

BYLAWS
OF
SANDERLING HOMES ASSOCIATION, INC.

ARTICLE I
NAME, SEAL AND OFFICES

SECTION 1. Name: The name of this corporation is SANDERLING HOMES ASSOCIATION, INC. (“Association”).

SECTION 2. Seal: The seal of the Association shall be circular in form and shall bear the words “CORPORATE SEAL”. The Board of Directors may change the form of the seal or the inscription thereon at its pleasure.

SECTION 3. Offices: The principal office of the Association shall be that which is on file with the Secretary, which may be changed from time to time by the Board, except that such principal office shall be located in Dare County, North Carolina.

ARTICLE II
DEFINITIONS

SECTION 1. Plan of Ownership: The properties located in County of Dare, and State of North Carolina, as shown on a certain map entitled “Sanderling, Phase I, Lots 1 thru 37, Dare County”, will be submitted to the provisions of a certain Declaration of Covenants, Conditions and Restrictions (the “Declaration”), by Venture Management Incorporated (the “Developer”), and will be subdivided into Lots and Common Properties in accordance with the above map, creating a system of ownership of the Lots by individual Owners, each Lot having a non-exclusive easement of enjoyment over the Common Properties, and each Lot being subject to a reciprocal obligation to contribute maintenance assessments for the maintenance and operation of the Common Properties and certain exterior improvements on the Lots all in accord with the Declaration. The Plan of Ownership may be extended to additional property by the submission of additional units by the Developer to the Declarations in accordance therewith.

SECTION 2. Applicability of Bylaws: The provisions of these Bylaws are applicable to the Properties and to the use and occupancy thereof.

SECTION 3. Personal Application: All present and future Lot Owners, mortgagees, lessees, and occupants of the Lots and their employees, and any other person who may use the facilities of the Properties in any manner are subject to these Bylaws, the Declarations, and to any Rules and Regulations established by the Board of Directors as hereinafter set forth. The acceptance of a deed or conveyance or the entering into a lease or the act of occupancy of a Lot shall constitute an agreement that these Bylaws, the Rules and Regulations, and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE III
MEMBERSHIP

SECTION 1. Every person who is a record Owner of a fee or undivided fee interest in any Lot shall be a Member of the Association pursuant to Article Five of the Declaration with the limitations and voting powers therein.

SECTION 2. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner, of, and becomes a lien upon, the property against which such assessments are made and the personal obligation of the then Member as provided by Article Seven of the Declaration pursuant to the terms therein.

SECTION 3. The membership rights of any Member whose membership or interest in the Properties, is subject to assessments under Article Seven, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Directors during the period when the assessments remain unpaid, but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Directors have adopted and published rules and regulations governing the use of the Common Properties as provided in Article X,

Section 3 herein, they may, in their discretion, suspend the rights of any such person for violation of such rules and regulations for a period not to exceed thirty (30) days, in addition to levying the liquidated charges provided by Article X, Section 4 herein.

ARTICLE IV
PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT
OF COMMON PROPERTIES

SECTION 1. Each member shall be entitled to the use and enjoyment of the Common Properties and facilities as provided by deed of dedication and Article Six of the Declaration.

SECTION 2. Any Owner may share his rights of enjoyment in the Common Properties with the members of his family who reside upon the Properties or delegate said rights of any of his tenants who reside thereon, under a leasehold interest for a term of one (1) year or more. Such Owner shall notify the secretary in writing of the name of any such tenant together with a copy of said lease. The rights and privileges of such persons are subject to suspension under Article III, Section 3, herein, to the same extent as those of the Member.

