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NORTH CAROLINA

DECLARATION OF CONDOMINIUM

BRUNSWICK COUNTY

OYSTER BAY ASSOCIATES, a North Carolina general partnership with its principal place of business in Ocean Isle Beach, Brunswick County, North Carolina, hereinafter referred to as "Declarant," does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of The Colony Condominium, being the property and improvements hereinafter described.

FILE FOR RECORDATION
MAY 6 1977
RECORDS
BRUNSWICK COUNTY, N.C.

I.

ESTABLISHMENT OF CONDOMINIUM

Declarant is the owner of the fee simple title to that certain real property situated in Sunset Beach, Brunswick County, State of North Carolina, which property is shown as Phase I on Exhibit "A" attached hereto and incorporated herein by reference, and on which property there have been constructed one (1) three-story building containing a total of six (6) condominium living units and their supporting facilities, areas designated for at least nine (9) parking spaces and other appurtenant improvements. There are no basements. The buildings are of frame construction with wood siding exteriors as more particularly shown on Exhibit "B" hereto. Declarant does hereby submit the above described property and improvements to condominium ownership under the provisions of Chapter 47A of the General Statutes of North Carolina (Unit Ownership Act), and hereby declares the same to be a condominium to be known and identified as "The Colony Condominium." Hereinafter in this Declaration, The Colony Condominium is sometimes referred to as "Condominium."

Developer presently intends, but is not obligated, to expand the Condominium beyond the six (6) unit Phase 1 described above to include up to twenty-one (21) additional phases with a maximum of one hundred twenty-six (126) additional Units. The total number of Units in all phases would not exceed one hundred thirty-two (132). Phases 2 through 22, if constructed, will be located on the land shown on Exhibit "A" as Phases 2 through 22; provided, however, that Developer shall not be required to construct any such new phase upon the land shown on Exhibit "A" bearing the same numerical designation as any such new phase, there being no commitment herein to build any new phases in the sequential order shown on Exhibit "A" attached hereto. The methods and procedures for expanding the Condominium to include these additional phases and the effects of such expansion are described in Articles IV and XXVII of this Declaration.

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II.

SURVEY AND DESCRIPTION OF IMPROVEMENTS

Annexed hereto and expressly made a part hereof as Exhibit "B," consisting of 10 pages, is a survey of the land and graphic descriptions and plans of the improvements constituting the Condominium, identifying the Condominium Units and Common Areas and Facilities, as said terms are hereinafter defined, and their respective locations, approximate dimensions and principal building materials. Each Condominium Unit is identified by specific numerical designation on said Exhibit "B," and no Condominium Unit bears the same designation as any other Condominium Unit.

III.

DEFINITIONS

The Condominium consists of Condominium Units and Common Areas and Facilities, as said terms are hereinafter defined.

A. Condominium Units as the term is used herein shall mean and comprise the six (6) separate numerically identified Dwelling Units which are designated in Exhibit "B" to this Declaration of Condominium, excluding, however, all spaces and improvements lying:

1. Beneath the subflooring material of all floors (for ground floors the subflooring material is a concrete slab);
2. Beneath the interior surfacing material (sheet rock) of all perimeter walls, interior bearing walls and/or bearing partitions;
3. Above the interior surfacing material (sheet rock) of the ceilings;

and further excluding all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to Condominium Units and Common Areas and Facilities up to and including the point of entry of such pipes, ducts, wires and conduits through the interior surfacing material for walls and ceilings and subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective Condominium Units at such point of entry. All exterior doors, window frames, panes and screens shall be part of the respective Condominium Units, provided, however, that the exterior decoration and painting of the exterior surface of such doors and window frames shall be the responsibility of the Association, as hereinafter defined.

As shown on Exhibit "B" there are patios (first floor units) or balconies (second and third floor units) located immediately adjacent to each Condominium Unit. Such patios or balconies are a

part of the respective Units as shown and bear the same numerical designation on Exhibit "B" as the Unit to which they are attached.

B. Common Areas and Facilities, sometimes referred to herein as "Common Property," shall mean and comprise all of the real property, improvements and facilities of the Condominium other than the Condominium Units and all personal property held and maintained for the use and enjoyment of all the Owners of Condominium Units. Provided, however, that, until July 2, 1996, no Condominium Unit Owner, nor the Association nor any guest, lessee, assignee or successor of any Unit Owner or the Association shall have any right to explore for, produce, extract and/or sell the Mineral Rights, as hereinafter defined, in, on or under all or any portion of the Condominium, or to lease, sell or otherwise convey to any third party, any right to explore for, produce, extract and/or sell the Mineral Rights in, on or under all or any portion of the Condominium. "Mineral Rights," as used herein, shall include any Rights to any oil, gas, other hydrocarbons and all other minerals lying in, on or under any portion of the Condominium.

C. Certain portions of the Common Areas and Facilities are reserved for the use of a particular Condominium Unit to the exclusion of other Units and are designated as "Limited Common Areas and Facilities." Limited Common Areas and Facilities and the Condominium Units to which they are reserved are as follows:

As shown on Exhibit "B" the entrance porch, stairways, foyers and landings located in the Building are reserved for the use of the Owners of Units in that Building, their families, guests, invitees and lessees.

D. "Master Association" shall mean and refer to Oyster Bay Community Association, Inc., a North Carolina non-profit corporation.

E. "Master Association Documents" shall mean and refer to the Master Declaration, as hereinafter defined, and the Articles of Incorporation and By-Laws of the Master Association.

F. "Master Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Oyster Bay Plantation recorded in Book 645, Page 418, Brunswick County Registry, as it may be amended from time to time.

G. "Oyster Bay" shall mean and refer to Oyster Bay Plantation, a planned community with a mix of housing types and commercial developments, of which the Condominium is a part.

The terms "Association of Unit Owners," "Building," "Common Areas and Facilities" (sometimes herein referred to as "Common Property"), "Common Expenses," "Common Profit," "Condominium,"

BOOK _____ PAGE _____

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"Declaration," "Majority" or "Majority of Unit Owners," "Person," "Property," "Recordation," "Unit" or "Condominium Unit," "Unit Designation," and "Unit Owner," unless it is plainly evident from the context of this Declaration that a different meaning is intended, shall, as used herein, have the meaning set out in Section 3 of Chapter 47A of the General Statutes of North Carolina, known as the Unit Ownership Act, as that statute exists as of the date of the filing of this Declaration.

IV.

OWNERSHIP OF CONDOMINIUM UNITS
AND
APPURTENANT INTEREST IN COMMON PROPERTY

A. Each Condominium Unit shall be conveyed and treated as an individual property capable of independent use and fee simple ownership, and the Owner of each Unit shall also own, as an appurtenance to the ownership of each said Condominium Unit, an undivided interest in the Common Property. The undivided interest appurtenant to each Condominium Unit as of the date of this Declaration is as set out in Exhibit "C" attached hereto and made a part hereof. The proportional interest in the Common Property that is appurtenant to each Condominium Unit as shown in said Exhibit has been determined by a ratio formulated upon the relation that the approximate fair market value of each Unit at the date of the Declaration bears to the then aggregate fair market value of all of the Units having an interest in the Common Property.

B. In the event Declarant and all of the Condominium Unit Owners, acting through the Declarant as their Attorney-in-Fact as provided in Article XXVII-B hereof, elect to add additional phases to the Condominium, then the percentage undivided interest in the Common Property appurtenant to each Condominium Unit will change. In the event Developer elects to add such additional phases, Developer shall, in each instance, file an amendment to this Declaration setting forth the percentage undivided interest in the Common Area appurtenant to each Unit then a part of the Condominium at the time of such filing. The proportional interest in the Common Property appurtenant to each Condominium Unit shown in Exhibit "C" has been and will be determined by a ratio formulated upon the relation that the approximate fair market value of each Unit in the Condominium will bear to the then aggregate fair market value of all of the Units in all phases having an interest in the Common Property. The approximate fair market value of each Unit and the aggregate fair market value of all the Units has been and will be determined by the Declarant, and this determination shall be binding upon all Unit Owners. Each Unit Owner shall be deemed by his acceptance of the deed to a Condominium Unit to have consented to the powers of amendment herein reserved by Declarant and to any amendments previously or thereafter executed by Declarant pursuant to this Article IV and to Article XXVII-B hereof.

BOOK _____ PAGE _____

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Further, each Unit Owner and each Institutional Lender, as herein-after defined, shall be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Declarant their Attorney-in-Fact to give, execute and record the consent of said Owner and Institutional Lender to any and all amendments executed pursuant to this Article and to Article XXVII-B. Except as provided herein, the percentage of undivided interest in the Common Property assigned to each Condominium Unit shall not be changed except with the unanimous consent of all of the Owners of all of the Condominium Units and with the consent of all of the Institutional Lenders, as defined in Article XXIX hereof, holding first mortgages or first deeds of trust on the Condominium Units.

V.

RESTRICTION AGAINST FURTHER SUBDIVIDING OF
CONDOMINIUM UNITS; SEPARATE CONVEYANCE
OF APPURTENANT COMMON PROPERTY PROHIBITED

No Condominium Unit may be divided or subdivided into a smaller Unit or Units than as shown on Exhibit "B" hereto, nor shall any Condominium Unit or portion thereof be added to or incorporated into any other Condominium Unit. The undivided interest in the Common Property declared to be an appurtenance to each Condominium Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Condominium Unit, and the undivided interest in Common Property appurtenant to each Condominium Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Condominium Unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Condominium Unit. Any conveyance, mortgage or other instrument which purports to grant any right, interest or lien in, to or upon a Condominium Unit shall be null, void and of no effect insofar as the same purports to affect any interest in a Condominium Unit and its appurtenant undivided interest in Common Property, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Condominium Unit. Any instrument conveying, devising, encumbering or otherwise dealing with any Condominium Unit, which describes said Condominium Unit by the numerical designation assigned thereto in Exhibit "B" without limitation or exception, shall be deemed and construed to affect the entire Condominium Unit and its appurtenant undivided interest in the Common Property. Nothing herein contained shall be construed as limiting or preventing ownership of any Condominium Unit and its appurtenant undivided interest in the Common Property by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

VI.

THE CONDOMINIUM SUBJECT TO RESTRICTIONS
AND
SUBJECT TO OYSTER BAY PLANTATION MASTER DECLARATION

A. The Condominium Units, Common Property and Limited Common Areas shall be, and the same are hereby declared to be, subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use of said Condominium Units, Common Property and Limited Common Areas and setting forth the obligations and responsibilities incident to ownership of each Condominium Unit and its appurtenant undivided interest in the Common Property, and said Condominium Units, Common Property and Limited Common Areas are further declared to be subject to the restrictions, easements, conditions and limitations now of record affecting the land and improvements of the Condominium.

B. The Condominium is a part of Oyster Bay Plantation, a planned community with a mix of housing types and commercial developments, and is subject to the Oyster Bay Master Declaration. The Master Declaration provides, among other things, that:

1. Every Owner of a Condominium is a member of the Oyster Bay Master Association. This membership is in addition to the membership in the Association provided for in this Declaration for The Colony Condominium.

2. All Units are subject to assessments and a lien for assessments in favor of the Master Association. This assessment and the lien are in addition to the assessment and lien provided for in this Declaration for The Colony Condominium.

3. All structural modifications or alterations of any Unit are subject to the approval of the Architectural Control Committee of the Master Association. This approval is in addition to the approval required in Article XVI of this Declaration.

VII.

