted without further notice.

Section 2.12. Compensation. Directors shall serve without compensation but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 2.13. Consent to Association Action. If all of the Directors or all of the committee members of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, such action shall be a valid Association action as though it had been authorized at a meeting of the Board of Directors or the committee, as the case may be. The Secretary shall file such consents with the minutes of the meetings of the Board of Directors.

ARTICLE 3. LOT OWNERS

Section 3.1. Annual Meeting. Annual meetings of Lot Owners shall be held on the date specified in the notice of such meeting. At such meeting, the Directors shall be elected by ballot of the Lot Owners. The Lot Owners may transact other business at such meetings as may properly come before them.

Section 3.2. Special Meetings. Special meetings of the Lot Owners may be called by the President, by a majority of the members of the Board of Directors, or by Lot Owners comprising forty percent (40%) of the votes in the Association.

Section 3.3. Place of Meetings. Meetings of the Lot Owners shall be held at the Property, or may be adjourned to such suitable place in New Hanover County convenient to the Lot Owners as may be designated by the Board of Directors or the President.

Section 3.4. Notice of Meetings. Except to the extent otherwise provided in the Declaration, not less than ten (10) nor more than fifty (50) days in advance of a meeting, the Secretary or other officer specified in the Bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address designated in writing by the Lot Owner. No action shall be adopted at a meeting except as stated in the notice.

Section 3.5. Waiver of Notice. Any Lot Owner may, at any time, waive notice of any meeting of the Lot Owners in writing, and such waiver shall be deemed equivalent to the receipt of such notice.

Section 3.6. Adjournment of Meeting. At any meeting of Lot Owners a majority of the Lot Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.7. Order of Business. The order of business at all meetings of the Lot Owners shall be as follows:

- a. Roll call;
- b. Proof of notice of meeting;
- c. Reading of minutes of preceding meeting;
- d. Reports;
- e. Establish number and term of members of the Board of Directors (if required and noticed);
- f. Election of Directors (when required);
- g. Ratification of budget (if required and noticed);
- h. Unfinished business; and
- i. New business.

Section 3.8. Voting.

a. If only one of several Owners of a Lot is present at a meeting of the Association, the Owner present is entitled to cast the vote allocated to the Lot. If more than one of the Owners are present, the vote allocated to the Lot may be cast only in accordance with the agreement of a majority in interest of the Owners. There is majority agreement if any one of

the Owners cast the vote allocated to the Lot without protest being made promptly to the person presiding over the meeting by another Owner of the Lot.

b. The vote allocated to a Lot may be cast under a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of a vote by the other Owners of the Lot through a duly executed proxy. A Lot Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

c. The vote of a corporation or business trust may be cast by any officer of such corporation or business trust in the absence of express notice of the designation of a specific person by the board of directors or bylaws of the owning corporation or business trust. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership or business trust owner is qualified so to vote.

d. Votes allocated to a Lot owned by the Association may not be cast.

Section 3.9. Quorum. Except as otherwise provided in these Bylaws, or in the Declaration, a majority of the Lot Owners within the Development must be

present in person or by proxy at any meeting of Lot Owners in order to constitute a quorum at such meeting. The required quorum at a subsequent meeting called for lack of a quorum at the preceding meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 3.10. Majority Vote. The vote of a majority of the Lot Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Lot Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws, or the corporate laws of North Carolina.

ARTICLE 4. OFFICERS

Section 4.1. Designation. The principal offices of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as in its judgment may be necessary. The President and Vice President, but no other officers, need be Directors. Any two offices may be held by the same person, except the offices of President and Secretary. The office of Vice President may be held by the Treasurer.

Section 4.2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of

each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause, and his or her successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.