ARTICLE V
PURPOSE OF POWERS

The corporation shall operate on a not-for-profit basis in accordance with its Certificate of Incorporation. The Corporation will not provide pecuniary gain or profit, direct or indirect, to its Members. The purposes for which it is formed are:

SECTION 1. General: To promote the health, safety, and welfare of the residents within the Properties, and such additions thereto as may hereafter be brought within the jurisdiction of this corporation by annexation as provided in Article One, Section 2 of the Declaration and for this purpose to:

- (a) Own, acquire, build, operate, and maintain roads, utilities, lakes, site lighting, signage, open space, streets, roads, across easements and footways, referred to as the "Common Properties";
- (b) provide exterior maintenance for the lots and homes within the Properties in order to maintain the character of the Properties for the mutual benefit of all the Owners;
- (c) maintain unkempt lands or trees;
- (d) fix Assessments or Common Charges to be levied against the Properties;
- (e) enforce any and all covenants, restrictions and agreements applicable to the Properties;
- (f) pay taxes, if any, on the Common Properties; and
- (g) insofar as permitted by law, to do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the residents of the Properties.

SECTION 2. Dispose Assets: To mortgage, pledge, hypothecate or otherwise grant any form of security interest in and to its Properties or accounts receivable, to dispose of its assets, provide that upon dissolution, the assets shall be dedicated, to an agency or utility to be devoted to purposes as nearly as practicable, the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of Association Properties shall be effective to divest or diminish any right or title of any member vested in him under the recorded covenants and deeds applicable to the Properties unless made in accordance with the provisions of such covenants and deeds.

SECTION 3. Additions to Properties and Memberships: Additions to the Properties described in Article One of the Declaration may be made only in accordance with the provisions of the recorded covenants and restrictions applicable to said Properties.

Such additions, when properly made under the applicable covenants, shall extend the jurisdiction, functions, duties, and membership of this Corporation to such Properties. Where the applicable covenants require that certain additions be approved by this Association, such approval must have the assent of two-thirds (2/3) of the votes of each class of members eligible to vote who are voting in person or by proxy at a meeting duly called for this

purpose, written notice of which shall be mailed to all members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

SECTION 4. Mergers and Consolidations: Subject to the provisions of the recorded covenants and restrictions applicable to the properties described in Article One of the Declaration, and to the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the votes of each class of members eligible to vote who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

SECTION 5. Dedication of Properties or Transfer of Function to Public Agency or Utility:

The Association shall have power to dispose of its real properties only as authorized under the Declaration applicable to said properties.

SECTION 6. Dissolution: The Association may be dissolved only with the assent given in writing and signed by the members entitled to cast two-thirds (2/3) of each class of its membership eligible to vote. Written notice of a proposal to dissolve, setting forth the reasons therefor and the disposition to be made of the assets (which shall be consonant with Article V, Section 7 hereof) shall be mailed to every member and mortgagee at least ninety (90) days in advance of any action taken.

SECTION 7. Disposition of Assets Upon Dissolution: Upon dissolution of the Association, the assets, both real and personal of the Association, shall be dedicated to an appropriate public agency or utility to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association.

ARTICLE VI MEMBERS

SECTION 1. Eligibility: Membership in the Association shall be in accordance with Article Five of the Declaration.

SECTION 2. Voting: Voting shall be in accordance with Article Five of the Declaration. A majority of the total votes cast at a meeting at which a quorum is present shall be binding upon all Owners for all purposes except when a higher percentage is required by these Bylaws, the Declaration or by the law.

SECTION 3. Votes in the Event of Multiple Ownership of a Lot: To the extent not inconsistent with the Declaration and in the event a Lot is owned by more than one person, if such persons cannot agree upon the exercise of their right to vote pursuant to these Bylaws, each person shall have a fractional vote based upon his fractional share of ownership of the Lot. A co-owner of a Lot may permit the other co-owner of the Lot to vote his interest by furnishing the other co-owner with a proxy. In the absence of any co-owner, a vote for a whole lot cast by a co-owner shall be held to be valid proxy of the absent co-owner, unless challenged at the time the vote is cast.

SECTION 4. Annual Meetings: Annual meetings shall be held on the Saturday immediately preceding the Columbus Day holiday in each October. At each annual meeting, there shall be elected by ballot of the Owners, a Board of Directors in accordance with the provisions of Article VII, Section 1 herein, and Members may also transact such other business as may properly come before them.