PERPETUAL NON-EXCLUSIVE EASEMENT IN
COMMON PROPERTY

The Common Property shall be, and the same is hereby declared to be, subject to a perpetual non-exclusive easement in favor of all of the Owners of Condominium Units in the Condominium for their use and the use of their immediate families, guests and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Owners of Condominium Units. Notwithstanding anything above provided in this Article, The Colony Condominium Association, Inc., hereinafter identified, shall have the exclusive right to establish the rules and regulations pursuant to which the Owner of any Condominium Unit, his

family, guests and invitees, may be entitled to use the Common Property, including the right to make permanent and temporary assignments of parking spaces, and to establish regulations concerning the use thereof.

VIII.

EASEMENT FOR UNINTENTIONAL AND NON-
NEGLIGENT ENCROACHMENTS

In the event that any Condominium Unit shall encroach upon any Common Property, or any other Condominium Unit or Units, as a result of initial construction or for any reason not caused by the purposeful or negligent act of the Condominium Unit Owner, or agents of such Owner, then an easement appurtenant to such Condominium Unit shall exist for the continuance of such encroachment upon the Common Property or upon a Condominium Unit for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Property shall encroach upon any Condominium Unit, then an easement shall exist for the continuance of such encroachment of the Common Property upon any Condominium Unit for so long as such encroachment shall naturally exist. If any Condominium Unit or Common Property shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such Unit and/or Common Property in accordance with Article XXII hereof, there exist encroachments of portions of the Common Property upon any Condominium Unit, or of any Condominium Unit upon any other Condominium Unit or upon any portion of the Common Property, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

IX.

RESTRAINT UPON SEPARATION AND PARTITION
OF COMMON PROPERTY

Recognizing that the proper use of a Condominium Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Property in common with the Owners of all other Condominium Units, and that it is in the interest of all Owners that the ownership of the Common Property be retained in common by the Owners, it is hereby declared that the proportional undivided interest in the Common Property appurtenant to each Condominium Unit shall remain undivided and no Unit Owner shall bring or have any right to bring any action for partition or division.

BOOK _____ PAGE _____

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X.

ADMINISTRATION OF THE CONDOMINIUM
BY THE COLONY CONDOMINIUM ASSOCIATION, INC.

To efficiently and effectively provide for the administration of the Condominium by the Owners of the Condominium Units, a non-profit North Carolina corporation known and designated as The Colony Condominium Association, Inc. has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-Laws. A true copy of said Articles of Incorporation and By-Laws are annexed hereto and expressly made a part hereof as Exhibits "D" and "E" respectively. The Owner or Owners of each Condominium Unit shall automatically become members of said corporation upon his, their or its acquisition of an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Property, and the membership of such Owner or Owners shall terminate automatically upon such Owner or Owners being divested of such ownership interest in the title to such Condominium Unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Condominium Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in said corporation or to any of the rights or privileges of such membership except as set forth in Article XXIX hereof. In the administration of the operation and management of the Condominium, The Colony Condominium Association, Inc. shall have and is hereby granted the authority and power to enforce the provisions of this Declaration of Condominium, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Condominium Units and Common Property as the Board of Directors of said Association may deem to be in the best interests of the Association. The Colony Condominium Association, Inc. is hereinafter referred to as "Association."

XI.

RESIDENTIAL USE RESTRICTIONS
APPLICABLE TO CONDOMINIUM UNITS

Each Condominium Unit is hereby restricted to residential use by the Owner thereof, his immediate family, guests, invitees and lessees. Any lease or rental agreement for a Unit shall be in writing and shall provide that the terms of the lease are subject to the provisions of this Declaration, the Articles of Incorporation and By-laws of the Association, and the Master Association Documents, and that any failure by the lessee to comply with the terms of such documents shall be a default under the terms of the lease. Upon demand by the Association to any Unit Owner to remove a lessee for failure to comply with the terms and provisions of

the Declaration of Condominium and/or the rules and regulations of the Association or for any other reason, the Unit Owner shall forthwith cause such lessee to be removed, failing which, the Association, as agent of the Owner, may take such action as it may deem appropriate to accomplish such removal, and all such action by the Association shall be at the cost and expense of the Owner who shall reimburse the Association therefor upon demand, together with such attorneys' fees as the Association may have incurred in the process of removal.

Anything in this Declaration to the contrary notwithstanding, Declarant shall have the right to maintain a sales office and model units and to display advertising signs upon the Common Property during the period of Unit sales. Such right shall terminate when all Units in all phases of the Condominium are sold.

XII.

USE OF COMMON PROPERTY SUBJECT TO RULES
OF ASSOCIATION

The use of Common Property, including the Limited Common Areas and Facilities, by the Owner or Owners of all Condominium Units, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may be hereafter prescribed and established by the Association.

XIII.

THE CONDOMINIUM TO BE USED FOR LAWFUL PURPOSES:
RESTRICTION AGAINST NUISANCES

No immoral, improper, offensive or unlawful use shall be made of any Condominium Unit or of the Common Property, nor any part thereof, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed. No Owner of any Condominium Unit shall permit or suffer anything to be done or kept in his Condominium Unit, or on the Common Property, which will increase the rate of insurance on the Condominium, or which will obstruct or interfere with the rights of other occupants of the Condominium or annoy them by unreasonable noises, nor shall any Owner undertake any use or practice which shall create and constitute a nuisance to any other Owner of a Condominium Unit, or which interferes with the peaceful possession and proper use of any other Condominium Unit or the Common Property.

XIV.

RIGHT OF ENTRY INTO CONDOMINIUM UNITS IN EMERGENCIES

In case of any emergency originating in or threatening any Condominium Unit, regardless of whether the Owner is present at

the time of such emergency, the Board of Directors of the Association, or any other person authorized by it, or the Managing Agent, shall have the right to enter such Condominium Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

XV.

RIGHT OF ENTRY FOR MAINTENANCE OF COMMON PROPERTY

Whenever it may be necessary to enter any Condominium Unit for the purpose of performing any maintenance, alteration or repair to any portion of the Common Property, the Owner of each Condominium Unit shall permit other Owners or their representatives, or the duly constituted and authorized Agent of the Association, to enter such Condominium Unit for such purpose, provided that the entry shall be made only at reasonable times and with reasonable advance notice.

XVI.

LIMITATION UPON RIGHT OF OWNERS TO
ALTER AND MODIFY CONDOMINIUM UNITS; NO
RIGHT TO ALTER COMMON PROPERTY

No Owner of a Condominium Unit shall permit any structural modification or alteration to be made to such Condominium Unit without first obtaining the written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine, in their sole discretion, that such structural modifications or alterations would adversely affect or in any manner endanger the Condominium in part or in its entirety.

The Association, through the Board of Directors (or its Architectural Control Committee, shall regulate the external design, appearance, use, location and maintenance of the Condominium and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. No Owner shall cause any improvements, alterations, repairs or changes to be made on the exterior of the Condominium (including painting or other decoration, the installation of electrical wiring, television or radio antennae or any other objects or devices which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first had and obtained. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the written consent of the Association being first had and obtained.

Any Unit Owner desiring to make any improvement, alteration or change described above shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same, to the Board of Directors which shall evaluate such plans and specifications in light of the purpose of this Article as set forth above. As a condition to the granting of approval of any request made under this Article, the Association may require that the Unit Owner requesting such change be liable for any cost of maintaining, repairing and insuring the approved alteration. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Unit Owner, and any subsequent Owner of the Unit, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth in Article XXIV, and subject to the lien rights described in said Article.

Any final determination by the Architectural Control Committee or the Board of Directors to permit any improvement, alteration or change as described in this Article shall be subject to final approval of the Architectural Control Committee of the Master Association as set forth in Article VI of the Master Declaration.

XVII.

RIGHT OF ASSOCIATION TO ALTER AND
IMPROVE COMMON PROPERTY AND ASSESSMENT THEREFOR

The Association shall have the right to make or cause to be made such alterations or improvements to the Common Property (including the right to grant and establish upon, over and across the Common Property such easements as are necessary or desirable for providing service or utilities to the Units and the Common Property) which do not materially prejudice the rights of the Owner of any Condominium Unit in the use and enjoyment of his Condominium Unit, provided the making of such alterations and improvements are approved by the Board of Directors of the Association, and the cost of such alterations or improvements shall be Common Expenses to be assessed and collected from all of the Owners of Condominium Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Condominium Unit or Units requesting the same, then the cost of making, maintaining, repairing and insuring such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Condominium Unit or Units exclusively or substantially benefitted, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

XVIII.

MAINTENANCE AND REPAIR BY OWNERS OF CONDOMINIUM UNITS

Every Owner shall perform promptly all maintenance and repair work within his Condominium Unit which, if omitted, would affect the Condominium, either in its entirety or in a part belonging to other Owners, every Owner being expressly responsible for the damages and liability which his failure to do so may engender. The Owner of each Condominium Unit shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all air conditioning and heating equipment, stoves, refrigerators, fans or other appliances or equipment, including any utility fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his Condominium Unit. Such Owner shall further be responsible and liable for the maintenance, repair and replacement of the exterior surfaces of any and all walls, ceilings and floors within his Unit including painting, decorating and furnishings, and all other accessories which such Owner may desire to place or maintain in his Condominium Unit. Whenever the maintenance, repair and replacement of any item for which the Owner of a Condominium Unit is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement except that the Owner of such Condominium Unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. The Owner of a Condominium Unit who has exclusive use of any Limited Common Area shall maintain such at his own expense. All glass doors, window frames, panes and screens are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners.

XIX.

MAINTENANCE AND REPAIR OF COMMON PROPERTY
BY THE ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Property, including those portions thereof which contribute to the support of the buildings, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Property for the furnishing of utility and other services to the Condominium Units and said Common Property, and should any incidental damage be caused to any Condominium Unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair or replacement of any Common Property, the Association shall, at its expense, repair such incidental damage.

In the event the operator of any waste treatment facility which may service the Condominium Units and/or portions of the Common Property and/or which may be located within and be a part of the Common Property shall fail to maintain and repair properly any drainage lines connecting the waste treatment facility to drainage fields located on certain golf course property adjacent to the Condominium, or fails to maintain properly the drainage fields themselves located upon such golf course property, the Association, at its expense, shall be responsible for such maintenance and repair.

In the event the operator of such waste treatment facility shall fail properly to operate such facility during a time when Condominium Units and/or Common Property within the Condominium are being served by such waste treatment facility, the Board of Directors of the Association may, in their discretion, select another operator of such facility, or may elect for the Association itself to operate the facility.

Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a Condominium Unit Owner, his immediate family, guests or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement, except that the Unit Owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the cost of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

XX.

INSURANCE, AUTHORITY TO PURCHASE

Insurance policies upon the Property (other than title insurance) shall be purchased by the Association in the name of the managing agent or Board of Directors of the Association, as Trustees for the Condominium Unit Owners and their respective mortgages as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first mortgages on the Condominium Units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against Condominium Unit Owners, the Association and their respective servants, agents and guests. Each Condominium Unit Owner may obtain insurance, at his own expense, affording coverage upon his Condominium Unit, his personal property and for his personal liability and as may be permitted or required by law,

but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

XXI.

