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NORTH CAROLINA
BEAUFORT COUNTY

DECLARATION OF CONDOMINIUM
ESTABLISHING
HARBOUR WATCH AT DOWRY CREEK CONDOMINIUMS
CONDOMINIUM FILE NO. _____

THIS DECLARATION is made as of the ____ day of June, 1996, by HARBOUR POINTE ASSOCIATES, INC., a North Carolina corporation ("Declarant"), pursuant to the North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes.

W I T N E S S E T H:

WHEREAS, Declarant is the owner in fee simple of that parcel of land described in Exhibit A; and

WHEREAS, Declarant hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of the area or space contained in each of the Units and the co-ownership by the individual and separate owners thereof, as tenants in common of all of the remaining real property which is hereinafter defined and referred to as the "Common Elements."

NOW, THEREFORE, Declarant hereby declares:

ARTICLE 1

DEFINITIONS

As used herein, the following words and terms shall have the following meanings:

1.1 Act. The North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes, as amended.

1.2 Association. Harbour Watch at Dowry Creek Condominium Association, Inc., its successors and assigns.

1.3 Board. Those persons elected or appointed to act collectively as the Directors of the Association.

1.4 Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference.

1.5 Common Elements. All portions of the Condominium except the Units. Though a heating unit or furnace may be located within the boundary of another Unit, said heating unit or furnace shall still be considered part of the Unit which it serves.

1.6 Common Expenses. Expenditures made by or financial liabilities incurred by or on behalf of the Association, together with any allocations to reserves, including without limitation:

(a) All sums lawfully assessed against the Unit Owners by the Association;

(b) Expenses of administration, maintenance, repair, or replacement of the Common Elements;

(c) Expenses agreed upon as Common Expenses by the Association;

(d) Expenses declared to be Common Expenses by the provisions of North Carolina Condominium Act, by this Declaration or by the Bylaws;

(e) Premiums for hazard and such other insurance as this Declaration or Bylaws may require the Association to purchase;

(f) Utility expenses, including sewer, water and electricity, which is provided to the Common Elements or which is provided by the Association to all Unit Owners;

(g) Ad valorem taxes, public assessment liens, and governmental liens which are levied against the Common Elements.

1.7 Condominium. The Harbour Watch at Dowry Creek Condominium, the condominium created by this Declaration.

1.8 Declarant. Harbour Pointe Associates, Inc., its successors and assigns, as defined in § 47C-1-103(a) of the Act, except Security Holders and those persons whose interests in the Property will not be conveyed to Unit Owners, and any person who succeeds to any Special Declarant Rights as provided in § 47C-1-103(23) of the Act.

1.9 Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of: (i) 120 days after conveyance of seventy-five percent (75%) of the Units to Unit Owners other than Declarant; (ii) two years after Declarant have ceased to offer Units for sale in the ordinary course of business; (iii) two years after any Development Right to add new Units was last exercised; or (iv) the time at which Declarant voluntarily surrenders the right to appoint and remove officers and members of the Board.

1.10 Development Rights. The rights reserved by the Declarant to create Units, Common Elements, and Limited Common Elements within the Condominium and to add or withdraw real property from the Condominium pursuant to § 47C-2-110 of the Act.

1.11 Eligible Mortgagee. An institutional lender holding a first mortgage or first deed of trust ("First Mortgage") encumbering a Unit that has notified the Association in writing or its status, stating both its name and address and the Unit number or address of the Unit its First Mortgage encumbers, and has requested all rights under the Condominium Documents. For purposes of Article 17 only, when any right is to be given to an Eligible Mortgage, such right shall also be given to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guarantying mortgages if the Association has notice of such participation.

1.12 Limited Common Elements. A portion of the Common Elements allocated by this Declaration or by operation of § 47C-2-102(2) or (4) of the Act for the exclusive use of one or more, but fewer than all, of the Units. Additionally, the screened porches on the first and second floors, together with the stairwells leading thereto are Limited Common Elements. Limited Common Elements may be reallocated or reassigned with the unanimous consent of the Unit Owners whose units are affected by filing an amendment to the Declaration as provided in § 47C-2-108 of the Act.

