

BY-LAWS

OF

KURE BEACH VILLAGE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

GENERAL PROVISIONS APPLICABLE TO PLANNED UNIT
DEVELOPMENT AND HOMEOWNERS ASSOCIATION

SECTION 1.1 PURPOSE STATEMENT: The purpose of the Kure Beach Homeowners Association is to foster a greater sense of community awareness and to promote community relations within the development, to preserve and protect property values, to provide a forum for homeowners to speak and act collectively on matters of common concern, to promote the health and safety of the residents, and for the improvement and maintenance of the common property.

SECTION 1.2 IDENTIFICATION: These are the By-Laws of the Kure Beach Village Homeowners Association, Inc., a Non-Profit Corporation organized pursuant to the laws of the State of North Carolina; the Articles of Incorporation being recorded in Book 1427, Pg. 813 of the Office of the Register of Deeds of New Hanover County, North Carolina.

SECTION 1.3 INCORPORATION: The provisions of these By-Laws supplement and are enacted pursuant to the provisions of the above-referenced Articles of Incorporation and that certain Declaration of Covenants, Conditions and Restrictions applicable to that residential development.

SECTION 1.4 APPLICABILITY OF BY-LAWS: The provision of these By-Laws are applicable to KURE BEACH CLUB, KURE BEACH VILLAGE AND THE KEYS AT KURE BEACH, and its common elements and to the use and occupancy thereof. The term "KURE BEACH VILLAGE" and its common elements as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

SECTION 1.5 APPLICATION: All present and future owners, mortgagees, lessees and occupants of Lots and their employees and any other persons who may use the facilities in any manner are subject to these By-Laws, the Declaration of Covenants and Restrictions and Rules and Regulations pertaining to the use and operation of the Lots. The act of occupancy of a lot shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

SECTION 1.6 OFFICE: The principal office of the Association and of the Board of Directors shall be located at 701 Sailor Court, Kure Beach, New Hanover County, North Carolina 28449.

ARTICLE II

MEMBERSHIP OF ASSOCIATION

SECTION 2.1 IDENTIFICATION OF MEMBER: Members shall be all Owners, with the exception of the Declarant as defined in the Declaration of Covenants, Conditions and Restrictions of Kure Beach Village recorded or to be recorded in the New Hanover County Registry. Each member shall be entitled to one vote for each lot owned, provided however, that when more than one person holds an interest in any lot all such persons shall be members and the vote for such lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any lot.

Each membership shall be appurtenant to and shall not be severed from the fee simple ownership of a lot within the development. The rights, duties, obligations, powers and privileges appurtenant to each membership shall be exercised by the fee simple owner of the lot to which such membership is appurtenant. Any devise, contract for the sale of, deed, lease or other means of conveyance of any lot within the development shall be deemed to include the appurtenant membership in the Association. No portion of the rights, privileges, powers, duties or obligations appurtenant to each membership in the Association may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the lot to which such membership is appurtenant.

SECTION 2.2 RECORDS: The Board of Directors shall maintain at the principal office of the Association a register of all of the current owners of memberships in the Association and the mailing address of each Owner.

SECTION 2.3 VOTING RIGHTS: The owner or owners of each lot, who is current in his payment of Association assessments, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such lot at all meetings of owners. The designation of any such proxy shall be made in writing to the Secretary and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. Each lot shall be entitled to cast one (1) vote at all meetings of the owners. A fiduciary shall be the voting member with respect to any Lot owned in a fiduciary capacity.

SECTION 2.4 ANNUAL MEETINGS: Subject to the provisions of Article VI of these By-Laws, the annual meeting of the Association shall be held on the first Saturday in October of each succeeding year. The purpose of the annual meeting shall be for the election of the Directors of the Association for the succeeding year and for the transaction of any and all business of the Association as may properly come before the meeting.