INSURANCE COVERAGE TO BE MAINTAINED: USE
AND DISTRIBUTION OF INSURANCE AND CONDEMNATION PROCEEDS

A. The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium, meaning the Condominium Units and Common Property, to-wit:

(1) Casualty insurance covering the buildings and all improvements upon the land and all personal property included within the Condominium Property shown on Exhibit "A," except such personal property as may be owned by the Condominium Unit Owners, shall be procured in an amount equal to 100% of the current replacement cost (exclusive of excavation, foundations, streets and parking facilities) as determined annually by the insurance company affording such coverage. Such policy shall contain an Agreed Amount Endorsement or an Inflation Guard Endorsement, if available. By way of illustration and not of limitation, such casualty insurance shall cover fixtures, installations or additions, or equal replacements thereof, comprising a part of the building within each individual Condominium Unit (as that term is defined in Article III hereof) in accordance with the original condominium plans and specifications. In determining the amount of coverage for such fixtures, installations or additions, the Board of Directors of the Association shall annually set the standard allowance for such items as carpeting, bathroom and kitchen cabinets, wall covering, vinyl floor covering, ceramic tile, kitchen appliances, bookshelves, etc., which were included in the original condominium plans and specifications. By way of illustration and not of limitation such casualty insurance shall not cover furniture, furnishings or other household or personal property owned by, used by or in the care, custody, or control of a Condominium Unit Owner (whether located within or without the Unit), or fixtures, installations or additions that are placed in an individual Condominium Unit by the Owner thereof at his expense. Such coverage shall afford protection against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism and malicious mischief.

(2) A comprehensive policy of public liability insurance insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles and liability for property of others, and, if available, may include coverage for water damage.

(3) The Board of Directors shall maintain fidelity coverage against dishonest acts by the Association's officers, directors, trustees and employees, and all others who are responsible for handling funds of the Association. If the Association employs a professional property management person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph XXI-A-(3). If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the officers or directors of the Association can and do directly receive or disburse the monies of the Association), then the Board of Directors shall provide the coverage set forth in this paragraph.

Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the Association, including reserves; shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and to any Institutional Lender who has given the notice required under Article XXIX of this Declaration.

(4) All liability insurance shall contain cross-liability endorsements to cover liabilities of the Condominium Unit Owners as a group to a Condominium Unit Owner.

B. Premiums upon insurance policies purchased by the Association shall be paid by the Association as Common Expenses to be assessed and collected from all of the Owners of Condominium Units.

C. All insurance policies purchased by the Association and all condemnation awards attributable to the Common Property shall be for the benefit of the Association and the Condominium Unit Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses and condemnation shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of the Association, the Condominium Unit Owners and their respective mortgagees in the following shares:

(1) Proceeds on account of damage to Common Property: in undivided shares for each Condominium Unit Owner and his mortgagee, if any, which shares as to each Condominium Unit are shown on Exhibit "C" attached hereto and as it may be amended from time to time.

(2) Proceeds on account of damages to Condominium Units shall be held in the following undivided shares:

BOOK _____ PAGE _____

0645 0492

(a) Partial destruction when the Condominium is to be restored: for the Owners of damaged Condominium Units in proportion to the costs of repairing the damage suffered by each damaged Condominium Unit.

(b) Total destruction of the Condominium or where the Condominium is not to be restored: for all Condominium Unit Owners, the share of each being set forth in Exhibit "C" and as it may be amended.

D. In the event a mortgagee endorsement has been issued as to a Condominium Unit, the share of the Condominium Unit Owner shall be held for the mortgagee and the Condominium Unit Owner as their interests may appear.

E. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial Condominium Unit Owners in the following manner:

(1) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Condominium Unit Owners, all remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

(2) If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Condominium Unit Owners, remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

XXII.

RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE; DAMAGE TO OR CONDEMNATION OF COMMON PROPERTY; DAMAGE TO OR CONDEMNATION OF CONDOMINIUM UNITS

A. If any part of the Common Property shall be damaged by casualty or shall be condemned by public authority, the determination of whether or not to reconstruct or repair the same shall be made as follows:

(1) Partial destruction shall be deemed to mean destruction or condemnation which renders less than two-thirds (2/3) of the Condominium Units untenable. In the event of partial destruction, the Common Property shall be reconstructed or repaired unless this Declaration is terminated by the unanimous vote of all

of the Condominium Unit Owners at a meeting of the members of the Association called and held prior to commencement of such reconstruction or repair.

(2) Total destruction shall be deemed to mean destruction or condemnation which renders two-thirds ($2/3$) or more of the Condominium Units untenable. In the event of total destruction, the Common Property shall not be reconstructed or repaired if, at a meeting which shall be called within thirty (30) days after the occurrence of the casualty, or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days after such adjustment, Condominium Unit Owners who in the aggregate own three-fourths ($3/4$) or more of the Condominium Units vote against reconstruction or repair.

(3) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained herein and on file with and approved by the Guilford County, North Carolina.

B. If the damage is only to those parts of one or more Condominium Units for which the responsibility for maintenance and repair is that of the Condominium Unit Owner, then the Condominium Unit Owner shall be responsible for reconstruction and repair after casualty or condemnation. In all other instances, the responsibility of reconstruction and repair after casualty or condemnation shall be that of the Association as follows:

(1) Immediately after the casualty or condemnation causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty or condemnation. Such costs may include professional fees and premiums for such bonds as the Board of Directors deems necessary or appropriate.

(2) When the damage is to both Common Property and Condominium Units or to Common Property only, the insurance or condemnation proceeds shall be payable to the Association and shall be applied first to the cost of repairing the Common Property and the balance to the Condominium Units.

C. Each Condominium Unit Owner shall be deemed to have delegated to the Board of Directors of the Association his right to adjust with insurance companies all losses under policies purchased by the Association and to negotiate with governmental authorities any condemnation claims.

BOOK _____ PAGE _____

0645 0497

XXIII.

ASSOCIATION TO MAINTAIN REGISTER
OF OWNERS AND MORTGAGEES

The Association shall at all times maintain a Register setting forth the names of the Owners of all of the Condominium Units. In the event of the sale or transfer of any Condominium Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such Condominium Unit, together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any Condominium Unit. Further, the Owner of each Condominium Unit shall notify the Association of the names of the parties holding any mortgage or mortgages on any Condominium Unit, the amount of such mortgage or mortgages and the recording information which shall be pertinent to identify the mortgage or mortgages. The holder of any mortgage or mortgages upon any Condominium Unit may, if he so desires, notify the Association of the existence of any mortgage or mortgages held by such party on any Condominium Unit and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

XXIV.

ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Condominium, it being recognized that the delegation of such duties to one entity is in the best interest of the Owners of all Condominium Units. To administer properly the operation and management of the Condominium, the Association will incur for the mutual benefit of all of the Owners of Condominium Units, costs and expenses which are sometimes herein referred to as "Common Expense." To provide the funds necessary for such proper operation, management and capital improvement, the Association has heretofore been granted the right to make, levy and collect assessments against the Unit Owners and their Condominium Units. In furtherance of this grant of authority to Association to make, levy and collect assessments to pay the costs and expenses for the operation, management of and capital improvements to the Condominium, the following provisions shall be operative and binding upon the Owners of all Condominium Units.

A. Unless specifically otherwise provided for in this Declaration of Condominium, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Condominium Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Condominium Units as the undivided interest in Common Property appurtenant to each Condominium Unit bears to the total undivided

BOOK _____ PAGE _____

0645 0495

interest in Common Property appurtenant to all Condominium Units as shown on Exhibit "C" attached hereto and as amended from time to time.

B. Assessments provided for herein shall be payable in monthly installments as determined by the Board of Directors of the Association. Such assessments shall commence for each Unit on the first day of the first month following the recordation of this Declaration in the Brunswick County Public Registry.

C. In addition to the annual assessment authorized above, the Board of Directors may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of Unit Owners owning two-thirds (2/3rds) of the Common Areas and Facilities who are voting in person or by proxy at a meeting duly called for such purposes.

D. In order to insure that the Association will have sufficient monies available to meet operational needs during the initial months of the Condominium's existence, the Association has established a Working Capital Fund. At the time of the closing of the first sale of each Unit, the purchaser thereof shall pay into such Fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of this Declaration and the By-Laws.

E. The Board of Directors of the Association shall establish an Annual Budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, and the budget shall take into account projected anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board of Directors shall keep separate, in accordance with paragraph "G" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such Annual Budget by the Board of Directors of the Association, copies of said Budget shall be delivered to each Owner of a Condominium Unit and the assessment for said year shall be established based upon such Budget, although the delivery of a copy of said Budget to each Owner shall not affect the liability of any Owner for such assessment.

F. Until December 31st of the year in which the first Unit is conveyed to an Owner, the maximum annual assessment shall be One Thousand Six Hundred Twenty Dollars (\$1,620.00) per Unit. From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased each year not more than ten percent (10%) above the maximum assessment for the previous year without a vote of the membership of the Association. From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased above ten percent (10%) by a vote of the Unit Owners owning two-thirds (2/3rds) of the Common Areas and Facilities who are voting in person or by proxy, at a meeting duly called for such purpose.

G. The Board of Directors of the Association, in establishing the Annual Budget for operation, management and maintenance of the Condominium, shall designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Property (Capital Improvement Fund). This Fund shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Property, as well as the replacement of portions of the Common Property. The amount to be allocated to the Capital Improvement Fund shall be established by said Board of Directors so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Property. The amount collected for the Capital Improvement Fund may be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common Property. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Board of Directors of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his proportionate interest in the Common Property as shown on Exhibit "C," and as may be amended, and the Association shall annually notify each Unit Owner of the amount of his balance in the Capital Improvement Account. However, such balance shall not be subject to withdrawal by a Unit Owner.

H. All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration of Condominium, the Articles of Incorporation and the By-Laws of the Association. As monies for any assessment are paid unto the Association by any Owner of a Condominium Unit, the same may be commingled with monies paid to the Association by the other Owners of Condominium Units. Although all funds and common surplus, including other assets of the Association, and any increments thereo or profits derived therefrom or from the leasing or use of Common Property, shall be held for the benefit of the members of the Association, no member of the Association shall have

the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Condominium Unit. When the Owner of a Condominium Unit shall cease to be a member of the Association by reason of his divestment of ownership of such Condominium Unit, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Condominium.

I. The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to Association shall bear interest at the highest rate allowed by law until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. All monies owing to Association shall be due and payable at the main office of Association in the State of North Carolina.

J. The Owner or Owners of each Condominium Unit shall be personally liable, jointly and severally, to the Association for the payment of all assessments, regular or special, which may be levied by the Association against such Condominium Unit while such party or parties are Owner or Owners of a Condominium Unit. In the event that any Unit Owner or Owners are in default in payment of any assessment or installment thereof owed to the Association, such Unit Owner or Owners shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorneys' fee, whether suit be brought or not.

K. No Owner of a Condominium Unit may exempt himself from liability for any assessment levied against him or his Condominium Unit by waiver of the use of enjoyment of any of the Common Property, or by abandonment of the Condominium Unit or in any other way.

L. Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefor, and that such proper operation and management results in benefit to all of the Owners of Condominium Units, and that the payment of such common expenses represented by the assessments levied and collected by the Association is necessary in order to preserve and protect the investment of each Unit Owner, the Association is hereby granted a lien upon each Condominium Unit and its appurtenant undivided interest in Common Property, which lien shall secure and does secure the monies due for all assessments

now or hereafter levied against the Owner of each such Condominium Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all costs and expenses, including a reasonable attorneys' fee, which may be incurred by the Association in enforcing this lien upon said Condominium Unit and its appurtenant undivided interest in Common Property. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust and mortgages may be foreclosed in the State of North Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to a reasonable rental from the Owner of any Condominium Unit from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a receiver for said Condominium Unit. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the highest rate allowed by law on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Condominium Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

M. The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Public Records of Brunswick County, North Carolina, which claim shall state the description of the Condominium Unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

The lien provided for herein shall be subordinate to the lien of any first mortgage or deed of trust and any person, firm or corporation acquiring title to any Condominium Unit and its appurtenant undivided interest in Common Property by virtue of any foreclosure of a first deed of trust, deed in lieu of foreclosure of a first deed of trust or judicial sale relating to a first deed of trust, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Condominium Unit and its appurtenant undivided interest in Common Property subsequent to the date of acquisition of such title, and it shall not

BOOK _____ PAGE _____

0645 0499

be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a Condominium Unit by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Condominium Units as a part of the Common Expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

N. Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owner, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Association by such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such statement.

