

BY-LAWS
OF

DUNERIDGE RESORT HOMEOWNERS ASSOCIATION, INC.

A North Carolina Non-profit Corporation
Under the Laws of the
State of North Carolina

ARTICLE I

Identity

These are the By-Laws of DUNERIDGE RESORT HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, (the "Association"), the Articles of Incorporation (the "Articles") of which have been filed with the North Carolina Secretary of State and the New Hanover County Register of Deeds.

For purposes of these By-Laws, terms specifically defined in the Declaration of Condominium (the "Declaration") or in the North Carolina Condominium Act (N.C.G.S. Chapter 47C) (the "Act") shall have the same meaning herein.

ARTICLE II

Qualifications and Responsibilities

of Members

2.1 Members. Each Unit Owner shall be a member of the Association and shall remain a member until he ceases to be a Unit Owner.

2.2 More Than One Owner. When there is more than one Owner of a Unit, all such persons shall be members of the Association.

2.3 Registration. It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association. If a Unit Owner does not so register, the Association shall be under no obligation to recognize his membership.

2.4 Prohibition Against Assignment. The interest of a member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Unit.

ARTICLE III

Members' Meetings and Voting

3.1 Place. Meetings of the members shall be held at the registered office of the Association or such other place within New Hanover County, North Carolina as may be designated from time to time by the Board.

3.2 Annual Meeting. The members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. The first annual meeting shall be held within one (1) year from the date of formation of the Association. At each annual meeting the members shall elect members of the Board of the Association (the "Board") and may transact any other business properly coming before them.

3.3 Special Meetings. Special meetings of the members may be called at any time by the President or by the Board. Such meetings must be called and held within thirty (30) days after written request therefor signed by members of the Association entitled to cast at least twenty percent (20%) of the total votes in the Association is delivered to any officer or Director of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4 Notices. Notice of all meetings of the members, stating the time and place and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing and shall be hand-delivered or sent by United States Mail to the members at the addresses of their respective Units, and to other addresses as any member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least ten (10) days in advance of any other meeting.

3.5 Quorum. A quorum shall consist of members present, in person or by proxy, entitled to cast at least twenty percent (20%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

3.6 Voting. The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be cast by the Owner of that Unit. When there is more than one Owner of a Unit, the votes allocated to it shall be cast as its Owners shall determine. The votes allocated to a Unit shall not be split but shall be voted as a single vote. When there is more than one Owner of a Unit and they cannot agree on how the vote for that Unit shall be cast, the Unit Owner listed on a voting certification previously filed with the Secretary of the Association shall be the Owner entitled to cast the vote for such Unit. The Association shall be entitled to cast the votes allocated to any Unit owned by it.

3.7 Manner of Casting Votes; Proxies. Votes may be cast in person or by proxy. A proxy must be in writing, be signed by all Owners of the Unit the votes of which are subject to the proxy, be given only to another member or to a Security Holder in that Unit and be filed with the Secretary before the meeting. A proxy shall be valid for one (1) year from the date of its creation, unless earlier revoked in writing by all Owners of such Unit.

3.8 Required Votes. All questions shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Declaration or these By-Laws require a greater vote.

3.9 Action by Members Without Meeting. Any action that may be taken at a meeting of the members may be taken without a meeting if such action is authorized in a writing setting forth the action taken and is signed by all members, or if such action is taken in any other manner permitted by law.

3.10 Prohibition Against Cumulative Voting. There shall be no cumulative voting.

ARTICLE IV

Directors

4.1 First Board. The first Executive Board shall consist of the three (3) persons whose names are set forth in the Articles and their successors, all as elected by the members. All undertakings and contracts authorized by the initial Board shall be binding upon the Association as if authorized by the Board duly elected by the membership after the Property has been submitted to the plan of condominium ownership, provided such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board in accordance with all applicable condominium documents and the Act.