Section 4.4. President. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Lot Owners and of the Board of Directors. He or she shall have all of the general powers and duties which are incident to the office of President of a non-profit corporation organized under the laws of the State of North Carolina, including but not limited to the power to appoint committees from among the Lot Owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. He or she may fulfill the role of Treasurer in the absence of the Treasurer. The President, as attested by the Secretary, may cause to be prepared and may execute amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5. Secretary. The Secretary shall keep the minutes of all meetings of the Lot Owners and the Board of Directors. He or she shall have charge of such books and papers as the Board of Directors may direct and he or she shall, in general, perform all the

duties incident to the office of Secretary of a non-profit corporation organized under the laws of the State of North Carolina. The Secretary may cause to be prepared and may attest to execution by the President of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.6. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. He or she shall be responsible for the deposit of all monies and other valuable effects in such depositories as may from time to time be designated by the Board of Directors, and he or she shall, in general, perform all the duties incident to the office of Treasurer of a non-profit corporation organized under the laws of the State of North Carolina. He or she may endorse on behalf of the Association for collection only, checks, notes and other obligations, and shall deposit the same and all monies in the name of and to the credit of the Association in such banks as the Board of Directors may designate. He or she may have custody of and shall have the power to endorse for transfer on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others.

Section 4.7. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by the President or Vice President of the Association or by such other person or persons as may be designated by the Board of Directors.

Section 4.8. Compensation. No officer of the Association shall receive compensation for acting as such but may be reimbursed by the Association for necessary expenses actually incurred in connection with his or her duties.

Section 4.9. Resale Certificates and Statements of Unpaid Assessments. The Treasurer, Assistant Treasurer, or a manager employed by the Association, or, in their absence, any officer having access to the books and records of the Association, may prepare, certify, and execute statements of unpaid Assessments.

The Association may charge a reasonable fee for preparing and statements of unpaid Assessments. The amount of this fee and the time of payment shall be established by resolution of the Board. The Association may refuse to furnish resale certificates and statements of unpaid Assessments until the fee is paid.

ARTICLE 5. ENFORCEMENT

Section 5.1. Abatement and enjoining of Violations by Lot Owners.
- The violation of any of the Rules and

Regulations adopted by the Board of Directors, or the breach of any provision of the Declaration shall give the Board of Directors the right, after Notice and Hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

a. to enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist therein) that is existing and creating a danger to the residents of Kure Dunes contrary to the intent and meaning of the provisions of the Declaration, and the Board of Directors shall not thereby be deemed liable for any manner of trespass; or

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

Section 5.2. Fine for Violation. By resolution, following Notice and Hearing, the Board of Directors may levy a fine of up to \$150 for violations of the Declaration or Rules and Regulations.

ARTICLE 6. COVENANTS FOR ASSESSMENTS

SECTION 1. Creation of the Lien and Persona Obligation of Assessments.

Each Owner of any Lot, by acceptance of a deed for the Owner's Lot,

whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association the following assessments (collectively the "Assessments"):

- A. Annual Assessments;
- B. Special Assessments for Capital Improvements;
- C. Insurance Assessments;
- D. Ad Valorem Tax Assessments; and
- E. Working Capital Assessments.

The Assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the respective Lot against which the Assessments are made. Each such Assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

SECTION 2. Purpose of Annual Assessments. The Annual Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and residents of the Property and Additional Property and for the

improvement and maintenance of the Common Areas and any Limited Common Areas. The funds arising from said assessments or charges, may be used for any or all of the following purposes: Operations, maintenance and improvement of the Common Areas, and any Limited Common Areas, including payment of utilities; enforcing this Declaration; paying taxes, insurance premiums, legal and accounting fees and governmental charges; establishing working capital; paying dues and assessments to any organization or master association of which the Association is a member; and in addition, doing any other things necessary or desirable in the opinion of the Association to keep the Common Areas and Limited Common Areas in good operating order and repair.

SECTION 3. Annual Assessments. Annual Assessments shall be in an amount to be fixed from year to year by the Board of Directors which may establish different rates from year to year as it may deem necessary. The amount of the Annual Assessment against each Lot for any given year shall be fixed at least 30 days in advance of the Annual Assessment period; provided, however, that the first Annual Assessment shall be set prior to the conveyance of the first Lot to an Owner and written notice to the Owners to be subjected thereto shall be delivered to the Owners at or prior to the closing of their Lots. Written notice of each Annual Assessment thereafter shall be sent to every Owner subject thereto. The due date shall be established by the

Board of Directors and the Board of Directors shall have the authority to require the assessments to be paid in periodic installments. The Association shall, upon demand, and for a reasonable charge furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 4. Special Assessments for Capital Improvements. In addition to the Annual Assessments authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to the year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Areas and any Limited Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the Members of each class who are voting in person or by proxy at a meeting duly called for this purpose. Written notice of any meeting of Owners called for the purpose of approving Special Assessments shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting.