In the event that a Condominium Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Owner of said Condominium Unit and such Condominium Unit due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds shall be applied by the lessee or purchaser first to payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of a Condominium Unit, the Purchaser thereof shall be jointly and severally liable with Seller for all unpaid assessments against Seller made prior to the time of such voluntary conveyance, without prejudice to the rights of the Purchaser to recover from Seller the amounts paid by Purchaser therefor.

Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by the Association which shall prevent it from thereafter seeking, by foreclosure action, enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

XXV.

COMMON SURPLUS

"Common Surplus," meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits and revenues from whatever source) over amount of the Common Expense, shall be owned by the Owners of all Condominium Units in the same proportion that the undivided interest in Common Property appurtenant to each Owner's Condominium Unit bears to the total of all undivided interest in Common Property appurtenant to all Condominium Units; provided, however, that said Common Surplus shall be held by the Association in the manner prescribed in, and subject to, the terms, provisions and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution of Common Surplus which may be made from time to time shall be made to the then Owners of Condominium Units in accordance with their percentage interest in Common Surplus as declared herein.

XXVI.

TERMINATION

The Condominium shall be terminated, if at all, in the following manner:

A. The termination of the Condominium may be effected only by the unanimous agreement of all Condominium Unit Owners expressed in an instrument to that effect duly recorded; and, provided, that the holders of all liens affecting any of the Condominium Units consent thereunto, or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the Condominium Unit Owner in the Property as provided in subparagraph "C" below. The termination shall become effective when such agreement has been recorded in the public records of Brunswick County, North Carolina.

B. If it is determined in the manner elsewhere provided that the Condominium shall not be reconstructed after casualty, the Condominium plan of ownership shall be terminated and the Declaration of Condominium revoked. The determination not to reconstruct after casualty shall be evidenced by a Certificate of the Association certifying as to the facts effecting the termination, which Certificate shall become effective upon being recorded in the public records of Brunswick County, North Carolina.

C. After termination of the Condominium, the Condominium Unit Owners shall own the Property as tenants in common in undivided shares and the holders of mortgages and liens against the Condominium Unit or Units formerly owned by such Condominium Unit

BOOK _____ PAGE _____

0645 0501

Owners shall have mortgages and liens upon the respective undivided shares of the Condominium Unit Owners. The undivided share or interest owned as tenants in common shall be that percentage of the undivided interest in the Common Area and Facilities previously owned by each Unit Owner. All funds held by the Association and insurance proceeds, if any, shall be and continue to be held for the Unit Owners in the same proportion. The costs incurred by the Association in connection with the termination shall be a Common Expense.

D. Following termination, the property may be partitioned upon the application of any Condominium Unit Owner.

E. The members of the Board of Directors, acting collectively as agent for all Condominium Unit Owners, shall continue to have such powers as in this Article are granted, notwithstanding the fact that the Association itself may be dissolved upon a termination.

XXVII.

AMENDMENT OF DECLARATION OF CONDOMINIUM

This Declaration of Condominium may be amended in the following manner:

A. An Amendment or Amendments to this Declaration of Condominium may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment or Amendments to this Declaration of Condominium being proposed by said Board of Directors or members, such proposed Amendment or Amendments 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 Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment or Amendments. It shall be the duty of the Secretary to give to each member written or printed notice of such Special Meeting, stating the time and place thereof, and reciting the proposed Amendment or Amendments in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the Amendment or Amendments proposed must be approved by an affirmative vote of the members owning

Units in the Condominium in order for such Amendment or Amendments to become effective. During the twenty-year period beginning with the date of this Declaration, an affirmative vote of Unit Owners owning ninety percent (90%) of the undivided interest in the Common Areas and Facilities shall be required to amend this Declaration. From and after the expiration of said twenty-year period, an affirmative vote of Unit Owners owning seventy-five percent (75%) of the undivided interest in the Common Areas and Facilities shall be required. Upon adoption such Amendment or Amendments of this Declaration of Condominium shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such Amendment or Amendments, so certified and executed with the same formalities as a Deed, shall be recorded in the Public Records of Brunswick County, North Carolina, within ten (10) days from the date on which the same became effective, such Amendment or Amendments to specifically refer to the recording date identifying the Declaration of Condominium. Thereafter, a copy of said Amendment or Amendments in the form in which the same were placed of record by the officers of the Association shall be delivered to the Owners of all Condominium Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such Amendment or Amendments. At any meeting held to consider such Amendment or Amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

B. Declarant shall have the right to file an amendment to this Declaration at any time and from time to time, without the further consent of the Unit Owners, to incorporate into the Condominium (i) any or all of the additional land shown as Phases 2 through 22 on Exhibit "A," and (ii) the one hundred twenty-six (126) additional Condominium Units in Phases 2 through 22 to be constructed upon portions of the land shown as Phases 2 through 22 on Exhibit "A." In the event that this Declaration is so amended, the terms "Condominium" and "Property" as used herein shall be deemed to mean and include the property shown as Phases 2 through 22, as the case may be, on Exhibit "A" and all improvements and structures now or hereafter placed by Declarant thereon, all easements, rights and appurtenances thereto, and all articles of personal property provided by Declarant and intended for use in connection therewith. Upon any such amendment that includes the land and additional Units in Phases 2 through 22, the undivided interest appurtenant to each Condominium Unit will change and shall be as set forth in the amendment. The materials used in the construction of any additional Units in Phases 2 through 22 shall be of comparable quality as those used in the original six (6) Units, the layout, size and architectural style of the additional Units shall be substantially the same as and compatible with, the original Units, and the Units will be substantially completed prior to being incorporated into the condominium. No amendment made by Declarant in accordance with this paragraph shall divest an Owner

of any portion of his dwelling Unit without the consent of such Owner and no such amendment shall materially alter the plan of development set forth herein without the consent of all Owners affected thereby. Each Unit Owner shall be deemed, by his acceptance of a deed to a Condominium Unit, to have consented to the powers of amendment herein reserved by Declarant and to any amendments previously or thereafter executed by Declarant pursuant thereto. Each Unit Owner and each Institutional Lender shall further be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Declarant their respective Attorney-in-Fact to give, execute and record the consent of said Owner and said Institutional Lender to any and all amendments to this Declaration which Declarant may wish to execute pursuant to the powers herein reserved.

C. Except as expressly set forth in this Declaration, no alteration in the percentage of ownership in Common Property appurtenant to each Condominium Unit, or alteration of the basis for sharing Common Expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or alteration of basis of ownership of Common Surplus, shall be made without the prior written consent of all of the Owners of all Condominium Units and all of the Institutional Lenders holding first mortgages or first deeds of trust on the Condominium Units.

D. No material alteration, amendment or modification of this Declaration, the Articles of Incorporation or By-laws of the Association shall become effective without the prior written consent of Institutional Lenders (as defined in Article XXIX) holding first mortgage loans on Units representing at least fifty-one percent (51%) of the votes in the Association being first had and obtained. Any change to the provisions of this Declaration, the Articles of Incorporation or By-laws that affects any of the following shall be deemed material: voting rights; assessments, assessment liens, or subordination of assessment liens; reserves for maintenance, repair and replacement of Common Areas; responsibility for maintenance and repairs; reallocation of interests in the Common Areas or Limited Common Areas, or rights to their use; boundaries of any Unit; convertibility of Units into Common Areas or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium; insurance or fidelity bonds; leasing of Units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the Owners' association to establish self management; restoration or repair of the Condominium; any provisions that expressly benefit Institutional Lenders.

E. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Declarant shall be made without the written consent of Declarant being first had and obtained.

XXVIII.

REMEDIES IN EVENT OF DEFAULT

The Owner or Owners of each Condominium Unit shall be governed by and shall comply with the provisions of this Declaration of Condominium, and the Articles of Incorporation and By-Laws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Owner of any Condominium Unit shall entitle the Association or the Owner of other Condominium Units to the following relief:

A. Failure to comply with any of the terms of this Declaration of Condominium or other restrictions and regulations contained in the Articles of Incorporation or By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

B. Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Condominium Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

C. In any proceeding arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court, but in no event shall any Unit Owner be entitled to such attorneys' fees.

D. The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration of Condominium or the other above mentioned documents shall not constitute a waiver of the right of the Association or of the Unit Owner to enforce such right, provision, covenant or condition in the future.

E. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Condominium Unit, pursuant to any terms, provisions, covenants or conditions of the Declaration of Condominium or other above mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

F. The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration of Condominium or other above mentioned document shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

G. The failure of an Institutional Lender or Institutional Lenders, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by this Declaration of Condominium or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

XXIX.

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS; RIGHTS
RESERVED UNTO THE VETERANS ADMINISTRATION.

A. "Institutional Lender" or "Institutional Lenders," as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, other firms or entities customarily affording loans secured by first liens on residences, the Veterans' Administration, the Federal Housing Administration and eligible insurers and governmental guarantors. In addition to any other rights set forth in this Declaration, so long as any Institutional Lender or Institutional Lenders shall hold any first mortgage upon any Condominium Unit or Units, or shall be the owner of any Condominium Unit or Units, such Institutional Lender or Institutional Lenders shall have the following rights:

1. To approve the company or companies with whom casualty insurance is placed, to be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association and to be furnished copies of all such policies.

2. To examine, at reasonable times and upon reasonable notice, the books and records of the Association and to be furnished at least one copy of the annual financial statement and report of the Association, prepared by a certified public accountant designated by the Association, such financial statement and report to be furnished by May 15 of each calendar year.

3. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering: (1) any proposed Amendment to this Declaration of Condominium, or the Articles of Incorporation and By-Laws of the Association; (2) the proposed termination or abandonment of the Condominium; (3) the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association. Such notice shall state the nature of the Amendment or action being proposed.

4. To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Condominium Unit encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing.

5. To be given notice of any condemnation loss or casualty loss which affects a material portion of the Common Areas or a material portion of any Unit.

Whenever any Institutional Lender or Institutional Lenders desire the provisions of this Article to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, identifying the Condominium Unit or Units upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Condominium Units owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender or Institutional Lenders.

B. So long as Declarant retains the right to appoint a majority of the Board of Directors of the Association as set forth in Article XXX hereof, the following actions will require the prior approval of the Veterans Administration: amendment of the Articles of Incorporation or of this Declaration, including amendments under Article XXVII-B to add additional phases to the Condominium; dedication of any Common Areas and Facilities; merger or consolidation of the Association or of the Condominium; encumbrance of any of the Common Areas and Facilities; and dissolution of the Association.

XXX.

RIGHT OF DECLARANT TO REPRESENTATION
ON BOARD OF DIRECTORS OF THE ASSOCIATION

For a period ending one hundred twenty (120) days after Declarant ceases to own twenty-five percent (25%) or more of the Units in the Condominium, but in any event, no longer than December 31, 1992, Declarant shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association.

In the event of dissolution of Declarant at a time when it is the Owner of a Condominium Unit, then the rights of the Declarant shall pass to and may be exercised by its successors receiving ownership of any such Condominium Unit in dissolution.

Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Board of Directors of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of any Director or Directors so removed for the remainder of the unexpired term of any Director or Directors so removed. Any Director designated and selected by Declarant need not be a resident in the Condominium. However, Declarant shall be responsible for the payment of any assessments which may be levied by the Association against any Condominium Unit or Units owned by the said Declarant, and for complying with the remaining terms and provisions hereof in the same manner as any other Owner of a Condominium Unit or Units.

XXXI.