4.2 Number and Qualification of Directors. Each succeeding Board shall consist of five (5) natural persons, as determined at any annual meeting by the members. Each Director shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual. However, the Declarant shall be entitled to representation on the Board pursuant to the terms of Article XIII of the Declaration of Condominium entitled "Declarant Control Period".

4.3 Election of Directors. At the beginning of the election of the Board of Directors, the Declarant shall select in writing that number of the members of the Board which it shall be entitled to select, whereupon the individuals selected by the Declarant shall be deemed for all purposes Directors of the Association and shall thenceforth perform the offices and duties of such Directors until their successors shall have been selected or elected. All members of the Board whom Declarant is not entitled to select shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association immediately following the selection of the members of the Board whom Declarant is entitled to select. In the election of Directors, there shall be appurtenant to each Condominium Unit as many votes for Directors as there are Directors to be elected, provided, however, that no member or owner of one (1) Condominium Unit may cast more than one (1) vote for any person nominated as a Director, it being the intent hereof that voting for Directors shall be non-cumulative. Notwithstanding the fact that the Declarant may be entitled to select a majority of the members of the Board, it shall still be entitled to cast one (1) vote for each Condominium Unit owned by it in the elections of other Directors, provided the other Directors elected are persons other than Officers, Directors, Stockholders and Employees of the Declarant, or spouses and relatives of any of said persons.

4.4 Term. At the first Annual Meeting of the members held after the Property has been submitted to the plan of condominium ownership and the Declaration of Condominium has been recorded in the public records of New Hanover County, North Carolina, the term of office of the one (1) Director receiving the highest plurality of votes shall be established at three (3) years, the terms of office of the two (2) Directors receiving the next highest plurality of votes shall be established at two (2) years and the terms of office of the other two (2) Directors appointed by the Declarant shall be established at one (1) year. Thereafter, as many Directors of the Association shall be elected at the Annual Meeting as there are regular terms of office of Directors expiring at such time, and the term of office of the Directors so elected at the Annual Meeting of the members each year shall be for two (2) years expiring at the second Annual Meeting following their election, and thereafter until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law.

4.5 Removal. Any member of the Board of Directors of the Association may be removed, with or without cause, at any time by a vote of the members owning a majority of the Condominium Units, at any Special Meeting called for such purpose, or at the Annual Meeting. However, only the Declarant shall have the right to remove a Director appointed by it. In the event that the Declarant, in accordance with the privilege granted unto it, selects any persons to serve on any Board of Directors of the Association, the Declarant shall have the absolute right at any time to replace such persons with other persons to serve on said Board. Replacement of persons designated by the Declarant to serve on any Board of Directors shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the names of the persons to be replaced and the names of the persons designated as successors. The removal of any Director and designation of his successor shall be effective immediately upon delivery of such written instrument by the Declarant to any officer of the Association.

4.6 Vacancies. Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors, except that any vacancy created in any Directorship previously filled by a person selected by the Declarant shall be filled by the Declarant's selecting, by written instrument delivered to any Officer of the Association, the successor Director to fill the vacated Directorship for the unexpired term thereof.

4.7 Organizational Meeting. The organizational meeting of a newly elected Board of Directors shall be held within ten (10) days of their election upon notice given at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary, provided a quorum is present.

4.8 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the meeting.

4.9 Special Meetings. Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than three (3) days notice of such special meeting shall be given personally or by mail, telephone, or telegraph to each Director; provided that in case the President or any Director determines an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.10 Waiver of Notice of Meeting. Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

4.11 Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

4.12. Presiding Officer. The Presiding Officer of Directors' Meetings shall be the Chairman of the Board, if such an Officer has been elected, and, if none, then the President shall preside. In the absence of the Presiding Officer, the Directors present shall designate one of their number to preside.

4.13 Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these By-Laws.

4.14 Board Action Without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in a writing setting forth the action taken and signed by all Directors.