SECTION 2.5 SPECIAL MEETINGS: It shall be the duty of the President to call a special meeting of the membership if so directed by resolution of the Board of Directors or upon a petition calling for a special meeting presented to the Secretary of the Association and signed by at least thirty percent (30%) of the members in the Association. The notice of any special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting except as stated in the notice unless the Board of Directors unanimously consents to the transaction of business not stated in the notice.

SECTION 2.6 NOTICE OF MEETINGS: The Secretary shall mail to each Owner of a membership in the Association notice of each annual or special meeting of the membership at least fifteen (15) days but not more than thirty (30) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held. Said notice shall be mailed to the address which the owner has designated to the Board of Directors. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

SECTION 2.7 ADJOURNMENT OF MEETINGS: If any meeting of the membership cannot be held because a quorum has not attended, a majority of the membership who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

SECTION 2.8 QUORUM: A quorum at all membership meetings shall consist of persons represented and entitled to cast the vote appurtenant to at least twenty-five percent (25%) of the membership in the Association; provided, however, that if the required quorum is not present at the first scheduled meeting, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting should be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The acts approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the membership, except when approval by a greater number of members is required by the Articles of Incorporation, the Declaration, these By-Laws or by law; but those present at any meeting, though less than a quorum, may adjourn said meeting to a future time.

SECTION 2.9 PROXIES: The vote appurtenant to each membership may be cast by the person designated as entitled to cast such vote by proxy. The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the owner of the membership to which said vote is appurtenant. Such proxy shall be valid only for the particular meeting designated in the proxy and must be filed with the Secretary before the appointed time of the meeting or any adjournment of such meeting.

SECTION 2.10 PLACE OF MEETING: Meetings of the Association's membership shall be held at the principal office of the Association or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

SECTION 2.11 ORDER OF BUSINESS: The order of business at all meetings of the Association shall be as follows:

- (a) Roll call;
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of Board of Directors;
- (f) Reports of committees;
- (g) Election of members of the Board of Directors, if necessary;
- (h) Unfinished business;
- (i) New business; and
- (j) Adjournment.

ARTICLE III

BOARD OF DIRECTORS

The property, affairs and business of the Association shall be managed by the Board of Directors: provided, however, that the provisions of this Article are subject to the provisions of Article VI of these By-Laws.

SECTION 3.1 NUMBER, TERM OF OFFICE AND QUALIFICATION: The number constituting the initial board of directors shall not be fewer than three (3). The annual association meeting in October 1996 will elect five (5) directors to serve staggered terms, two for three (3) years, two for two (2) years and one for one (1) year. Thereafter, as those terms of office expire, all directors shall be elected for a term of two (2) years.

SECTION 3.2 ELECTION OF DIRECTORS: The election of the Board of Directors shall be conducted in the following manner:

- (a) The election of Directors shall be held at the annual meeting of membership;
- (b) Nominations for directorship shall be made from the floor by the membership or by the Board of Directors;
- (c) The election shall be by written ballot (unless dispensed by unanimous consent) and by a plurality of the votes cast, each member shall be entitled to cast one (1) vote for each of as many nominees as there are directorships to be filled. There shall be no cumulative voting.

SECTION 3.3 REMOVAL OF DIRECTORS: Any Director may be removed by concurrence of two-thirds (2/3) of the votes of the membership of the Association present at a special meeting of the membership called for the consideration of such removal. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

SECTION 3.4 ORGANIZATION MEETING: The organization meeting of a newly elected Board of Directors shall be held within ten (10) days of their election at such place and time as shall be fixed by the directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary.

SECTION 3.5 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 members of the Board of Directors, but at least two such meetings shall be held during each fiscal year. Notice of the regular meetings of the Board of Directors shall be given to each member of the Board of Directors, by personal delivery, mail or telegram, at least five (5) business days prior to the day named for such meetings.