SEVERABILITY

In the event that any of the terms, provisions or covenants of this Declaration of Condominium are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

XXXII.

LIBERAL CONSTRUCTION

The provisions of this Declaration of Condominium shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration wherever appropriate the singular shall include the plural and the masculine gender shall include the feminine or neuter. The Article headings are for convenience of reference only and shall not be considered terms of this Declaration.

XXXIII.

DECLARATION OF CONDOMINIUM BINDING
ON ASSIGNS AND SUBSEQUENT OWNERS

The restrictions and burdens imposed by the covenants of this Declaration of Condominium are intended to and shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Condominium Unit and its appurtenant undivided interest in Common Property. This Declaration of Condominium shall be binding upon Declarant, its successors and assigns, and

BOOK _____ PAGE _____

0645 0508

upon all parties who may subsequently become Owners of Condominium Units in the Condominium, and their respective heirs, legal representatives, successors and assigns.

XXXIV.

AGENT FOR SERVICE OF PROCESS

The following named individual is designated as the person to receive service of process for the Association: Douglas J. Nodine, Oceanside West II, Unit B-4, Ocean Isle Beach, Brunswick County, North Carolina.

XXXV.

CONTRACT RIGHTS OF ASSOCIATION

The undertakings and contracts authorized by the initial Board of Directors (including contracts for the management of the Condominium) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable condominium documents; and provided further that any undertaking or contract entered into by the Association at a time the Developer has the right to appoint a majority of the Board of Directors shall contain a provision reserving the right of the Association to terminate such undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

IN WITNESS WHEREOF, Oyster Bay Associates has caused these presents to be executed by their general partners, this 18th day of April, 1986.

OYSTER BAY ASSOCIATES, a North Carolina
General Partnership (SEAL)

BY: [Signature] (SEAL)
Partner

BY: [Signature] (SEAL)
Partner

BY: [Signature] (SEAL)
Partner

BOOK _____ PAGE _____

0645 0509

SOUTHEASTERN SAVINGS & LOAN COMPANY, as the holder of an existing loan on the property shown as Phase 1 on Exhibit "A" to the Declaration, and T.F.M., Inc., as Trustee under the Deed of Trust recorded in Book 621, Page 949, Brunswick County Registry, join in the execution of this instrument for the purpose of subjecting the aforesaid Deed of Trust to the terms and provisions of this Declaration of Condominium.

SOUTHEASTERN SAVINGS & LOAN COMPANY

By: _____

Russell
Vice President



Bessie Sue Vernon
Secretary

(Corporate Seal)

T.F.M., INC., Trustee

By: _____

John R. Williams
Senior Vice - President



James B. Huggins
Asst. Secretary

(Corporate Seal)

NORTH CAROLINA

Brunswick COUNTY

I, Sonya P. Harder, a Notary Public, do hereby certify that Walter A. Slane, Jr. personally appeared before me this day and acknowledged the due execution of the foregoing instrument as a General Partner of OYSTER BAY ASSOCIATES, a North Carolina General Partnership.

WITNESS my hand and official seal this the 17 day of April, 1986.



Sonya P. Harder
Notary Public

My Commission Expires:

3-3-88

NORTH CAROLINA

Guilford COUNTY

I, Elizabeth M. Cole, a Notary Public, do hereby certify that James M. Dixon, Jr. personally appeared before me this day and acknowledged the due execution of the foregoing instrument as a General Partner of OYSTER BAY ASSOCIATES, a North Carolina General Partnership.

WITNESS my hand and official seal this the 18th day of April, 1986.

Elizabeth M. Cole
Notary Public

My Commission Expires:

9-18-90



BOOK _____ PAGE _____

0645 0511

NORTH CAROLINA

Garfield COUNTY

I, Elizabeth M. Cole, a Notary Public, do hereby certify that Douglas T. Nodine personally appeared before me this day and acknowledged the due execution of the foregoing instrument as a General Partner of OYSTER BAY ASSOCIATES, a North Carolina General Partnership.

WITNESS my hand and official seal this the 15th day of April, 1986.

Elizabeth M. Cole
Notary Public

My Commission Expires:

9-18-90



NORTH CAROLINA

Guilford COUNTY

I, Carol C. Meacham a Notary Public, of said County and State, do hereby certify that Carol C. Meacham personally came before me this day and acknowledged that she is Chief Secretary of SOUTHEASTERN SAVINGS & LOAN COMPANY and that by authority duly given, and as the act of the Corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by her as its Chief Secretary.

WITNESS my hand and official seal this 30th day of April, 1986

CAROL C. MEACHAM
My Commission Expires: _____
GUILFORD COUNTY, N.C.
My Commission Expires 1-14-90

Carol C. Meacham
Notary Public

STATE OF North Carolina
COUNTY OF Guilford

I, Carol C. Meacham a Notary Public, of said County and State, do hereby certify that Carol C. Meacham personally came before me this day and acknowledged that she is Chief Secretary of T.F.M., Inc., Trustee, and that by authority duly given, and as the act of the Corporation, the foregoing instrument was signed in its name by its Sr. Vice President, sealed with its corporate seal and attested by her as its Chief Secretary.

WITNESS my hand and official seal this 30th day of April, 1986

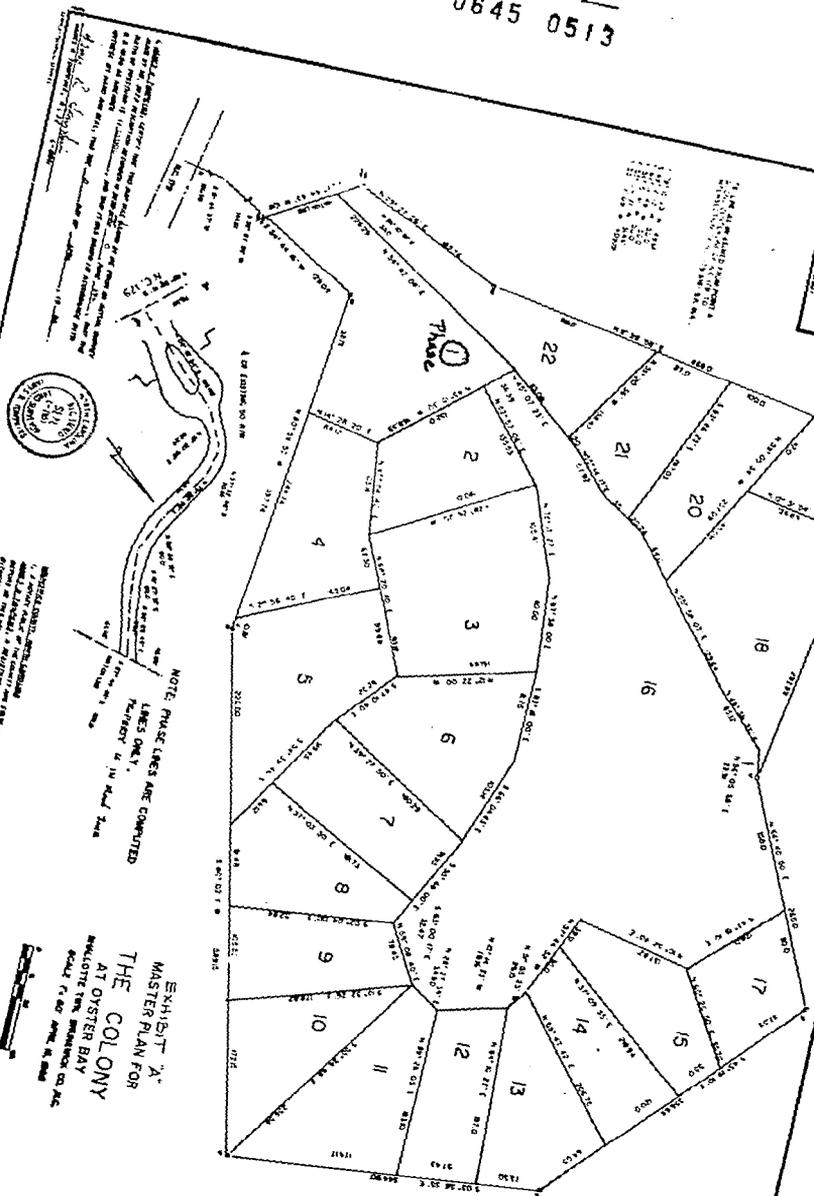
CAROL C. MEACHAM
My Commission Expires: _____
GUILFORD COUNTY, N.C.
My Commission Expires 1-14-90

Carol C. Meacham
Notary Public

STATE OF NORTH CAROLINA, Brunswick County
The Foregoing Certificate(s) of Sonya P. Hardee Elizabeth M. Cole & Carol C. Meacham
Notaries Public

Recorded this 6th day of May 19 86 at 3:37 o'clock P.M. fd
Robert J. Robinson, Register of Deeds

Robert J. Robinson



ALL LOTS IN THIS SURVEY ARE SUBJECT TO THE EASEMENTS AND RESTRICTIONS SET FORTH IN THE DEEDS RECORDING IN THE PUBLIC RECORDS OF THE PUBLIC RECORDS OF THE STATE OF FLORIDA. THE SURVEY IS MADE IN ACCORDANCE WITH THE SURVEYING ACTS OF THE STATE OF FLORIDA AND THE SURVEYING ACTS OF THE UNITED STATES OF AMERICA. THE SURVEY IS MADE IN ACCORDANCE WITH THE SURVEYING ACTS OF THE STATE OF FLORIDA AND THE SURVEYING ACTS OF THE UNITED STATES OF AMERICA.

NOTE: PHASE LINES ARE COMPUTED
 LINES ONLY,
 BOUNDARY IS IN RED INK

NOTICE: OWNER, JOHN J. HARRIS, JR., HAS ADVISED THAT HE HAS A DEED TO THE LOTS IN THIS SURVEY. THE DEED IS RECORDING IN THE PUBLIC RECORDS OF THE STATE OF FLORIDA. THE SURVEY IS MADE IN ACCORDANCE WITH THE SURVEYING ACTS OF THE STATE OF FLORIDA AND THE SURVEYING ACTS OF THE UNITED STATES OF AMERICA.

EXHIBIT "A"
 MASTER PLAN FOR
 THE COLONY
 AT OYSTER BAY
 BAYVIEW, FLORIDA



THE SURVEY IS MADE IN ACCORDANCE WITH THE SURVEYING ACTS OF THE STATE OF FLORIDA AND THE SURVEYING ACTS OF THE UNITED STATES OF AMERICA. THE SURVEY IS MADE IN ACCORDANCE WITH THE SURVEYING ACTS OF THE STATE OF FLORIDA AND THE SURVEYING ACTS OF THE UNITED STATES OF AMERICA.

LAKE



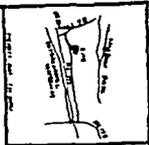
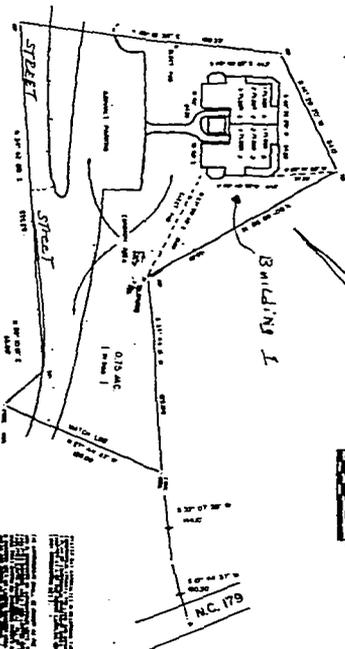


EXHIBIT **B** Page 1

THE COLONY

CONDOMINIUM
 PHASE I OCEAN BAY ASSOCIATES
 Building 1
 PROJECT LOCATION:
 1001 S. 17th St.
 APT. 1001



- LAND DESIGNATIONS
- 1-A 1ST Floor LEFT
 - 1-B 1ST Floor RIGHT
 - 1-C 2ND Floor LEFT
 - 1-D 2ND Floor RIGHT
 - 1-E 3rd Floor LEFT
 - 1-F 3rd Floor RIGHT
- ACCESS
 STREET
 NEAR EXCLUSIVE
 EAST WIGHT DRIVE
 SEA TRAIL LANDS

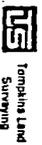


THIS PLAN, SPECIFICATIONS AND SCHEDULES SHALL BE CONSIDERED AS PART OF THE CONTRACT DOCUMENTS FOR THE PROJECT. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AGENCIES.

THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AGENCIES.

NO.	DESCRIPTION	AMOUNT
1	CONCRETE	1000
2	STEEL	500
3	WOOD	200
4	GLASS	150
5	PAINT	100
6	ELECTRICAL	800
7	MECHANICAL	1200
8	PLUMBING	900
9	LANDSCAPING	300
10	OTHER	100
TOTAL		7000

NO.	DESCRIPTION	AMOUNT
11	CONCRETE	1000
12	STEEL	500
13	WOOD	200
14	GLASS	150
15	PAINT	100
16	ELECTRICAL	800
17	MECHANICAL	1200
18	PLUMBING	900
19	LANDSCAPING	300
20	OTHER	100
TOTAL		7000



Tompkins Land
 Surveying

1001 S. 17th St.
 APT. 1001
 1001 S. 17th St.
 APT. 1001

PROPERTY IS TO BE PLANNED BUILDING

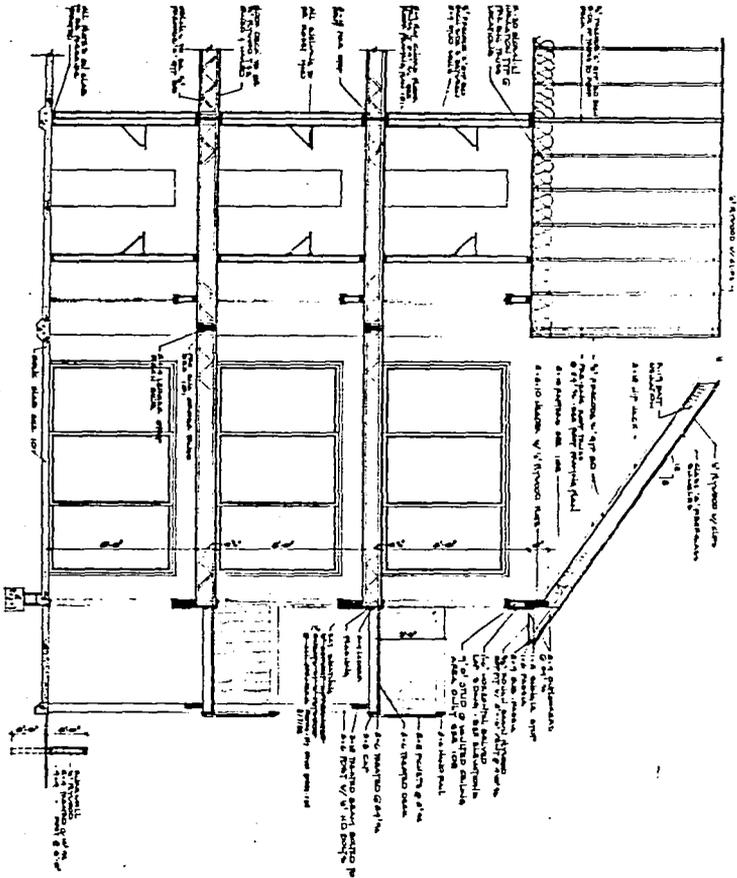


Exhibit B page 5



Sheet A 4



J.G. Johnson, Architect
 Wilmington, N.C. 28403

THE COLONY
OYSTER BAY PLANTATION
 PORT BEACON

Scale

1" = 1'-0"

0645, 0518 PAGE 6
EXHIBIT

State of North Carolina)
County of Brunswick)

AFFIDAVIT

The undersigned J.G. Johnson, Architects, P.A., being first duly sworn hereby deposes and says that:

1. I am a Registered Architect and prepared the plans of the building and units therein contained known as The Colony, Oyster Bay Plantation Condominium which are attached hereto as a portion of the Declaration of Condominium pertaining to the premises by the Declarant, Oyster bay Associates.

2. Said plans included in said Declaration are accurate copies of portions of the plans of the buildings as filed with and approved by the Building Inspector of the Town of Sunset Beach, Brunswick County, North Carolina, the agency having jurisdiction over the issuance of permits for the construction fo buildings at Sunset Beach, North Carolina.

3. Said plans attached hereto fully and accurately depict the layout, ceiling and floor elevations, unit numbers, and dimensions of the units as built, as well as the designation of the building containing the units, the area and location of the common areas, and the area and location of the facilities affording access to each unit.

4. This affidavit is given pursuant to a personal inspection of the units and the building containing said units made by the undersigned on 20 March, 1986, and after all construction of said building had been completed; and it is our determination that the building as built accurately reflects the plans and specifications in accordance with the requirements of N.C.G.S. Section 47A-15.

This the 24th day of March, 1986.

J.G. JOHNSON ARCHITECTS, P.A.
BY: James R. Pittman, J.A.I.A.
Registered Architect

and subscribed before me this 24th day of March, 1986.



Linda W. Whitkust
Notary Public

My commission expires: 12-31-89

BOOK _____ PAGE _____

0645 0520

The original of the plans and graphic drawings, shown on Exhibit "B" are filed in Unit Ownership file 5 at pages 55 through 59.

BOOK _____ PAGE _____

0645 0521

EXHIBIT "C"

Percentage of Undivided Interest
in
Common Areas and Facilities
At Time of Recording of Declaration of Condominium

<u>Unit No.</u>	<u>% Undivided Interest in Common Areas</u>
1	16.6667
2	16.6667
3	16.6667
4	16.6667
5	16.6666
6	16.6666

06 1986 22

Exhibit D

State of North Carolina



Department
of the
Secretary of State

To all to whom these presents shall come, Greeting:

I, Thad Eure, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached (8 sheets) to be a true copy of

ARTICLES OF INCORPORATION

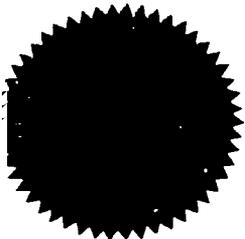
OF

THE COLONY CONDOMINIUM ASSOCIATION, INC.

and the probates thereon, the original of which was filed in this office on the 1st day of May 1986, after having been found to conform to law.

In Witness Whereof, I have hereunto set my hand and affixed my official seal.

Done in Office, at Raleigh, this 1st day of May in the year of our Lord 1986.



Thad Eure
Secretary of State
By *[Signature]*
Deputy Secretary of State

BOOK _____ PAGE _____

0645 0523

ARTICLES OF INCORPORATION

OF

THE COLONY CONDOMINIUM ASSOCIATION, INC.

DOCUMENT #88023*
DATE 05/01/86 TIME 10:20

FILED
THAD EURE
SECRETARY OF STATE
NORTH CAROLINA

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is THE COLONY CONDOMINIUM ASSOCIATION, INC., hereinafter sometimes called the "Association."

ARTICLE II

The principal and registered office of the Association is located at Oceanside West II, Unit B-4, Ocean Isle Beach, Brunswick County, North Carolina.

ARTICLE III

Douglas J. Nodine, whose address is Oceanside West II, Unit B-4, Ocean Isle Beach, Brunswick County, North Carolina, is hereby appointed the initial Registered Agent of this Association.

ARTICLE IV

This Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the corporation shall be to administer the operation and management of The Colony Condominium (hereinafter called "the Condominium"), a condominium to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Sunset Beach, Brunswick County, North Carolina, and shown on Schedule "A" attached hereto and incorporated herein by reference; to undertake the performance of the acts and duties incident to the administration of the operation and management of said Condominium in accordance with the terms, provisions, conditions and authorizations contained in these Articles of Incorporation and which may be contained in the formal Declaration of Condominium which will be recorded in the Public Records of Brunswick County, North Carolina, at the time said property, and the improvements now or hereafter situate thereon, are submitted to a Plan of Condominium Ownership; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or

personal, as may be necessary or convenient in the administration of said Condominium.

ARTICLE V

The Association shall have the following powers:

1. The Association shall have all of the powers and privileges granted to Non-Profit Associations under the law pursuant to which this Association is chartered, and all of the powers and privileges which may be granted unto said Association under any other applicable laws of the State of North Carolina, including the Unit Ownership Act.

2. The Association shall have all of the powers reasonably necessary to implement and effectuate the purposes of the Corporation, including but not limited to the following:

(a) To make and establish reasonable rules and regulations governing the use of Condominium Units and Common Property in the Condominium as said terms may be defined in said Declaration of Condominium to be recorded.

(b) To levy and collect assessments against members of the Association to defray the common expenses of the Condominium as may be provided in said Declaration of Condominium and in the By-Laws of this Association which may be hereafter adopted, including the right to levy and collect assessments for the purposes of acquiring, operating, leasing, managing and otherwise trading and dealing with such property, whether real or personal, including Condominium Units in the Condominium, which may be necessary or convenient in the operation and management of the Condominium and in accomplishing the purposes set forth in said Declaration of Condominium.

(c) To maintain, repair, replace, operate and manage the Condominium and the property comprising same, including the right to reconstruct improvements after casualty and to make further improvement of the Condominium property, and to make and enter into any and all contracts necessary or desirable to accomplish said purposes.

(d) To contract for the management of the Condominium and to delegate to such contractor all of the powers and duties of the Association except those which may be required by the Declaration of Condominium to have approval of the Board of Directors or membership of the Association.

(e) To acquire and enter into, now or at any time hereafter, leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis courts, and other recreation facilities, whether

or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units.

(f) To enforce the provisions of the Declaration of Condominium, these Articles of Incorporation, the By-Laws of the Association which may be hereafter adopted, and the rules and regulations governing the use of the Condominium as the same may be hereafter established.

(g) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Association pursuant to the Declaration of Condominium aforementioned.

ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

1. The Owners of all Condominium Units in the Condominium shall be members of the Association, and no other person or entity shall be entitled to membership, except as provided in item (5) of this Article VI.

2. Membership shall be established by the acquisition of fee title to a Condominium Unit in the Condominium, or by acquisition of a fee ownership interest therein, whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Condominium Unit, except that nothing herein contained shall be construed as terminating the membership of any party who may own two or more Condominium Units, or who may own a fee ownership interest in two or more Condominium Units, so long as such party shall retain title to or a fee ownership interest in any Condominium Unit.

3. The interest of a member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Condominium Unit. The funds and assets of the Association shall belong solely to the Association subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, in the Declaration of Condominium and in the By-Laws which may be hereafter adopted.

4. On all matters which the membership shall be entitled to vote, each Condominium Unit shall have a vote equal to its appurtenant undivided interest in the Common Area as set forth in Exhibit "C" of the Declaration of Condominium, and as may be amended from time to time. The vote of each Unit may be cast or exercised by the Owner or Owners of each Condominium Unit in such manner as may be provided in the By-Laws hereafter adopted by the Association. Should any member own more than one Condominium

Unit, such member shall be entitled to exercise or cast the votes associated with each Condominium Unit owned in the manner provided by said By-Laws.