SECTION 5. Place of Meetings: Meetings of the Members shall be held at the principal office of the Association or such other suitable place convenient to the Members as may be designated by the President.

SECTION 6. Special Meetings: It shall be the duty of the President to call a special meeting of the Members when so directed by resolution of the Board of Directors, or, upon petition signed by not less than 25% of the votes in the aggregate of Members. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

SECTION 7. Notice of Meetings: It shall be the duty of the secretary to mail a notice of each annual or special meeting of the members, at least ten (10) days but not more than twenty (20) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member as recorded on the records of the Association, at the Lot address or at such other address as such Lot shall have designated by notice in writing to the secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

SECTION 8. Waiver of Notice: Any member may at any time waive notice of any meetings of the Members in writing, and such waiver shall be deemed equivalent to the giving of such notice. Presence by a Member at the meeting will be considered a waiver of the right to such notice.

SECTION 9. Order of Business: The order of business at all meetings of the Members shall be as follows, to the extent required:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of Board of Directors.
- (f) Report of Committees.
- (g) Election of members of the Board of Directors
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

SECTION 10. Parliamentary Procedure: At all meetings of the Members, or of the Board of Directors, Roberts' Rules of Order, as to such date amended, shall be followed, except in the event of conflict, these Bylaws or Declaration, as the case may be, shall prevail.

SECTION 11. Quorum: A majority of the Members, being present in person or by proxy, shall constitute a quorum at any meeting of the Members.

SECTION 12. Proxies: Votes may be cast in person or by proxy. A Member may designate any person, who need not be a Member to act as proxy. The designation of any such proxy shall be made in writing, signed by the Member, and shall be revocable at any time by written notice to the secretary by the Member designating the proxy.

ARTICLE VII BOARD OF DIRECTORS

SECTION 1. Function, Number and Qualification: The affairs of the Common Properties, and appurtenant duties on the Lots shall be operated by the Association, which in turn shall be governed by a Board of Directors (not more than nine (9) in number), who must be members of the Association. The initial Board of Directors shall consist of three (3) directors who shall hold office until the election of their successors. Beginning with the first annual meeting to be held in June, 1978, the Members shall elect one director for a term of one (1) year and one director for a term of two (2) years, and one director for a term of three (3) years, and at each annual meeting thereafter, the Members shall elect three (3) directors with one (1) vote each, for a term of three (3) years, in accordance with the wish of the meeting, duly noticed.

SECTION 2. Powers and Duties: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and shall do all such acts and things as are not by law or by the Bylaws directed to be exercised and done by the Owners. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the Common Properties, and such duties with respect to the Lots as provided in the Declaration.

- (b) Determination of an annual budget and the Common Expenses required for the affairs of the Properties.
- (c) The establishment, levying, assessment and collection of the Assessments and Common Charges from the Owners.
- (d) The employment and dismissal of the personnel necessary for the maintenance, repair, replacement and operation of the Common Properties.
- (e) Opening of bank accounts in the name of the Association and designating the signatories required therefor.
- (f) Purchasing or leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, Lots offered for sale or lease, or surrendered by their Owners to the Board of Directors or to the Association, other than Lots owned by the Developer.
- (g) Purchasing of Lots, including at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise.
- (h) Selling, leasing, subleasing, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board of Directors) or otherwise dealing with Lots acquired by the Association or its designee, corporate or otherwise.
- (i) Obtaining and maintaining insurance on the Properties.
- (j) Making of repairs, additions and improvements to or alterations to and restoration of the Properties.
- (k) Leasing or otherwise acquiring the right to use, either exclusively or in common with others, recreational and other facilities for the benefit of Owners.
- (l) Adopting and amending reasonable Rules and Regulations governing the conduct of all people on the Properties and the operation and use of the Properties. The Board shall have the power to levy liquidated damages against the Owners for violation thereof, for which they are responsible, provided that no such levy may be for more than \$5.00 for any one violation; but for each day a violation continues after notice, it shall be considered a separate violation. Collection of damages may be enforced against the Owner or Owners responsible as if the damages were a Common Charge owed by the particular Owner or Owners.
- (m) The Board of Directors may also enforce, by any legal means, the provisions of the Declaration, the Bylaws, and the Rules and Regulations for the use of the Properties.
- (n) To appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member, Officer or Director of the Association in any capacity whatsoever.
- (o) To take such other actions as may be authorized by the Owners of Lots, consistent with the Declaration and the Articles of Incorporation of the Association.