SECTION 3.6 SPECIAL MEETINGS: Special meetings of the Board of Directors may be called by the President of the Association on five (5) business days notice to each member of the Board of Directors, given by mail or telegram, which notice shall state the time, place 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 notices on the written request of any member of the Board of Directors.

SECTION 3.7 WAIVER OF NOTICE: Any member of the Board of Directors may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him/her of the time and place thereof. If all of the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 3.8 QUORUM: At all meetings of the Board of Directors a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at such a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present any business which might have been transacted at the meeting originally called, may be transacted without further notice.

SECTION 3.9 COMPENSATION: No member of the Board of Directors shall receive any compensation from the Association for acting as such.

SECTION 3.10 JOINDER IN MEETING BY APPROVAL OF MINUTES: The joinder of a director in the action of a meeting by signing and concurring of the minutes of that meeting shall constitute the presence of such director at such meeting for the purpose of determining a quorum.

SECTION 3.11 PRESIDING OFFICER AT DIRECTOR'S MEETINGS: The presiding officer of a director's meeting shall be the President of the Association. In the absence of the presiding officer the directors present shall designate one of their number to preside.

SECTION 3.12 ORDER OF BUSINESS AT DIRECTOR'S MEETINGS: The order of business at Director's meetings shall be:

- (a) The calling of the roll;
- (b) The proof of due notice of the meeting;
- (c) Reading and disposal of any unapproved minutes;
- (d) The reports of officers and committees;
- (e) The election of officers;
- (f) Unfinished business;
- (g) New business; and
- (h) Adjournment.

SECTION 3.13 POWERS AND DUTIES: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Directors by the membership of the Association. The powers and duties to be exercised and performed by the Board of Directors shall include, but shall not be limited to, the following:

- (a) The operation, care, upkeep and maintenance of the common elements and the improvements thereon;
- (b) The levying and collection of the assessments from the membership owners;
- (c) The employment and dismissal of personnel as necessary for the efficient maintenance of the development and operation of the Association.
- (d) The adoption and the amendment of rules and regulations governing the operation of the Association and the use and enjoyment of the lots and the common elements;
- (e) The opening and maintaining of bank accounts on behalf of the Association and designating the signatures required therefor;
- (f) The purchasing, leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, on behalf of all members of the Association and lots offered for sale or lease;
- (g) The purchasing of lots at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of the membership.
- (h) The selling, conveying, leasing, mortgaging of, voting the votes appurtenant to (other than for the election of members of the Board of Directors), or otherwise dealing with the lots acquired by, and subleasing lots by the Board of Directors on behalf of the membership of the Association.
- (i) The organizing of corporations to act as designees of the Board of Directors in acquiring title to or leasing lots by the Board of Directors on behalf of the membership of the Association;
- (j) The making of repairs, additions and improvements to, or alterations of, the property , and repairs to and restoration of the property, in accordance with the other provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings, or as required by the Declaration;
- (k) The appointing of committees to be comprised of members of the Association to aid in the governance of the Association in such numbers and for such specific purposes as the Board may determine necessary and proper;
- (l) The enforcing of the obligations of the members of the Association, allocating income and expenses of the Association and doing anything and everything else necessary and proper for the sound management of the Association;

(m) The levying of fines or expenses against the members of the Association for violations of the Rules and Regulations established pursuant to these By-Laws to govern the use and enjoyment of the lots, common elements and the improvements thereon;

(n) The borrowing of money on behalf of the Association when required in connection with the operation, care, upkeep or maintenance of the lots, common elements and the improvements thereon, provided however, that

(1) No lien to secure payment of any sum borrowed may be created on any of the lots without the written consent of each Owner thereof, or on any of the common elements or the improvements thereon without the consent of at least seventy-five (75%) of the entire membership, obtained at a special meeting duly called and held for such purpose in accordance with the provisions of these By-Laws; and

(2) The Owner of any lot will not be liable for payment of any portion of any such loans. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this Paragraph (n) is not repaid by the Board, an Owner of a lot who pays to the creditor such proportion thereof as his interest in the Association bears to the interests of all members of the Association in the Association shall be entitled to obtain from the creditor a release from the lien of any mortgage, deed of trust, or judgment or other lien of whatever nature owned or held by such creditor against such Owner's lot;

(o) The adjusting and settling of claims under insurance policies obtained pursuant to the By-Laws and the Declaration of Covenants, Conditions and Restrictions, and executing and delivering release on settlements of such claims on behalf of the Association;

(p) The preparation of budgets required by these By-Laws and the Declaration.