1.13 Member. Those persons entitled to membership in the Association as provided in the Articles of Incorporation and this Declaration.

1.14 Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests, and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15 Owner. The record owner, whether one or more persons or entities, of a fee simple title to any Unit which is a part of the Property, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

1.16 Person. A natural person, corporation, partnership, trust or other entity, or any combination thereof.

1.17 Property. The real estate described in Exhibit A, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.18 Rules and Regulations. Those written actions of the Board, duly adopted, and any amendments thereto. The purpose of such Rules and Regulations is to interpret and apply the provisions of the Declaration and the Bylaws and to establish and prescribe the administration and management of the condominium and the use, operation, and management of the Common Elements.

1.19 Security for an Obligation. The vendor's interest in a contract-for-deed, mortgagee's interest in a mortgage, trustee's interest in a deed of trust, or the holder's interest in a lien, or similar interests.

1.20 Security Holder. Any person owning a Security for an obligation in a Unit.

1.21 Special Declarant Rights. The rights reserved herein for the benefit of Declarant.

1.22 Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements. Mechanical equipment, stairways and appurtenances located within any Unit and designed to serve only that Unit, such as appliances, cabinets, fixtures and the like, shall be part of the Unit. Space heating, air-conditioning and water heating apparatus, smoke detector systems and all electrical switches, wiring, pipes, ducts, conduits, and television, telephone, and electrical receptacles and wiring, light fixtures, and hardware on exterior doors designed to serve only that Unit shall be part of that Unit.

1.23 Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on any architectural plans, are the walls, floors and ceilings, and shall be defined consistent with § 47C-2-102 of the Act, unless otherwise provided herein.

1.24 Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple (including contract-for-deed purchasers of a unit) or a lease of a Unit in a leasehold condominium whose lease expires simultaneously with any lease the expiration or termination of which will remove the Unit from the Condominium, but does not include Security Holders.

ARTICLE 2

LEGAL DESCRIPTION OF PROJECT PROPERTY

The Harbour Watch at Dowry Creek Condominium Project site referred to hereinafter is situated in Beaufort County, North Carolina, and is described in Exhibit A as the "Property."

ARTICLE 3

DESCRIPTION OF BUILDINGS DEDICATED TO CONDOMINIUM OWNERSHIP

Declarant is the owner of the fee simple title to that certain real property described in Exhibit A attached hereto and incorporated herein by reference. The Property which will be dedicated to condominium or unit ownership is situated in Beaufort County, North Carolina.

ARTICLE 4

SUBMISSION OF PROPERTY TO THE ACT

4.1 Submission. Harbour Pointe Associates, Inc. hereby submits the Property to the Act.

4.2 Name. The Property shall hereafter be known as the Harbour Watch at Dowry Creek Condominiums.

4.3 Division of Property into Separately Owned Units. Declarant, pursuant to the Act, and to establish a plan of Condominium ownership for the Condominium, does hereby divide the Property into

a minimum of eight Units with fifty-five Units planned, the Limited Common Elements and the Common Elements and does hereby designate all such Units for separate ownership as freehold estates subject to the Act. The maximum number of Units which the Declarant has reserved a right to create is eighty-five.

4.4 Alterations of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of § 47C-2-111 of the Act.

4.5 Unit Allocations. The allocations to each Unit of a percentage of undivided interest in the Common Elements, of votes in the Association, and of a percentage of the Common Expenses, are as stated on Exhibit B attached hereto. The allocation of undivided interests in the Common Elements and of the Common Expenses is according to the area that each Unit bears to the area of all Units. The votes in the Association are equally allocated to all Units. When additional Units are added to the Condominium, the percentage interest in the Common Elements shall be recalculated.

ARTICLE 5

EASEMENTS

5.1 Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the Property, any part of the Common Elements now or hereafter encroaches upon any part of the Common Elements, or upon any part of another Unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon.

5.2 Easements through Walls. Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

5.3 Easements to Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the Bylaws or the Act, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

5.4 Declarant's Easement. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant's Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purposes.