SECTION 5. Insurance Assessments. All premiums on insurance policies purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a common expense, and the Association may in any

assessment year levy against the Owners equally an "Insurance Assessment", in addition to the Annual Assessments, which shall be in an amount sufficient to pay the annual cost of all such deductibles and insurance premiums not included as a component of the Annual Assessment. Such assessment shall not be subject to the 5% limitation provided for Annual Assessments.

SECTION 6. Ad Valorem Tax Assessments. All ad valorem taxes levied against the Common Areas, if any, shall be a common expense, and the Association may in any assessment year levy against the Owners equally an "Ad Valorem Tax Assessment", in addition to the Annual Assessments, which shall be in an amount sufficient to pay such ad valorem taxes in such year not included as a component of the Annual Assessment. Such assessment shall not be subject to the 5% limitation provided for Annual Assessments.

SECTION 7. Uniform Rate of Assessment. The Assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

SECTION 8. Commencement of Assessments. Assessments for each Lot shall commence upon the date of the establishment of this Association or the date of acceptance by an Owner of a deed from Declarant whichever date shall last occur.

SECTION 9. Effect Of Nonpayment of Assessments And

Remedies Of The Association. Any Assessment or installment thereof not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate allowable by law. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Owner's Lot. No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Area or abandonment of his Lot. All unpaid installment payments of Assessments shall become immediately due and payable if an Owner fails to pay any installment within the time permitted.

SECTION 10. Subordination Of The Lien To Mortgage. The lien of the Assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

ARTICLE 7. INDEMNIFICATION

The Directors and officers of the Association shall be entitled to indemnification as provided in Chapter 55A (the Non-Profit Corporation Act) of the North Carolina General Statutes, the

provisions of which are incorporated herein by reference.

ARTICLE 8. RECORDS

Section 8.1. Records. The Association shall keep the following records:

a. An account for each Lot which shall designate the name and address of each Lot Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Lot, the amount of each Assessment, the dates on which each Assessment comes due, the amounts paid on the account, and the balance due.

b. An account for each Lot Owner showing any other fees payable by the Lot Owner.

c. A record of any capital expenditures approved by the Board of Directors.

d. A record of the amount, and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specified project.

e. Balance sheets and income and expense statements of the Association.

f. The current operating budget.

g. A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant.

h. A record of insurance coverage provided for the benefit of Lot Owners and the Association.

i. Tax returns for state and federal income taxation.

j. Minutes of proceedings of Lot Owners, Directors, committees of Directors and waivers of notice.

Section 8.2. Examination. All records maintained by the Association shall be available for examination and copying by any Lot Owner, or by any holder of a security interest in a Lot, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

ARTICLE 9. MISCELLANEOUS

Section 9.1. Notices. All notices shall be in writing. All notices to the Association or the Board of Directors shall be delivered to the office of the manager, or if there is no manager, to the office of the Association, or to the residence address of any member of the Board of Directors. Except as otherwise provided, all notices to any Lot Owner shall be sent to his or her address as it appears in the records of the Association. All notices to mortgagees shall be sent by

registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Association. All notices shall be deemed to have been given when mailed except notices of changes of address which shall be deemed to have been given when received.

Section 9.2. Fiscal Year. The Board of Directors shall establish the fiscal year of the Association.

Section 9.3. Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 9.4. Office. The principal office of the Association shall be on the Property or at such other place as the Board of Directors may from time to time designate.

Section 9.5. Conflict. To the extent there is any conflict between the provisions of the Declaration and these Bylaws, the Declaration shall control.

Section 9.6. Amendment. So long as there is Class B membership in the Corporation, the amendment of these Bylaws must be approved by HUD/VA if either of those agencies have approved the making, insuring or guaranteeing of loans within the Development.

Section 9.7. Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

The foregoing Bylaws are certified to be the Bylaws adopted by consent of the Directors of KURE DUNES Homeowners' Association, Inc., dated April 16th, 1999.

KURE DUNES HOMEOWNERS' ASSOCIATION, INC.

By: Britt Smith
Britt Smith Secretary