SECTION 3.14 LIABILITY OF THE BOARD OF DIRECTORS: The members of the Board of Directors and the Officers shall not be liable to the Association or any of its members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misfeasance or malfeasance. The members of the Association shall indemnify and hold harmless each member of the board of Directors and each officer against all liability to others arising out of actions, omissions or contracts made by the Board of Directors on behalf of the Association as provided in the Association's Articles of Incorporation. It is intended that the members of the Board of Directors shall have no personal liability with respect to any act or omission made by them on behalf of the Association except for willful misfeasance or malfeasance. It is also intended that the liability of any member of the Association arising out of any act, omission or contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited in such proportions of the total liability thereunder as his interest in the Association bears to the interest of all members of the Association in the Association. Every agreement made by the Board of Directors on behalf of the Association shall provide that the members of the Board of Directors are acting only as agents for the Association and shall have no personal liability thereunder (except as members of the Association), and that each member of the Association's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Association bears to the interest of all members in the Association.

SECTION 3.15 INSURANCE POLICIES AND FIDELITY BONDS: The Board of Directors shall obtain such officers and directors liability insurance policies, fidelity bonds and such other insurance policies for all officers, directors and employees of the Association as the Board may deem necessary or appropriate. The premiums on such insurance and/or bonds shall constitute an expense of operating the affairs of the Association.

ARTICLE IV

OFFICERS

SECTION 4.1 DESIGNATION: The principal officers 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, Assistant Secretary, and such other officers as in its judgment may be necessary. The President, Vice-President, Secretary, and Treasurer must be members of the Board of Directors.

SECTION 4.2 ELECTION OF OFFICERS: Officers 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 and until their successors are elected.

SECTION 4.3 REMOVAL OF OFFICERS: Upon the affirmative vote of a majority of the members of the Association or members of the Board of Directors, any officer may be removed, either with or without cause, and his 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 such purpose.

SECTION 4.4 PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the membership and at all meetings of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Laws of the State of North Carolina including, but not limited to, the power to appoint from among the membership any committee which he deems appropriate to assist in the conduct of the affairs of the Association.

SECTION 4.5 VICE-PRESIDENT: The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor Vice-President are able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

SECTION 4.6 SECRETARY: The Secretary shall keep the minutes of all meetings of the membership and of the Board of Directors; he shall have charge of all books, papers, accounts and records of the Board of Directors as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of Secretary of a corporation organized under the Business Corporation Laws of the State of North Carolina.

SECTION 3.15 INSURANCE POLICIES AND FIDELITY BONDS: The Board of Directors shall obtain such officers and directors liability insurance policies, fidelity bonds and such other insurance policies for all officers, directors and employees of the Association as the Board may deem necessary or appropriate. The premiums on such insurance and/or bonds shall constitute an expense of operating the affairs of the Association.

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SECTION 4.2 ELECTION OF OFFICERS: Officers 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 and until their successors are elected.

SECTION 4.3 REMOVAL OF OFFICERS: Upon the affirmative vote of a majority of the members of the Association or members of the Board of Directors, any officer may be removed, either with or without cause, and his 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 such purpose.

SECTION 4.4 PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the membership and at all meetings of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Laws of the State of North Carolina including, but not limited to, the power to appoint from among the membership any committee which he deems appropriate to assist in the conduct of the affairs of the Association.