4.15. Executive Committee. If the Board of Directors deems it expedient and in the best interest of the Association, the Board, acting upon a unanimous vote of all Directors, may delegate its powers and duties to an Executive Committee comprised of two (2) members of the Board. The Executive Committee may act in the place and stead of the Board in any emergencies or between regular meetings of the full Board; and the Executive Committee shall be empowered to act upon the unanimous vote of its members. Any action authorized and undertaken by the Executive Committee shall be binding upon the Association in the same manner as though such action had been authorized and undertaken upon a majority vote of the full Board of Directors of the Association acting at a duly called and constituted meeting thereof.

4.16 Compensation of Directors. A Director shall not be compensated for his services as such; provided, however, that a Director shall be reimbursed for expenses incurred in the performance of his duties.

4.17 Powers and Duties of Board. All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles and these By-Laws,

as amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles and these By-Laws and shall include, but not be limited to, the following:

(a) To prepare, and provide to members annually, a report containing at least the following:

(i) A statement of any capital expenditures in excess of two percent (2%) of the current budget or Five Thousand Dollars (\$5,000.00), whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years.

(ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.

(iii) A statement of the financial condition of the Association for the last fiscal year.

(iv) A statement of the status of any pending suits or judgments in which the Association is a party.

(v) A statement of the insurance coverage provided by the Association.

(vi) A statement of the total amount of unpaid assessments payable to the Association.

(b) To adopt and amend budgets and to determine and collect assessments to pay the Common Expenses.

(c) To regulate the use of, and to maintain, repair, replace, modify and improve, the Common Elements.

(d) To adopt and amend rules and regulations and to establish reasonable penalties for infractions thereof.

(e) To enforce the provisions of the Declaration, the Articles, these By-Laws, the Act and rules and regulations by all legal means, including injunction and recovery of monetary penalties.

(f) To hire and terminate managing agents to manage and maintain the Common Elements and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these By-Laws or the Act to be done by the Board or the members.

(g) To hire and terminate agents and independent contractors.

(h) To institute, defend, intervene in or settle any litigation or administrative proceedings in its own name on behalf of itself or two (2) or more Unit Owners on matters affecting the Condominium, the Common Elements or more than one Unit.

(i) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

(j) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements and to pledge and pay assessments, and any and all other revenue and income, for such purposes.

(k) To buy Units, in foreclosure of an assessment lien, or at any other time or for any other reason, and to sell, lease, mortgage and otherwise deal in Units from time to time owned by the Association.

(l) To impose and receive payments, fees and charges for the use, rental or operation of the Common Elements other than

1437 1759

the Limited Common Elements, except for elevators, stairways, hallways and other portions of the Common Elements which provide access to the Units.

(m) To grant leases, licenses, concessions and easements through and over the Common Elements.

(n) To impose and collect reasonable charges, including reasonable costs and attorneys' fees, for the evaluation, preparation and recordation of amendments to the Declaration and similar legal services.

(o) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors liability insurance.

(p) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these By-Laws or the rules and regulations.

(q) To reconstruct improvements after casualty and to further improve the Property and to make and enter into contracts necessary or desirable to accomplish said purposes.

(r) To now or at any time hereafter acquire and enter into leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in land or facilities, including, but not limited to, swimming pools and other recreational facilities whether or not contiguous to the Property for the purpose of providing enjoyment, recreation or other use or benefit to the Unit Owners.

(s) To pay all taxes and assessments which are liens against any part of the Property, other than individual Condominium Units and the appurtenances thereto, and to assess the same against the members and their respective Condominium Units.

(t) To carry insurance for the protection of the members and the Association against casualty and liability.

(u) To pay all costs of power, water, sewer, cable television and other utility services rendered to the Property and not billed to the owners of the separate Units.