5.5 Unit Owner's Easement. Every Unit Owner shall have a right and easement of enjoyment in and to all of the Common Elements, other than the Limited Common Elements. Each Unit Owner specifically shall have an easement to maintain all components of the heating and air conditioning system serving his Unit in their present location and as shown on the architectural plans, including rights of

ingress, egress and regress over another Unit or Limited Common Element to maintain such heating and air-conditioning system. Every Unit Owner shall have a right and easement of enjoyment in and to the Limited Common Elements allocated to his or her Unit.

5.6 Grant of Easements by Association. The Association may hereafter grant easements, as approved by the Board, for utility or drainage purposes for the benefit of the Condominium, including the right to install, lay, maintain, repair and replace water lines, gas lines, pipes, sewer lines, television cables, telephone wires and equipment, and electrical conduits, and wires over, under, along and on any portion of the Common Elements; and each Unit Owner hereby grants the Association an irrevocable power of attorney to execute, acknowledge and record for and in the name of each Unit Owner such instruments as may be necessary or desirable to effectuate the foregoing.

5.7 Governmental Easements. Easements are hereby established over the Common elements for the benefit of applicable government agencies, public utility companies and public service agencies as necessary for setting, removing and reading of meters, replacing and maintaining water, sewer and drainage facilities, electrical, telephone, gas, and cable antenna lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities.

5.8 Structural Easements. Every portion of a Unit which contributes to the structural support of the building shall be burdened with an easement of structural support for the benefit of all other Units and for the Common Elements.

5.9 Easements to Run with Land. All easements and rights described in this Article 5 are appurtenant easements running with the land, and except as otherwise expressly provided in this Article 5, shall be perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, Security Holders and any other person having any interest in the Condominium or any part of any interest thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article 5, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE 6

RESTRICTIONS, CONDITIONS AND COVENANTS

6.1 Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the Restrictions, as recorded and amended, the Covenants, as recorded and amended, the Bylaws, the Articles of Incorporation of the Association, and any Rules and Regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit Owner, or any person adversely affected, for recovery of damages, injunction or other relief.

6.2 Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this Declaration and the Bylaws.

6.3 Use Restricted; Use by Declarant.

6.3.1 The Units shall be occupied and used by Unit Owners and Occupants for residential purposes only. No business activity or trade of any kind whatsoever shall be carried on in any

Unit; provided, the Unit Owner may lease a portion or all of the Unit to other parties as provided in section 6.7.

6.3.2 No immoral, improper, offensive, or unlawful use shall be made of the Property, or any part thereof, and all valid laws, ordinances, and regulations of all government agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, and requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property shall be complied with, by and at the sole expense of the Unit Owner or the Association, whichever shall have the obligation to maintain or repair such portion of the Property.

6.3.3 No Unit Owner shall display, or cause or allow to be displayed, to public view any sign, placard, poster, billboard, or identifying name or number upon any Unit, building, or any portion of the Common Elements, except as allowed by the Association pursuant to its Bylaws; provided, however, that any Unit Owner, or its respective agent, may place "For Sale" or "For Rent" signs on any unsold or unoccupied Units and in suitable places on the Property.

6.3.4 The foregoing provisions of this Article 6 or any other provision of this Declaration or the Bylaws notwithstanding, the Association or the Declarant may maintain models and sales offices for sales of Units in the Condominium.

Declarant shall have the right to relocate, from time to time, within the Condominium, until all of the Units have been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed two (2), and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

6.4 Hazardous Use and Waste. Nothing shall be kept and no activity shall be carried on in any Unit or on the Limited Common Elements which will increase the rate of insurance, applicable to residential use, for the Property or the contents thereof. No Owner or Occupant shall do or keep anything, nor cause or allow anything to be done or kept, in his Unit or on the Common Elements which will result in the cancellation of insurance on any portion of the Property, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Elements.

6.5 Alterations of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from the Common Elements, or paint, decorate, landscape or adorn any portion of the Common Elements, without the prior written consent of the Board.