SECTION 4.5 VICE-PRESIDENT: The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor Vice-President are able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

SECTION 4.6 SECRETARY: The Secretary shall keep the minutes of all meetings of the membership and of the Board of Directors; he shall have charge of all books, papers, accounts and records of the Board of Directors as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of Secretary of a corporation organized under the Business Corporation Laws of the State of North Carolina.

SECTION 4.7 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 accounts showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all of the duties incident to the office of Treasurer of a corporation organized under the Business Corporation Laws of the State of North Carolina.

SECTION 4.8 COMPENSATION: No officer shall receive any compensation from the Association for acting as such.

SECTION 4.9 EXECUTION OF INSTRUMENTS: All instruments, including, but not limited to, agreements, contracts, deeds or leases of the Association shall be executed in the name of the Association by the President or Vice-President and attested to by the Secretary or the Assistant Secretary of the Association. All checks of the Association are to be executed by such person or persons as may be designated by the Board of Directors.

ARTICLE V

OPERATION OF THE ASSOCIATION AND PROPERTY MANAGEMENT

SECTION 5.1 RULE MAKING: The Board of Directors shall promulgate and establish, pursuant to the provisions set to hereinbelow, reasonable rules and regulations governing the use, enjoyment, maintenance, repair of and additions or alterations to the lots, common elements and the improvements thereon.

Subsection 1.1 PROCEDURES: The Board of Directors or a rule making committee specifically appointed by the President, shall formulate reasonable rules and regulations or amendments or modifications thereto, to be proposed to the membership of the Association. Such proposals may be considered by the membership of the Association for adoption either at the annual meeting of the membership or at a special meeting of the membership called by the President specifically for the consideration of the adoption of such proposals. All such proposals shall be stated in writing and sent to the Owners of the memberships in the Association in any notice of the special meeting called for the consideration thereof, or at least fifteen (15) days prior to the annual meeting of the membership of the Association at which they will be considered. At such meeting such proposed rules and regulations shall be considered new business of the Association. In order to be adopted as rules and regulations, amendments or modifications thereof, of the Association such proposed rules and regulations must receive assent from seventy percent (70%) of the votes of the entire membership of the Association present in person or by proxy at such meeting.

Subsection 1.2 AMENDMENT, MODIFICATION, ADDITIONS OR REPEAL: In addition to the above, any member of the Association may propose a modification, amendment, addition to or repeal of any and all rules and regulations of the Association by stating the same in writing to the Board of Directors. If any such member shall have obtained to such proposal the signatures of at least thirty percent (30%) of the membership Owners in the Association, then the Board of Directors shall submit such proposal to the Association at the next annual meeting of the Association for consideration or at a special meeting of the Association called pursuant to a request therefor made in such proposal when submitted to the Board of Directors. Adoption of any such proposal shall be as stated in Subsection 1.1 hereinabove.

Subsection 1.3 PROHIBITIONS: No rule or regulation, nor amendment, modification, addition to or repeal of any or all of the rules and regulations of the Association shall discriminate against any lot Owner or against any lot or group of lots unless the Owners thereof so affected shall consent in writing; nor shall any of the above change any lot nor the share in the common elements appurtenant to it, nor shall any of the above increase any Owner's share in the common expenses of the Association nor change the voting rights of any member unless the Owner of the membership appurtenant to the lot so affected and all record Owners of liens thereon shall join in the execution of such rule, regulation, amendment, modification, addition to or repeal of the same.

Subsection 1.4 EFFECTIVE DATE OF AMENDMENTS: A copy of all rules and regulations or amendments, additions, modifications to or repeals of rules and regulations of the Association shall be certified by the President and Secretary of the Association as having been duly adopted by the Association and shall be effective from the date of adoption at the meeting adopting the same or at a later time specified in the adoption of the rule.