SECTION 3. Management: The Board of Directors may employ or enter into a contract or agreement with a Manager for the Properties, for a period of not more than twelve (12) months with the right of the Association to cancel such contract with thirty (30) days notice for cause, at a compensation or consideration established by the Board to perform such duties and services as the Board shall authorize. The Board of Directors shall send all Owners, Members and First Mortgagees a copy of any such cancellation notice. The Board of Directors may authorize such Manager to perform the duties listed in sub-sections (a), (c), (d), (i), and with respect to all but officers, (n) of Section 2 and other duties consistent therewith, but shall not delegate to the Manager the powers of

the Board of Directors set forth in sub-sections (b), (e), (f), (g), (h), (j), (k), (l), and (m) and, with respect to officers, (n) of Section 2.

SECTION 4. Removal of Directors: At any time, at any regular or special meeting of the Owners, any one or more of the members of the Board of Directors may be removed with cause by a majority of all of the Owners following notice thereof in the call of the meeting and a successor or successors may then and there or thereafter be elected to fill the vacancy thus created.

SECTION 5. Vacancies: Vacancies on the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Owners eligible to vote shall be filled by vote of a majority of the remaining directors at a regular or special meeting of the Board of Directors held promptly after the occurrence of any such vacancy, even though the directors present at such meeting shall constitute less than a quorum and each person so elected shall be a member of the Board of Directors for the remainder of the term of the director so replaced, and until his successor shall be duly elected.

SECTION 6. Organization Meeting: The first regular meeting of the Board of Directors following a meeting of the Owners at which directors are elected, shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Lot Owners at such meeting. No notice shall be necessary to the members of the Board of Directors in order to legally constitute such a meeting, provided a quorum shall be present at such first regular meeting.

SECTION 7. Regular Meetings: Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given by the secretary to each director personally or by mail or telegraph at least three (3) days prior to the day named for the meeting.

SECTION 8. Special Meetings: Special meetings of the Board of Directors may be called by the president on three (3) days' notice to each director, given personally or by mail or telegraph, 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 a like manner and on like notice on the written request of at least two (2) directors.

SECTION 9. Waiver of Notice: Any director 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 director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all members of the Board are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 10. Quorum of Board of Directors: At all meetings of the Board of Directors, the directors present shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present shall constitute the decision of the Board of Directors.

SECTION 11. Compensation: No member of the Board of Directors shall receive any compensation from the Association for acting as a director.

SECTION 12. Liability of the Board of Directors: The directors shall not be liable to the Association or to the Members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall defend, indemnify and hold harmless, to the extent permitted by law, each of the directors against all liability arising out of their conduct on behalf of the Association, unless such conduct shall have been willful misconduct or in bad faith. It is intended that the directors shall have no personal liability with respect to any contract made by them on behalf of the Association (except as Members). It is also intended that the liability of any Member arising out of any contract made by the Association or out of the aforesaid indemnity in favor of the Board of Directors shall be limited to his interest in the Common Properties.

SECTION 13. Fiscal Year: The Board of Directors shall establish a fiscal year.

SECTION 14. Fiscal Affairs: It shall be the duty of the Board of Directors:

- (a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such is requested in writing by one-fourth (1/4) of the membership.
- (b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.
- (c) As more fully provided in Article Seven of the Declaration of Covenants applicable to the Properties:
 - (1) To fix the amount of the assessment against each Lot for each assessment period at least thirty (30) days in advance of such date or period and, at the same time;
 - (2) Cause to be prepared a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member or his designee, and, at the same time;
 - (3) To cause to be sent written notice of each assessment to every Owner subject thereto.
- (d) To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.