5. Until such time as the property described in Schedule "A" hereof, and the improvements constructed thereon, are submitted to a Plan of Condominium Ownership by the recordation of the Declaration of Condominium, the membership of the Association shall be comprised of the three (3) individuals named in Article XI hereof as the initial Board of Directors of the Association, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

ARTICLE VII

The Association shall have perpetual existence.

ARTICLE VIII

The affairs of the Association shall be managed by the President of the Association, assisted by the Vice President, Secretary and Treasurer and, if any, the Assistant Secretaries and Assistant Treasurers, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the operation and management of the Condominium, and the affairs of the Association, and any such person or entity may be so employed without regard to whether such person or entity is a member of the Association or a Director or Officer of the Association, as the case may be.

ARTICLE IX

The number of members of the first Board of Directors of the Association shall be three (3). The number of members of succeeding Boards of Directors shall be as provided from time to time by the By-Laws of the Association. The members of the Board of Directors shall be elected by the members of the Association at the Annual Meeting of the membership as provided by the By-Laws of the Association, and at least a majority of the Board of Directors shall be members of the Association or shall be authorized representatives, officers or employees of a corporate member of the Association. Notwithstanding the foregoing, for a period ending one hundred twenty (120) days after Oyster Bay Associates, a North Carolina general partnership ("Oyster Bay"), ceases to own twenty-five percent (25%) or more of the Units in the Condominium, but in any event, no longer than December 31, 1992, Oyster Bay shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association. Oyster Bay may designate and select the person or persons to serve as a member or members of each said Board of Directors in the manner provided in the By-Laws of the Association, and such person or persons so designated and selected need not be a resident of the Condominium.

So long as Oyster Bay retains the right to appoint a majority of the Board of Directors as provided above, the following actions will require the prior approval of the Veterans Administration: amendment of these Articles of Incorporation or of the Declaration, including amendments under Article XXVII-B of the Declaration to add additional phases to the Condominium; dedication of any Common Areas and Facilities; merger or consolidation of the Association or of the Condominium; encumbrance of any of the Common Areas and Facilities; and dissolution of the Association.

ARTICLE X

The Board of Directors shall elect a President, Vice-President, Secretary and Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice-President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE XI

The names and addresses of the initial Board of Directors who, subject to the provisions of these Articles of Incorporation, the By-Laws, and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the membership (or until their successors are elected and qualified) are as follows:

<u>Names</u>	<u>Addresses</u>
Douglas J. Nodine	Oceanside West II Unit B-4 Ocean Isle Beach, North Carolina
James M. Dixon	3132 Battleground Avenue Greensboro, N. C.
George Sloan, III	16 Causeway Road Ocean Isle Beach, N. C.

ARTICLE XII

The original By-Laws of the Association shall be adopted by a majority vote of the members of the Association present at a meeting of members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or rescinded only in such manner as said By-Laws may provide.

BOOK _____ PAGE _____

0645 0528

ARTICLE XIII

Every Director and every Officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer of the Association, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE XIV

An amendment or amendments to these Articles of Incorporation shall require the assent of seventy-five percent (75%) of the membership.

Material amendments to these Articles of Incorporation must be approved by Institutional Lenders as set forth in Article XXVII (D) of the Declaration of Condominium.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of Oyster Bay Associates to designate and select members of each Board of Directors of the Association, as provided in Article IX hereof, may be adopted or become effective without the prior written consent of Oyster Bay Associates.

ARTICLE XV

The Association may be dissolved with the assent given in writing and signed by not less than three-fourths (3/4) of the voting members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

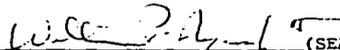
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ARTICLE XVI

The name and address of the incorporator is as follows:
William P. Aycock, II, 500 NCNB Building, Greensboro, North
Carolina, 27420.

IN WITNESS WHEREOF, I, the undersigned incorporator, have
hereunto set my hand and seal, this 17th day of June, 1984.



William P. Aycock, II (SEAL)

NORTH CAROLINA

GUILFORD COUNTY

This is to certify that on this 17th day of April, 1984,
before me, ~~Paula DeAngelis (Duncan)~~, a Notary Public of said County
and State, personally appeared WILLIAM P. AYCOCK, II, who I am
satisfied is the person named in and who executed the foregoing
Articles of Incorporation of The Colony Condominium Association,
Inc., and I having first made known to him the contents thereof,
he did acknowledge that he signed, sealed and delivered the same
as his voluntary act and deed for the uses and purposes therein
expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal,
this 17th day of April, 1984.



Notary Public

My Commission Expires:

10-7-86

BOOK _____ PAGE _____

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BY-LAWS

OF

THE COLONY CONDOMINIUM ASSOCIATION, INC.

Exhibit E
Page 1

A corporation not for profit under
the laws of the State of North Carolina

1. IDENTITY

These are the By-Laws of The Colony Condominium Association, Inc., a non-profit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed in the Office of the Secretary of State on 1ST Day of MAY, 1986. The Colony Condominium Association, Inc., hereinafter called "Association," has been organized for the purpose of administering the operation and management of The Colony Condominium, a condominium established or to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being in Sunset Beach, Brunswick County, North Carolina, and shown on Schedule "A" attached hereto and incorporated herein by reference.

a) The provisions of these By-Laws are applicable to The Colony Condominium, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation and which may be contained in the formal Declaration of Condominium which will be recorded in the Public Records of Brunswick County, North Carolina, at the time said property and the improvements now or hereafter situated thereon are submitted to the plan of condominium ownership, the terms and provisions of said Articles of Incorporation and Declaration of Condominium to be controlling wherever the same may be in conflict herewith.

b) All present or future owners, tenants, future tenants or their employees, or any other person that might use The Colony Condominium or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in said Articles of Incorporation and Declaration of Condominium.

c) The office of the Association shall be at Oceanside West II, Unit B-4, Ocean Isle Beach, North Carolina, or such other place as the Board of Directors shall designate from time to time.

d) The fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit.

2. MEMBERSHIP, VOTING, QUORUM, PROXIES

a) The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members shall be as set forth in Article VI of the Articles of Incorporation of the Association, the provisions of which said Article VI of the Articles of Incorporation are incorporated herein by reference.

b) A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

c) The vote of the Owners of a Condominium Unit owned by more than one person or by a corporation or other entity shall be cast by the one person named in a Certificate signed by all of the Owners of the Condominium Unit and filed with the Secretary of the Association, and such Certificate shall be valid until revoked by a subsequent Certificate. If such a Certificate is not on file, the vote of such Owners shall not be considered in determining the requirement for a quorum, or for any other purpose.

d) Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be filed with the Secretary before the appointed time of the meeting.

e) Approval or disapproval of a Unit Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

f) Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these By-Laws, the Declaration of Condominium, or whether the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP

a) The Annual Members' Meeting shall be held at such time and place during the first three months of each calendar year as may be designated in the notice of meeting, for the purpose of informing the membership of the names of the individuals appointed to the new Board of Directors, of informing the membership of the status of the budget for the coming year and for such other purposes as the Directors may determine. The First Annual Meeting shall be held in March, 1987.

b) Special Members' Meetings shall be held whenever called by the President or Vice-President or by a majority of the Board of Directors and must be called by such Officers upon receipt of a written request from members of the Association owning twenty-five percent (25%) of the Condominium Units.

c) Notice of all members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other Officer of the Association in the absence of said Officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and object for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his post office address as it appears on the records of the Association (Register of Owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed in the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration of Condominium), the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

d) The order of business at Annual Members' Meetings and, as far as practical, at any other members' meetings, shall be:

- i) Calling of the roll and certifying of proxies;
- ii) Proof of notice of meeting or waiver of notice;
- iii) Reading and disposal of any unapproved minutes;
- iv) Reports of Officers;
- v) Reports of Committees;
- vi) Election of Directors;
- vii) Unfinished business;

- viii) New business; and
- ix) Adjournment.

4. BOARD OF DIRECTORS

a) The first Board of Directors of the Association shall consist of three (3) persons. Each succeeding Board of Directors shall consist of five (5) persons. At least a majority of the Board of Directors shall be members or employees of a corporate or partnership member of the Association. Notwithstanding the foregoing, for a period ending one hundred twenty (120) days after Oyster Bay Associates, a North Carolina general partnership, hereinafter called Developer, ceases to own twenty-five percent (25%) or more of the Units in the Condominium, but in any event, no longer than December 31, 1992, Developer shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association. Any Director designated by and selected by Developer need not be a resident in the Condominium.

b) Election of Directors shall be conducted in the following manner:

i) Developer shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these By-Laws, and upon such designation and selection of Developer by written instrument presented to the meeting at which such election is held, said individuals so designated and selected by Developer shall be deemed and considered 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 in accordance with the provisions of these By-Laws.

ii) All members of the Board of Directors whom Developer shall not be entitled to designate and select under the terms and provisions of these By-Laws shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association immediately following the designation and selection of the members of the Board of Directors whom Developer shall be entitled to designate and select.

iii) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors, except that should any vacancy in the Board of Directors be created in any Directorship previously filled by any person designated and selected by Developer, such vacancy shall be filled by Developer designating and selecting, by

written instrument delivered to any Officer of the Association, the successor Director to fill the vacated Directorship for the unexpired term thereof.

iv) At the first Annual Meeting of the members held after the property identified herein has been submitted to the plan of condominium ownership and the Declaration of Condominium has been recorded in the public records of Brunswick County, North Carolina, the term of office of the three (3) Directors receiving the highest plurality of votes shall be established at two (2) years, and the terms of office of the other two (2) Directors 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. If at the time of the first Annual Meeting Developer owns twenty-five percent (25%) or more Condominium Units in the Condominium, then Developer shall have the right to designate and select two (2) Directors whose terms of office shall be established at two (2) years, and one (1) Director whose term of office shall be established at one (1) year.

v) In the election of Directors, there shall be appurtenant to each Condominium Unit a total vote equal to the number of Directors to be elected multiplied by the Unit's appurtenant undivided interest in the Common Area as set forth in Exhibit "C" of the Declaration, and as may be amended from time to time; provided, however, that no member or Owner of one (1) Condominium Unit may cast a vote greater than the Unit's appurtenant undivided interest in the Common Area for any one person nominated as a Director, it being the intent hereof that voting for Directors shall be noncumulative. Notwithstanding the fact that Developer may be entitled to designate and select a majority of the members of the Board of Directors, it shall still be entitled to cast the vote for each Condominium Unit owned by it in the elections of other Directors; provided, however, that the other Directors elected are persons other than officers, directors, stockholders, partners and employees of Developer, or spouses and relatives of any of said persons.

vi) In the event that Developer, in accordance with the rights herein established, selects any person or persons to serve on any Board of Directors of the Association, Developer shall have the absolute right at any time, in its sole discretion, to replace such person or persons with another person or persons to serve on said Board of Directors.