SECTION 5.2 INSURANCE: The Board of Directors shall be required to obtain and maintain, to the extent possible, the following insurance when applicable:

Subsection 2.1 PUBLIC LIABILITY INSURANCE: In such limits as the Board of Directors may, from time to time, determine public liability insurance covering each member of the Board of Directors, each officer of the Association, the Association and each Owner of a lot (when required by the Declaration), shall be obtained by the Board of Directors.

Subsection 2.2 ADDITIONAL INSURANCE: Such other insurance as the Board of Directors may determine as necessary for the protection of the development, the Association, its directors, officers and members.

Subsection 2.3 PREMIUMS: The premiums for all such insurance to be paid by the Board of Directors shall be an annual expense of the Association, and as such, shall constitute a portion of the annual assessment to be levied against each member of the Association pursuant to the provisions of these By-Laws and the Declaration.

Subsection 2.4 REPAIR OR RECONSTRUCTION AFTER CASUALTY: In the event of damage to or destruction of any or all of the improvements to the common elements, the repair and restoration of all damaged improvements shall be governed by the Declaration or by vote of the Association should the Declaration fail to address such situation.

SECTION 5.3 MAINTENANCE: The Board of Directors shall provide for the upkeep, care, preservation, protection and maintenance of the common elements and the improvements thereon.

SECTION 5.4 FISCAL MANAGEMENT: The Board of Directors shall, from time to time, and at least annually, prepare a budget for the Association, determining the projected annual costs to the Association of performing all of the duties of and fulfilling all of the obligations of the Association. These costs shall include all of the costs incurred by the Association in the performance of those duties and obligations outlined in the Articles of Incorporation, the Declaration of Covenants, Conditions and Restrictions applicable to the development and of these By-Laws, as well as the costs necessary for the efficient management of the Association (including amounts for an operations reserve and a capital improvements reserve, if deemed necessary by the Board of Directors). The budget, so prepared, shall be submitted to the membership of the Association for approval at the annual meeting of the membership. The proposed budget must be approved by a vote of at least Fifty-one percent (51%) of the votes of the entire membership of the Association, represented in person or by proxy at such meeting. Assessment shall be assessed and enforced as provided for in the Declaration of Covenants, Conditions and Restrictions.

SECTION 5.5 ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY THE BOARD OF DIRECTORS Whenever in the judgment of the Board of Directors the common elements shall require additions, alterations, or improvements costing in excess of \$5,000.00, and the making of such additions, alterations, or improvements shall have been approved by the owners, the Board of Directors shall proceed with such additions, alterations, or improvements and shall assess all owners for the cost thereof as a common charge. Any additions, alterations, or improvements costing \$5,000.00 or less may be made by the Board of Directors without special approval of the owners.

SECTION 5.6 USE OF LOTS In order to provide for congenial occupancy of the lots and for the protections of their values the use of the lots shall be subject to the following limitations:

- A. The lots shall be used for residential purposes only.
- B. No portion of the lot/residence other than the entire lot may be rented, and rentals shorter in length than twelve (12) continuous months are prohibited.

SECTION 5.7 RECORDS AND AUDITS: The Board of Directors shall keep detailed records of the action of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the membership of the Association and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each lot which, among other things, shall contain the amount of each annual assessment, and other assessments, against each lot, the date when due, the amount paid thereon, and the balance remaining unpaid. A written report summarizing all receipts and expenses of the Association shall be rendered monthly by the Board of Directors and posted for the members of the Association. In addition, an annual report of the receipts and disbursements of the Association shall be rendered by the Board of Directors to all members of

the Association who have requested the same, promptly but after the end of each fiscal year. Each member of the Association shall be permitted to examine all of the books and accounts of the Association at reasonable times on business days, but not more than once a month.

SECTION 5.8 CONDEMNATION: In the event of a taking in condemnation or by eminent domain of part or all of the property, the award made for such taking shall be payable to the Board of Directors, and the Board of Directors shall disburse the net proceeds of such award in the same manner as they are required to distribute insurance proceeds to the lot Owner and any mortgagees.