ARTICLE VIII OFFICERS

SECTION 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 president and the vice president shall be elected from among the members of the Board of Directors. The Board of Directors may elect a Treasurer, an Assistant Treasurer, a Secretary, an Assistant Secretary and such other officers as in its judgment may be necessary. Any person or officer or employee of a corporate, partnership or fiduciary Owner shall be eligible for such election.

SECTION 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.

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

SECTION 4. President: The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of president of a corporation, organized under the laws of the State of North Carolina, including but not limited to the power to appoint committees from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

SECTION 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 the vice president is able to act, the Board of Directors shall appoint some other member of the Board 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 assigned to him by the Board of Directors or by the president.

SECTION 6. Secretary: The secretary shall keep the minutes of all meetings of the Members and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors and these Bylaws may direct; he shall give all notices by the Bylaws unless otherwise provided; and he shall, in general, perform all the duties incident to the office of secretary of a corporation organized under the laws of the State of North Carolina.

SECTION 7. Treasurer: The treasurer shall have responsibility for Association funds and securities and shall cause the financial records and books of account in books belonging to the Association to be kept. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident to the office of treasurer of a corporation organized under the laws of the State of North Carolina.

SECTION 8. Signatories to Documents: All agreements, contracts, deeds, leases, checks and other documents of the Association shall be executed by any officer of the Association or by such other person or persons as may be designated by the Board of Directors. Vouchers for the payment of Association funds shall be approved by the treasurer before payment.

SECTION 9. Compensation of Officers: No officer shall receive any compensation from the Association for acting as such.

ARTICLE VIIIA COMMITTEES

SECTION 1. Standing Committees: The Standing Committees of the Association shall be:

Architectural Control
Common Properties and Landscaping
Emergency Response
Audit
Long Term Planning

The committee members may be appointed by the President and/or Board of Directors, and shall serve at the pleasure of the Board. The Board may appoint such other committees as it deems desirable. In the event that committees are not appointed, the Board of Directors shall perform the functions of the committee.

SECTION 2. Duties: It shall be the duty of each committee to receive suggestions from the members on any matter involving Association functions, duties and activities within its field of responsibility. Each committee shall consider suggestions as it deems appropriate or refer them to the manager or such other committee, director or officer of the Association as is further concerned with the matter presented. Each committee shall present an annual report of its activities to the Board of Directors and the membership.

ARTICLE IX OPERATION OF THE PROPERTIES

SECTION 1. Determination of Common Expenses and Fixing of Assessments: The Board of Directors shall, from time to time, and at least annually, prepare a budget for the Properties, determine the amount of the Assessments payable by the Owners to meet the Common Expenses and allocate and assess such Assessments among the Owners according to their share as established by the Declaration. The Board of Directors shall advise all Owners promptly, in writing, of the amount of Assessments payable by each of them respectively, as determined by the Board of Directors, as aforesaid, and shall furnish copies of each budget on which such Assessments are based to all Owners and to their mortgagees upon request. The Common Expenses shall include, among other things:

- (a) the cost of repairs and maintenance of the Common Properties and appurtenant interest;

- (b) 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 Article XII herein, and the fees and expenses of any Trustee.
- (c) such amounts as the Board of Directors may deem proper, if any, for the improvement and operation of the Properties, including without limitation an amount for its working capital, a general operating reserve, a reserve fund for replacements, and sums necessary to make up any deficit in the Common Expenses for any prior year;
- (d) expenses incurred in leasing or otherwise acquiring the right to use either exclusively or in common with others, recreational or other facilities for the benefit of Owners;
- (e) such amounts as may be required for the purchase or lease by the Board of Directors, or its designee, corporate or otherwise, on behalf of all Owners, of any lot whose Owner, other than the Developer, has elected to sell or lease such Lot, or of any Lot to be acquired by foreclosure proceedings or proceedings in lieu of foreclosure or which is to be sold at judicial sale.
- (f) any other expense in connection with the Common Properties or their improvements which the Board of Directors deems to be of mutual benefit to the Owners or Members.