(v) To establish an adjudicatory panel to provide a hearing to determine if a Unit Owner should be fined an amount not to exceed One Hundred Fifty Dollars (\$150.00) for a violation of the Declaration, these By-Laws or any other rules or regulations of the Association. The adjudicatory panel shall accord to the Unit Owner charged with the violation notice of the charge, an opportunity to be heard and to present evidence, and notice of the panel's decision. Any fine established hereunder by an adjudicatory panel shall be an assessment against the Unit Owner charged with the violation and a lien against said Owner's Condominium Unit, subject to all the provisions and enforcement of Article VII of the Declaration.

(w) To establish an adjudicatory panel to provide a hearing to determine if a Unit Owner is responsible for damages to any Common Elements or whether the Association is responsible for damages to a Unit, in cases where the claim for such damages is Five Hundred Dollars (\$500.00) or less. The adjudicatory panel shall accord to the Unit Owner charged or the Association notice of the claim, an opportunity to be heard and to present evidence and notice of the panel's decision. The panel may assess a per incident liability not in excess of Five Hundred Dollars (\$500.00). A liability assessed against a Unit Owner shall be an assessment against the Unit Owner and a lien against his Unit, subject to all provisions and enforcement of Article VII of the Declaration. A liability assessed against the Association may be offset by the Unit Owner whose Unit was damaged by act of the Association to reduce the amount of any assessments owed or to be owed by such Unit Owner.

(x) To convey or subject to a security interest all or a portion of the Common Elements, if such conveyance or encumbrance is approved by Unit Owners owning at least eighty percent (80%) of the Allocated Interest in the Common Elements (including one hundred percent (100%) of the Unit Owners owning Units appurtenant to any Limited Common Elements which are proposed to be conveyed or encumbered). In connection with any encumbrancing of the Common Elements, the Association also may assign its right to future income, including the right to receive Common Expense assessments, if such assignment is approved by Unit Owners owning at least eighty percent (80%) of the Allocated Interests in the Common Elements. The approval of Unit Owners required above shall be evidenced in a writing executed by all such Unit Owners, in the same manner as a deed, and recorded in the public records of New Hanover County, North Carolina. The agreement must specify a date after which it will be void unless then recorded. Any proceeds derived from the conveyance or encumbrance of Limited Common Elements shall be distributed as agreed upon between the Association and the Unit Owners owning the Units to which such Limited Common Elements are appurtenant. Any proceeds derived from the conveyance or encumbrance of Common Elements other than Limited Common Elements shall be an exclusive asset of the Association.

ARTICLE V

Officers

5.1. Designation of Officers. The officers of this Association shall be a President, a Vice President, a Secretary and a Treasurer. Each officer shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

5.2. Election of Officers. Officers of the Association shall be elected by the Board. Elections shall be held annually at the first meeting of the Board held after the annual meeting of the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3. Term. Each officer shall serve until his successor has been duly elected and has qualified.

5.4. Removal. Any officer may be removed, with or without cause, and without notice, by the Board.

5.5. Vacancy. Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

5.6. Powers and Duties of Officers.

(a) President. The President shall (1) be the Chief Executive Officer of the Association; (2) have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and (3) see that all actions and resolutions of the Board are carried into effect.

(b) Vice President. The Vice-President shall perform such duties of the President as shall be assigned to him by the President, and, in the absence of the President, shall perform the duties and functions of the President.

(c) Secretary. The Secretary shall (1) keep the minutes of all meetings and actions of the Board and of the members; (2) give all required notices to the Directors and members; (3) keep the records of the Association, except those kept by the Treasurer;

(4) have custody of the seal of the Association and affix it to instruments requiring a seal; (5) perform all other duties incident to the office of a secretary of a corporation; and (6) perform such other duties as may be required by the Board or the President.

(d) Treasurer. The Treasurer shall (1) have custody of all intangible property of the Association, including funds, securities and evidence of indebtedness; (2) keep the books of the Association in accordance with good accounting practices and principles and, upon request, submit them, together with all vouchers, receipts, records and other papers to the Board for examination and approval; (3) deposit all moneys and other valuable effects in depositories designated by the Board; (4) disburse funds of the Association as directed by the Board; and (5) perform all other duties incident to the office of a treasurer of a corporation.