Replacement of any person or persons designated by Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any Officer of the Association, which instrument shall specify the name or names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed from said Board of Directors. The removal of any Director and designation of his successor shall be effective immediately upon delivery of such written instrument by Developer to any Officer of the Association.

c) The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

d) 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 shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

e) Special meetings of the Directors may be called by the President, and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days' notice of a meeting shall be given to each Director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

f) 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.

g) A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation, or these By-Laws, or the Declaration of Condominium. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or Declaration of Condominium, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further

notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

h) 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 of the Association shall preside. In the absence of the Presiding Officer, the Directors present shall designate one of their number to preside.

i) Directors' fees, if any, shall be determined by the members.

j) All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these By-Laws and the Declaration of Condominium. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these By-Laws and the Declaration of Condominium, and shall include, without limiting the generality of the foregoing, the following:

i) To make, levy and collect assessments against members and members' Condominium Units to defray the costs of the Condominium, as provided for in Article XXIV of the Declaration of Condominium, which Article is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

ii) To maintain, repair, replace, operate and manage the Common Areas and Facilities wherever the same is required to be done and accomplished by the Association for the benefit of its members; and further to approve any expenditure made or to be made for said purposes.

iii) To reconstruct any part of the Common Property after casualty in accordance with Article XXII of the Declaration of Condominium, and to make further improvement to the Common Property, real and personal, and to make and to enter into any and all contracts, necessary or desirable to accomplish said purposes;

iv) To make, amend and enforce regulations governing the use of the Common Property and Condominium Units so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Declaration of Condominium;

- v) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Condominium Units in the Condominium as may be necessary or convenient in the operation and management of the Condominium, and in accomplishing the purposes set forth in the Declaration of Condominium, provided that the acquisition of real property other than Condominium Units shall require the approval of the Association;
- vi) To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis and other recreational facilities, whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units;
- vii) To contract for the management of the Condominium and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration of Condominium to have approval of the Board of Directors or membership of the Association;
- viii) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and By-Laws of the Association, the Declaration of Condominium and the regulations hereinafter promulgated governing use of the Common Property in the Condominium.
- ix) To pay all taxes and assessments which are or may become liens against any part of the Condominium, other than Condominium Units and the appurtenances thereto, and to assess the same against the members and their respective Condominium Units subject to such liens;
- x) To purchase insurance for the protection of the members and the Association against casualty and liability in accordance with Articles XX and XXI of the Declaration of Condominium;
- xi) To pay all costs of power, water, sewer and other utility services rendered to the Condominium and not billed to the Owners of the separate Condominium Units; and
- xii) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the Condominium including the Common Property.
- k) The initial Board of Directors of the Association shall be comprised of the three (3) persons designated to act and serve as Directors in the Articles of Incorporation, which said persons shall serve until their successors are elected at the first Annual

Meeting of the members of the Association called after the property identified herein has been submitted to the plan of condominium ownership and the Declaration of Condominium has been recorded in the public records of Brunswick County, North Carolina. Should any member of the initial Board of Directors be unable to serve for any reason, a majority of the remaining members of the Board of Directors shall have the right to select and designate a party to act and serve as a Director for the unexpired term of the Director who is unable to serve.

l) The undertakings and contracts authorized by the initial Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable condominium documents; and provided further that any undertaking or contract entered into by the Association at a time the Developer has the right to appoint a majority of the Board of Directors shall contain a provision reserving the right of the Association to terminate such undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

m) Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the Condominium Units in the Condominium, at any Special Meeting called for such purpose, or at the Annual Meeting; provided, however, that only the Developer shall have the right to remove a Director appointed by it.

5. OFFICERS

a) The executive officers of the Association shall be a President, who shall be a Director, a Vice-President, a Treasurer, a Secretary and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be preemptorily removed by a vote of the Directors at any meeting. Any person may hold two or more offices, except that the President shall not also be Vice-President, Secretary or an Assistant Secretary. The Board of Directors shall, from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

b) The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the president of any association, including, but not limited to, the power to appoint committees

from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

c) The Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

d) The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

e) The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping of, the assessment rolls and accounts of the members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

f) The compensation of all officers and employees of the Association shall be fixed by the Directors. 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.

g) All Officers shall serve at the pleasure of the Board of Directors and any Officer may be removed from office at any time, with or without cause, by a majority vote of the Board of Directors.

6. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration of Condominium and Articles of Incorporation shall be supplemented by the following provisions:

a) The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Condominium Unit. Such account shall designate the name and address of the Unit Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which assessments

come due, the amounts paid upon the account and the balance due upon assessments.

b) The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to the following:

i) Common Expense budget which, subject to the limitations in the Declaration, may include the estimated amounts necessary for maintenance and operation of and capital improvements to the Common Property including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and Capital Improvement and Replacement), management fees and costs of maintaining leaseholds, memberships and other possessory or use interests in lands or facilities whether or not contiguous to the lands of the Condominium, to provide enjoyment, recreation or other use or benefit to the Unit Owners; and

ii) Proposed assessments against each member and his Unit.

Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto.

c) The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

d) An audit of the accounts of the Association shall be made annually by an independent accountant, and a copy of the report shall be furnished to each member not later than May 15 of the year following the year for which the report is made.

e) Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for association funds. The amount of such bonds shall be determined as set forth in the Declaration. The premiums on such bonds shall be paid by the Association.

7. PARLIAMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BY-LAWS

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

a) Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by members of the Association owning a majority of the aggregate interest in the Common Areas and Facilities in The Colony Condominium, whether meeting as members or by instrument in writing signed by them.

b) Upon any amendment or amendments to these By-Laws being proposed by said Board of Directors or members, such proposed amendment or amendments 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 or later than sixty (60) days from receipt by such Officer of the proposed amendment or amendments, and 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.

c) In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning in the aggregate not less than seventy per cent (70%) of the interests in the Common Areas and Facilities in the Condominium. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be recorded in the public records of Brunswick County, North Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the Directors and members. No amendment shall become operative or effective until it shall have been duly recorded.

d) Upon the approval and proper recording of any amendment or amendments, the same shall become binding upon all Unit Owners.

e) At any meeting held to consider any amendment or amendments to the By-Laws, the written vote of any member of the

Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

f) Notwithstanding the foregoing provisions of this Article 8, no amendment to these By-Laws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Directors of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Developer.

g) Notwithstanding the foregoing provisions of this Article 8, no material alteration, amendment or modification of these By-Laws shall become effective without the prior written consent of Institutional Lenders (as defined in Article XXIX of the Declaration) holding first mortgage loans on Units representing at least fifty-one percent (51%) of the votes in the Association being first had and obtained. Any change to the provisions of these By-Laws that affects any of the following shall be deemed material: voting rights; assessments, assessment liens, or subordination of assessment liens; reserves for maintenance, repair and replacement of Common Areas; responsibility for maintenance and repairs; reallocation of interests in the Common Areas or Limited Common Areas, or rights to their use; boundaries of any Unit; convertibility of Units into Common Areas or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium; insurance or fidelity bonds; leasing of Units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the owners' association to establish self management; restoration or repair of the Condominium; any provisions that expressly benefit Institutional Lenders.

h) So long as Developer retains the right to appoint a majority of the Board of Directors of the Association as set forth in Article XXX of the Declaration and Article 4 of these By-Laws, any amendment to these By-Laws shall require the prior approval of the Veterans Administration.

9. AVAILABILITY OF DOCUMENTS AND RECORDS

The Board of Directors 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 Article XXIX of the Declaration) and prospective purchasers, all of whom may also, upon request and payment of a reasonable charge determined by the Board of Directors, obtain copies thereof.

10. RULES OF CONDUCT

a) No resident of the Condominium shall post any advertisements or posters of any kind in or on the Common Property except as authorized by the Association.

b) Residents shall exercise extreme care about making noises or the use of musical instruments, radios, television sets and amplifiers that may disturb other residents. Those keeping domestic animals will abide by the sanitary regulations of Brunswick County.

c) No garbage or trash shall be thrown or deposited outside the disposal installations provided for such purposes.

d) No Unit Owner shall cause any improvements or alterations to be made to the exterior of the Condominium (including painting or other decoration, the installation of electrical wiring, television or radio antennae, or any other objects or devices which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of the exterior portion of any building without the prior written permission of the Board of Directors or its duly appointed Architectural Control Committee. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences or the planting or growing of flowers, trees, shrubs or other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee. All such improvements, alterations and changes shall also be subject to the approval of the Architectural Control Committee of Oyster Bay Community Association, Inc.

11. COMPLIANCE

These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47A of the General Statutes of the State of North Carolina. In the event that any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

The foregoing were adopted as the By-Laws of The Colony Condominium Association, Inc., a non-profit corporation under the laws of the State of North Carolina, at the first meeting of the Board of Directors on April 18, 1986.

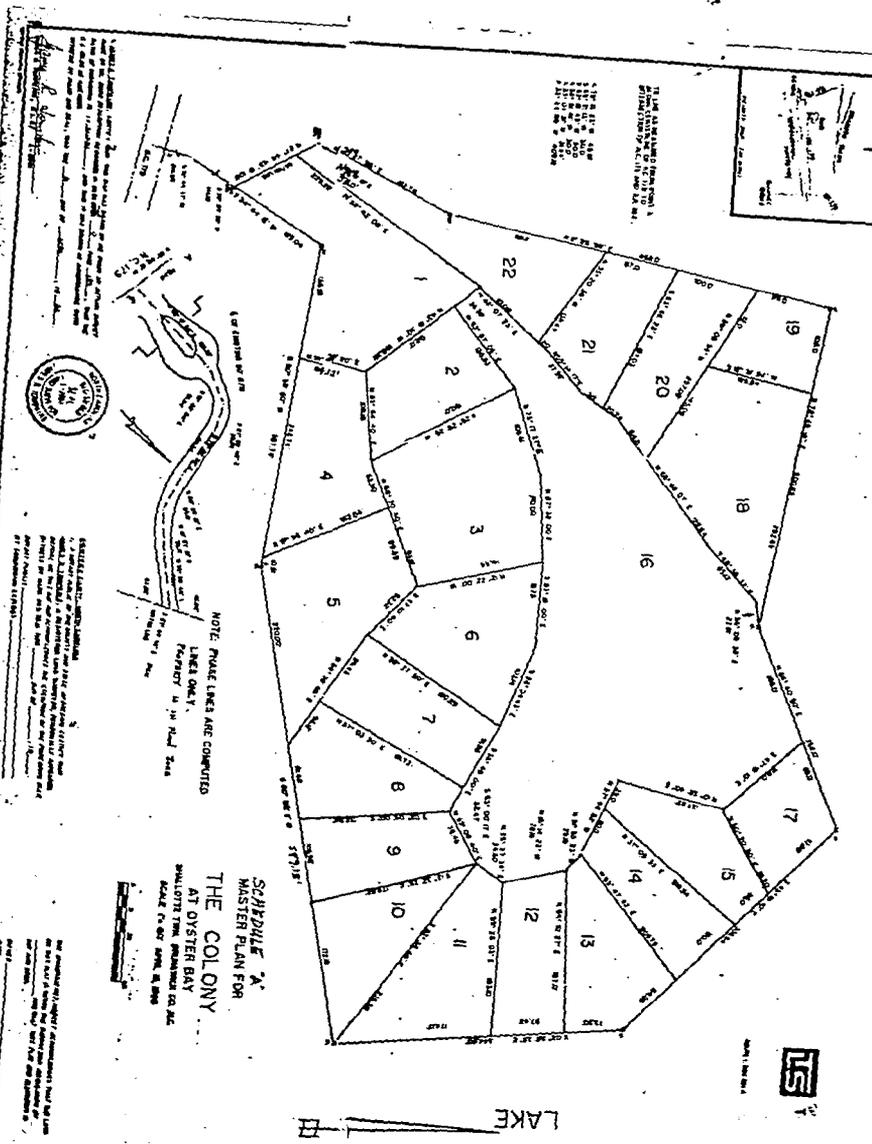
APPROVED:



 President



 Secretary



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EXCELLENCE IN QUALITY AND VALUE OF SERVICE
 THE STATE OF NEW YORK
 DEPARTMENT OF AGRICULTURE AND MARKETS
 ALBANY, N.Y.

SCHEDULE 'A'
MASTER PLAN FOR
THE COLONY
AT OYSTER BAY
 MADE BY THE ENGINEER IN CHARGE
 OF THE SURVEY

THE STATE OF NEW YORK
 DEPARTMENT OF AGRICULTURE AND MARKETS
 ALBANY, N.Y.



LAKE