SECTION 2. Payment of Assessments: All Owners shall be obligated to pay the Assessments assessed by the Board of Directors monthly or at such other time or times as the Board of Directors shall determine. The Board may authorize Assessments to be collected by a mortgagee of one or more Lots or by the Manager.

SECTION 3. No Waiver of Liability for Common Expenses: No Member may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Properties or by abandonment of his Lot.

SECTION 4. Non-Liability After Conveyance: No Owner shall be liable for the payment of any part of the Common Charges assessed against his Lot subsequent to a sale, transfer or other conveyance made pursuant to the provisions of these Bylaws.

SECTION 5. Successor's Liability for Assessments: A grantee who acquires a Lot shall be liable for, and the Lot conveyed shall be subject to a lien for, any unpaid Assessments against the Lot, but not in excess of the amount set forth in a statement provided under Article XI, Section 2 herein.

SECTION 6. Default in Payment of Assessments: In the event of default by any Member in paying to the Association the Assessments as determined by the Board of Directors, such Members shall be obligated to pay interest at the rate of SIX (6%) Per Cent per annum on such Assessments from the due date thereof until collected, together with all expenses, including attorneys' fees incurred by the Association in any proceeding brought to collect such unpaid charges. The Association shall attempt to recover such Assessments, together with interest thereon, and the expenses of the proceeding including such attorneys' fees, by an action to recover the same brought against such Member, or by foreclosure of the lien on such Lot under powers granted by the Declaration. The use of any Common Properties by any Member entitled to such use may be suspended by action of the Board of Directors during the period when Assessments remain in default.

SECTION 7. Foreclosure of Liens for Unpaid Assessments: In any action brought by the Association to foreclose a lien on a Lot because of any unpaid Assessments, the Owner shall be required to pay reasonable rental for the use of his Lot from the date of non-payment of Assessments and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association acting on behalf of all Owners, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant thereto (other than for the election of members of the Board of Directors), convey or otherwise deal with the same. A suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosing or waiving the liens securing the same.

SECTION 8. Maintenance, Repair and Replacement:

- (a) Common Properties: The Association shall maintain, repair and replace all of the Common Properties in the event that such maintenance, repair or replacement was caused by the negligence or misuse of an Owner, such expense shall be charged to such Owner.
- (b) Lots: Each Owner shall maintain, repair and replace, at his own expense, all portions of his Lot. Each Lot Owner shall be responsible for damages to any other Lot or to the Common Properties caused intentionally, negligently, or by his failure to properly maintain, repair, or make replacements to his Lot.

SECTION 9. Additions, Alterations, or Improvements by Board of Directors: Whenever, in the judgment of the Board of Directors, the Common Properties shall require additions, alterations or improvements costing more than three thousand (\$3,000.00) dollars, which are not to be at the expense of an individual Owner for his own benefit, and the making of such additions, alterations, or improvements shall have been approved at an annual or special meeting of the Owners, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Owners for the cost thereof as an Assessment. Any additions, alterations or improvements costing three thousand (\$3,000.00) dollars or less may be made by the Board of Directors without further approval of the Owners and the costs thereof will constitute part of the Assessments. This paragraph shall not limit the Board's ability to repair or replace existing improvements when the need arises as a result of normal depreciation or casualty damage.

SECTION 10. Right of Access: Each Owner shall grant a right of access to his Lot and the building thereon to the Manager, or any other person authorized by the Association or the Manager, for the purpose of making inspections or for the purpose of correcting any condition originating in his Lot and threatening another Lot or the Common Properties, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services on his Lot, provided that requests for entry are made in advance and that any such entry be at a time reasonably convenient whether the Owner is present at the time or not.