5.7 Execution of Documents. All agreements, deeds, mortgages or other instruments shall be executed as required by law and by such other person or persons as may be designated by the Board.

5.8 Compensation of Officers Restricted. An officer shall not be compensated for his services in such capacity; provided, however, that an officer shall be reimbursed for expenses incurred in the performance of his duties. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the Condominium.

ARTICLE VI

Indemnification of Directors and Officers

The Association shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as may be permitted by the North Carolina General Statutes, as amended.

ARTICLE VII

Fiscal Management

7.1 Depository. The Board shall designate a depository for the funds of the Association and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by such persons as are authorized by the Board.

7.2 Fidelity Bonds. Fidelity bonds may be maintained by the Association, in an amount determined by the Board, covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association.

7.3 Payment Vouchers. Payment vouchers shall be approved by the Board, provided that the Board may delegate such authority to any officer or managing agent of the Association.

7.4 Books and Records. The Board shall cause to be maintained at the office of the Association a file containing current copies of the Declaration, the Articles of Incorporation, these By-Laws, any Rules and Regulations applicable to the Condominium, and other books, records and financial statements of the Association. Such file and the documents and information contained therein shall be available for inspection, upon request, during normal business hours, to all Unit Owners, Institutional Lenders (as defined in the Declaration) and prospective purchasers, all of whom may also, upon request and payment of a reasonable charge determined by the Board, obtain copies thereof.

7.5 Annual Audit. An audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report shall be furnished to each member and to each Institutional Lender requesting copy of same not later than April 1 of the year following the year for which the report is made.

ARTICLE VIII

Amendment

Amendments to these By-Laws shall be proposed and adopted in the following manner:

8.1 How Proposed. Amendments to these By-Laws may be proposed by the Board of Directors acting upon vote of the majority of the Directors, or by members of the Association owning a majority of the Units, whether meeting as members or by instrument in writing signed by them.

8.2 Meeting On Amendment. Any amendment to these By-Laws being proposed by the Board of Directors or members shall be transmitted to the President of the Association, or other Officer of the Association in the absence of the President, who shall thereupon call a special joint meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days nor later than sixty (60) days from the receipt by such officer of the proposed amendment. It shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a special meeting of the members is required as herein set forth.

8.3 Recordation of Amendment. For an amendment to become effective, it must be approved by an affirmative vote of a majority of the Board of Directors and by an affirmative vote of seventy-five percent (75%) of the members. Thereupon, the amendment shall be transcribed and certified by the President and Secretary of the Association and a copy thereof recorded in the New Hanover County Registry within thirty (30) days from the date on which it was affirmatively approved by the Directors and members. No Amendment shall become operative or effective until so recorded. Upon the approval and proper recordation of any amendment, it shall become binding upon all Unit Owners, and all such Owners shall abide thereby.

8.4 Voting; Proxies. At any meeting held to consider an amendment to the By-Laws, the written vote of any member of the Association shall be recognized if the member is not in attendance at the meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

8.5 Declarant's Rights. Notwithstanding the foregoing, no amendment to these By-Laws which shall abridge, amend or alter the right of the Declarant to select members of each Board of Directors of the Association may be adopted or become effective without the prior written consent of the Declarant.

ARTICLE IX

General Provisions

9.1 Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation and use of the Common Elements so as to promote the common use and enjoyment thereof by Unit Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment of all Unit Owners and Occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases. In no event shall any rules or regulations be inconsistent or materially more restrictive than the provisions contained in the Declaration and these By-Laws with respect to leases or tenants.