ARTICLE VI

PARLIAMENTARY RULES

Robert's Rules of Order (latest edition) shall govern the conduct of all Association meetings, not in conflict with the Articles of Incorporation, the Declaration of Covenants, Conditions and Restrictions, and these By-Laws.

ARTICLE VII

AMENDMENTS

These By-Laws may be amended in the following manner:

(a) Any member of the Association may propose any amendment or modification to these By-Laws by submitting the same in writing to the President of the Association;

(b) In order to qualify for consideration by the Association, any such amendment or modification must be signed by at least thirty percent (30%) of the Owners of the memberships in the Association;

(c) Upon receipt of such proposed amendment or modification, the President of the Association shall immediately follow the procedures outline hereinabove under Article II, Section 2.6, entitled Special Meetings;

(d) Any such proposed amendment or modification in order to become a part of these By-Laws must be approved by seventy percent (70%) of the votes of the entire membership of the Association present in person or by proxy at such meeting; provided however, that no amendment or modification shall discriminate against any Owner, lot, class or group of Owners or lots unless all of the Owners so affected so consent; and further, no amendment or modification shall change any lot, nor the share in the common elements appurtenant thereto, nor increase any Owner's assessment, nor change the voting rights of any members unless the Owner or Owners of the memberships or lots so affected and all holders of liens against such Owner's or Owner's lots shall approve in writing such amendment or modification.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1 NOTICES: All notices to the Board of Directors shall be sent by certified or registered mail, return receipt requested, to the principal office of the Board of Directors. All notices to Owners shall be sent by regular mail to such addresses a may have been designated by such Owners in writing to the Secretary of the Association. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

SECTION 8.2 WAIVER OF NOTICE: Whenever any notice which is required to be given to any member, director, or officer of the Association by the provisions of the North Carolina Non-Profit Corporation Act, the provisions of the Articles of Incorporation, the Declaration of Covenants, Conditions and Restrictions or these By-Laws, is waived in writing, signed by the person or entities entitled to such notice, whether before or after the time stated herein, such shall be equivalent to the giving of such notice.

SECTION 8.3 INVALIDITY: The invalidation of any provisions of these By-Laws by any court, agency, or legislature shall in no way affect the validity of any other provision of these By-Laws, and the same shall remain in full force and effect.

SECTION 8.4 CAPTIONS: The captions herein used are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

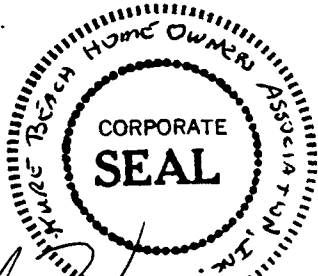
SECTION 8.5 GENDER: The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 8.6 WAIVER: No restriction, condition, obligation or provision contained in these By-Laws 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 thereof which may occur

IN WITNESS WHEREOF, the President of the Association and the Jill A. Vargas Secretary thereof do hereby certify that this is a true copy of the duly enacted By-Laws of Kure Beach Village Homeowners Association, Inc., this the 3rd day of September, 1996.

ATTEST:

Jill A. Vargas
Secretary



KURE BEACH VILLAGE
HOMEOWNERS ASSOCIATION, INC.

By: Douglas L. Felber
President

STATE OF NORTH CAROLINA

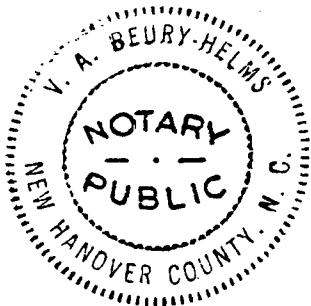
COUNTY OF NEW HANOVER

I, V. A. Beury-Helms, a Notary Public in and for the State and County aforesaid, do hereby certify that Jill A Vargas personally appeared before me this day and acknowledged that she is the Secretary of Kure Beach Village Homeowners Association, Inc., a North Carolina Non-profit Corporation, and that by authority duly given and as the act of the Corporation, the foregoing instrument was signed in its name by its President, and attested by 3 self as its Sept. Secretary.