ARTICLE X
USE OF PROPERTY

SECTION 1. Restrictions on the Use of the Properties: In order to provide for congenial occupancy of the Properties and for the protection of the values of the Lots, the use of the Properties shall be restricted to, and shall be in accordance with the Declaration.

SECTION 2. Restrictions on the Use of Common Properties:

- (a) Use of Common Properties shall be limited to that of the Owners, tenants of Owners and their guests.
- (b) For any period during which any assessed Assessment remains unpaid, or for any infraction of its published Rules and Regulations, the Board of Directors may suspend the right to use the recreational Common Properties, and other Common Properties not necessary to give access to the highway for a period not to exceed thirty (30) days.

SECTION 3. Rules and Regulations: Rules and regulations concerning the use of the Lots and the Common Properties may be made and amended from time to time by the Board of Directors. Copies of such Rules and Regulations shall be furnished by the Board of Directors to each Member prior to the time the same shall become effective.

SECTION 4. Abatement and Enjoinment of Violations by Owners: The violation of any Rule or Regulation adopted by the Board of Directors, or the breach of any obligation contained in the Bylaws, or the breach of any

obligation contained in the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth by these Bylaws:

- (a) To enjoin, abate or remedy the continuance of any such breach by appropriate equitable proceedings including mandatory injunction, there being no appropriate legal remedy, at the cost of the Member, with attorneys' fees.
- (b) If the Board of Directors has adopted and published Rules and Regulations governing the use of the Properties and the personal conduct of any person thereon violates those Rules and Regulations, to suspend such use by any person for violation of such Rules and Regulations for a period not to exceed thirty (30) days, in addition to the period during which the violation continues.
- (c) To levy summary charges as liquidated damages against a Member for such violation, in addition to such damages as have actually been suffered, provided that no summary charges may be levied for more than \$5.00 for any one violation, but for each day a violation continues after notice, it shall be considered a separate violation. Collection of charges for damages or summary charges may be enforced against the Owner or Owners involved as if the charge were a Common Charge owed by the particular Owner or Owners.

ARTICLE XI MORTGAGES

SECTION 1. Notice of Association: An Owner who mortgages his Lot or the mortgagees shall notify the Association of the name and address of the mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots".

SECTION 2. Statements of Assessments: The Association, whenever so requested in writing by an Owner, a prospective Owner, a mortgagee, or by a prospective mortgagee of a Lot, shall promptly report any then unpaid Assessments due from, or any other default by, the Owner of the mortgaged Lot.

SECTION 3. Notice of Default: The Association, when giving notice to an Owner of a default in paying Assessments or other default, shall send a copy of such notice to each holder of a mortgage covering such Lot if the name and address of such mortgagee has previously been furnished to the Association.

SECTION 4. Examination of Books: Each Owner or mortgagee of a Lot shall be permitted to examine the books of account of the Association at a reasonable time on business days.

ARTICLE XII INSURANCE

SECTION 1. Coverage: To the extent available, the Association shall obtain and maintain insurance coverage as set forth in section 2 hereof. All insurance affecting the Properties shall be governed by the provisions of this Article. Premiums of insurance obtained by the Association shall be a Common Expense.

SECTION 2. Liability Insurance: The Board of Directors shall obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board of Directors may from time to time determine, insuring the Association, the Board of Directors, any Manager (at the discretion of the Board of Directors), and each Owner with respect to his liability arising from ownership, maintenance or repair of the Common Properties which is the responsibility of the Association including, without limitation, liability arising from construction operations. Such liability insurance shall also cover cross-liability claims among Owners and the Association. The Board of Directors shall review such limits at least annually. The insurance provided under this Section shall include, without limitation, the following provisions:

- (a) That the insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or Owners of any improvements when such act or neglect is not within the control of the Association;

- (b) That the insurance shall not be affected or diminished by failure of any Owner or any occupants or Owners of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and
- (c) Waivers by the insurer or rights of subrogation, other than those based on fraud or criminal acts, against the Association and the Owners.