(b) By the Association. Any such rule or regulation adopted by the Board may be amended, modified or revoked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application. All rules and regulations shall be equally and uniformly applicable to all Unit Owners, Occupants and Units, unless the Board determines that unequal or nonuniform application is in the best interest of the Association or that equal and uniform application is not practicable.

(d) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available, such rules and regulations shall not affect in any way their validity or enforceability.

9.2 Parliamentary Authority. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these By-Laws, the Articles, the Act or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

9.3 Compliance with the Act; Conflict; Severability. These By-Laws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs or clauses of these By-Laws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these By-Laws to override the Act, in which event these By-Laws shall control. In the case of any conflict between the provisions of these By-Laws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph or clause of these By-Laws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity or effect of the remainder of these By-Laws, or the application thereof to any other person or circumstance.

The foregoing were adopted as the By-Laws of Duneridge Resort Homeowners Association, Inc., a non-profit corporation under the laws of the State of North Carolina, at the first meeting of the Executive Board on November 9, 1988.

Sheila R. Phelan
Secretary

APPROVED:

Donald D. Gilstrap, Jr.
President

(CORPORATE SEAL)



APPENDIX TO BY-LAWS

<u>ARTICLES AND SECTIONS</u>	<u>PAGE</u>
ARTICLE I - Identity	1
ARTICLE II - Qualifications and Responsibilities of Members	
Section 2.1 Members	1
Section 2.2 More Than One Owner	1
Section 2.3 Registration	1
Section 2.4 Prohibition Against Assignment	1
ARTICLE III - Members' Meetings and Voting	
Section 3.1 Place	1
Section 3.2 Annual Meeting	1
Section 3.3 Special Meetings	1
Section 3.4 Notices	2
Section 3.5 Quorum	2
Section 3.6 Voting	2
Section 3.7 Manner of Casting Votes; Proxies	2
Section 3.8 Required Votes	2
Section 3.9 Action by Members Without Meeting	2
Section 3.10 Prohibition Against Cumulative Voting	2
ARTICLE IV - Directors	
Section 4.1 First Board	2
Section 4.2 Number and Qualifications of Directors	2
Section 4.3 Election of Directors	3
Section 4.4 Term	3
Section 4.5 Removal	3
Section 4.6 Vacancies	3
Section 4.7 Organizational Meeting	3
Section 4.8 Regular Meetings	4
Section 4.9 Special Meetings	4
Section 4.10 Waiver of Notice of Meeting	4
Section 4.11 Quorum	4
Section 4.12 Presiding Officer	4
Section 4.13 Manner of Acting	4
Section 4.14 Board Action Without Meeting	4
Section 4.15 Executive Committee	4
Section 4.16 Compensation of Directors	4
Section 4.17 Powers and Duties of Board	4
ARTICLE V - Officers	
Section 5.1 Designation of Officers	7
Section 5.2 Election of Officers	7
Section 5.3 Term	7
Section 5.4 Removal	7
Section 5.5 Vacancy	7
Section 5.6 Powers and Duties of Officers	7
Section 5.7 Execution of Documents	8
Section 5.8 Compensation of Officers Restricted	8
ARTICLE VI - Indemnification of Directors and Officers	8
ARTICLE VII - Fiscal Management	
Section 7.1 Depository	8
Section 7.2 Fidelity Bonds	8
Section 7.3 Payment Vouchers	8
Section 7.4 Books and Records	8
Section 7.5 Annual Audit	8
ARTICLE VIII - Amendment	
Section 8.1 How Proposed	9
Section 8.2 Meeting On Amendment	9
Section 8.3 Recordation of Amendment	9
Section 8.4 Voting; Proxies	9
Section 8.5 Declarant's Rights	9

ARTICLES AND SECTIONS

PAGE

ARTICLE IX - General Provisions

Section 9.1	Rules and Regulations.	9
Section 9.2	Parliamentary Authority.	10
Section 9.3	Compliance with Act; Conflict; Severability.	10

CONDO6:9