Witness my hand and official seal, this the 3 day of Sept 1996.

V. A. Beury-Helms
Notary Public

My commission expires: 8/5/99



SCHEDULE A

RULES AND REGULATIONS OF KURE BEACH VILLAGE

1. No building, fence, wall or other structure shall be commenced or erected or maintained upon any lot, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, location, and purpose of the same, shall have been submitted to and approved in writing by the Board of Directors of the Association or by an Architectural Review Committee appointed by and acting for the Board of Directors.
2. No boats, jet skis, trailers, dune buggies, campers, motor homes, mobile homes, recreational vehicles, automobiles on cinder blocks, tractor trailer trucks, cube or box trucks, cabs, or similar type vehicles to any of the foregoing items shall be permitted to remain on any lot or in any of the common areas at any time, unless by consent of the Homeowners Association.
3. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the lots in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of other owners.
4. It shall be the responsibility of each lot owner to prevent the uncontrolled growth of grasses, weed, underbrush, or other unsightly or unkempt conditions on any part of a developed or undeveloped lot, and no refuse piles or unsightly objects shall be allowed to be placed or suffered to remain thereon.
5. An owner of a vacant lot shall cut, or cause to be cut, and keep cut, or cause to be kept cut, all grass, weeds and brush on their lot and shall remove any resulting debris. Should an owner fail to do so, the Board of Directors may do so (no more often than once per month, as required), and the reasonable expenses thereof shall be billed to the owner from time to time, or be added to that owner's annual assessment fee to be paid by that owner to the Association. In the event of a failure of an owner to pay the Association in a timely manner, the Association shall have the right to file a notice of lien on the lot for the payment of such sum, with interest, all in like manner as if the Association had performed such work at the instance and request of the owner.
6. Nothing shall be altered or constructed in or removed from the General Common Area or Elements, except upon the written consent of the Board of Directors.
7. All damage to the lots caused by the moving or carrying of any article therein shall be paid by the owner responsible for the presence of such article.
8. Any damage to the buildings, recreational facilities, or other common areas or equipment caused by owner's children or guests shall be repaired at the expense of the owner/parent.
9. No commercial business may be conducted from any lot.

10. No rental or sub-rentals will be permitted for a period of less than twelve (12) consecutive months.

11. The Board of Directors must be given a copy of all leases prior to units being occupied by tenants, to ensure the enforcement of regulation 10.

12. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such a manner as to impede or prevent ready access to another owners lot. The owners, their employees, servants, agents, visitors, licensees and the owner's family will obey the parking regulation posted on the streets and drives and any other traffic regulations promulgated in the future for the safety, comfort, and convenience of the owners.

13. All garbage and refuse from the lots shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Directors may direct.

14. These community Rules and Regulations may be added to at any time by the Board of Directors.

15. The levying of fines or expenses against the members of the Association for violations of the Rules and Regulations established pursuant to these By-Laws to govern the use and enjoyment of the lots, common elements and the improvements thereon. (Section 3.13 M)

16. No satellite dishes to exceed 18 inches.

17. All hurricane/storm window shutters, plywood window coverings or any other hurricane/storm protection materials must be removed within 14 days after said hurricane/storm.

18. In Accordance with Section 3.13 m of these By-Laws the following fines will be imposed:

a) A \$50.00 fine will be imposed for the first violation of any By-Laws, Declaration of Covenants, Conditions, and Restrictions or any of the Rules and Regulations currently governing Kure Beach Village.

b) A \$250.00 fine will be imposed for all subsequent violations.

c) Any and all appeals may be brought before the Board of Directors.