SECTION 3. Workmen's Compensation Insurance: The Board of Directors shall obtain and maintain Workmen's Compensation Insurance to meet the requirements of the laws of the State of North Carolina.

SECTION 4. Owners Hazard Insurance: Nothing herein contained shall require any Lot Owner to pay to the Association any amount for hazard insurance on any property owned by the individual Lot Owner.

Each Lot Owner shall be responsible for his own individual hazard insurance coverage on his Lot, all improvements and contents. The Association may require Owner to exhibit his hazard insurance policy.

SECTION 5. Other insurance: The Board of Directors is authorized to obtain and maintain such other insurance as it may, from time to time, deem appropriate.

ARTICLE XIII RECORDS

SECTION 1. Records: The Association shall keep detailed records of the actions of the Board of Directors and the manager, minutes of the meetings of the Board of Directors, minutes of the meetings of the Owners, names of the Owners and Mortgagees, and financial records and books of account for the Properties, including 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 assessment of Common Charges against such Lot, the date when due, the amount paid thereon, and the balance remaining unpaid. Unless the Owner notifies the Association of change in ownership, the Association may rely on the names of Owners appearing on the municipal tax assessor's list as of the last municipal assessment date.

SECTION 2. Annual Report: An Annual Report of the receipts and expenditures of the Association, prepared but not necessarily audited, by an independent certified public accountant, shall be rendered by the Board of Directors to all Owners, promptly after the end of each fiscal year.

SECTION 3. Examination of Records: Each Owner and Mortgagee shall be permitted to examine the books of account of the Association at reasonable times on business days, but not more than once a month.

ARTICLE XIV PROXIES

SECTION 1. At all corporate meetings of members, each member may vote in person or by proxy.

SECTION 2. All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by a member of his home or other interest in the Properties.

ARTICLE XV MISCELLANEOUS

SECTION 1. Notices: All notices hereunder shall be sent by mail to the Association at its registered office address on file with the North Carolina Secretary of State with a copy to the address of the principal office of the Association on file with the Secretary of the Association, if different.

SECTION 2. Captions: The Captions herein are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these Bylaws or the intent of any provisions thereof.

SECTION 3. Gender: The use of the masculine gender in these Bylaws shall be deemed to include the feminine gender, the use of singular shall be deemed to include the plural, when the context so requires.

SECTION 4. Tort Liability: Each Owner shall be deemed to have released and exonerated each other Owner and the Association, and the Association shall be deemed to have released and exonerated each Owner, from any tort liability other than that based on fraud or criminal acts to the extent which such liability is satisfied by the proceeds of liability insurance carried by an Owner or by the Association.

ARTICLE XVI
INVALIDITY, CONFLICT AND WAIVER

SECTION 1. Invalidity: The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

SECTION 2. Conflict: These Bylaws are set forth to comply with the requirements of the North Carolina Non-Profit Corporation Act, and the Declaration. In the event of any conflict between these Bylaws and the provisions of such Act, or of the Declaration, the provisions of such Act, or of the Declaration, as the case may be, shall control.

SECTION 3. Waiver: No restriction, condition, obligation, or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

ARTICLE XVII
AMENDMENTS TO BYLAWS

SECTION 1. Method of Amendment: These Bylaws may be altered, amended or added to at any duly called meeting of the Owners, provided:

- (a) that the notice of the meeting shall contain a substantial statement of the Proposed amendment;
- (b) that the amendment be approved by the Board of Directors of the Association, and
- (c) that said amendment shall be fully consistent in a duly recorded amendment to the Declaration, but no amendment to the Declaration shall be necessary unless such amendment to these Bylaws creates an inconsistency with the Declaration.

SECTION 2. Effect of Amendments upon Encumbrances: No amendment or modification of the Bylaws will affect or impair the validity or priority of any mortgage or other security interest encumbering the Lot or Lots, nor the validity or priority of any other proper lien.

Revised October 2002 by BMS