6.6 Parking and Use of Parking Areas. Each Unit Owner and Occupant, may park on the Property only two (2) motor vehicle(s) and at all times when not in use such motor vehicle(s) shall be parked in the parking spaces assigned to the Unit Owner, if any. In addition, each Unit Owner and Occupant may utilize other spaces that may be provided within parking areas within the Property pursuant to the Rules and Regulations promulgated by the Association. The Association shall have the authority to restrict parking of motor vehicles within the Property and shall also have the authority to repair the parking area within the Property.

6.7 Prohibition of Renting for Transient or Hotel Purposes. No Unit Owner shall rent his Unit for transient or hotel purposes, which for purposes of this Declaration shall be defined as either a rental for any period less than thirty (30) days or any rental if the lessee of the Unit is provided customary hotel services. Each permitted lease shall be in writing and shall be subject to this Declaration and the Bylaws, and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Any Unit Owner who enters into a lease of his Unit shall promptly provide a copy of the lease to the Association. Other than the foregoing restrictions, each Unit Owner has the full right to lease his Unit.

6.8 Pets. No pet shall be allowed in the Condominium, except as may be provided by the Rules and Regulations promulgated from time to time by the Board or the Association or in the Bylaws.

6.9 Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be or may become a nuisance or annoyance to Unit Owners, their employees, agents and invitees within the Property.

6.10 Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated, enforced and amended from time to time by the Board or the Association, as fully provided in the Bylaws.

The Board may from time to time include in any Rules and Regulations adopted for the use of the Common Elements provisions restricting the use of hallways, patios, entry areas, parking spaces and other Common Elements, provided such provisions are reasonable, are uniformly applied to all Unit Owners and Occupants, and are nondiscriminatory.

6.11 Restrictions, Conditions and Covenants To Run With Land. Each Unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE 7

ASSESSMENTS AND FINES

7.1 Assessment Date. Assessments shall be due and payable in monthly installments. As required by § 47C-3-115 of the Act, Declarant shall pay all accrued expenses of the Condominium until assessments are levied against the Units. An assessment shall be deemed levied against a Unit upon the giving of notice by the Board to a Member of the Association who is a Unit Owner of the Unit. Unit Owners shall have no obligation to pay monthly assessments until an assessment is levied. Unit Owners shall not be invoiced for assessments, but will be notified of periodic increases in assessments.

7.2 Assessment Liens and Remedies for Non-Payment of Assessments. Any Assessment which is not paid when due shall be delinquent. If an Assessment is not paid within thirty (30) days after its due date, (i) the Assessment shall bear interest from the date of delinquency at a rate equal to 18% per annum; (ii) the Association may levy a late charge not to exceed the greater of five percent (5%) of the delinquent Assessment or $20.00; and (iii) the Association may file of record in the office of the Clerk of Superior Court of Beaufort County a notice of lien in the manner provided therefor by Chapter 44, Article 8 of the North Carolina General Statutes. The Board may, in its sole discretion, waive the

imposition of interest and late charges as to any delinquent Assessment. The Association may then bring an action at law against the Owner personally obligated to pay any delinquent Assessment or foreclose the lien created herein in the same manner as prescribed by the laws of the state of North Carolina for the foreclosure of deeds of trust, including the right to foreclose under a power of sale, in which case the Association shall have the right in its sole discretion to appoint a person or entity to serve in the role of a trustee. Costs, late charges, interest and reasonable attorney's fees of any such action shall be added to the amount of such Assessment and shall be part of the lien assessed against such Unit. No Owner may waive or otherwise escape liability for the Assessments provided for herein by the nonuse of the Common Area or abandonment of its Unit nor shall damage to or destruction of any Improvements on any Unit by fire or other casualty result in abatement of the Assessment provided for herein.

In the event of such action at law and in the further event that such action results in a judgment being entered against the Owner and in favor of the Association, then the Association shall be further empowered to execute on that judgment in such manner and to the extent provided and permitted by the laws of the state of North Carolina.

7.3 Subordination of the Lien to First Priority Mortgages or Deeds of Trust. The lien of the Assessments provided for herein on any Unit shall be subordinate to the lien of any mortgage or deed of trust representing a first priority lien on such Unit. Sale or transfer of any Unit shall not affect the Assessment lien or liens established in this article; provided, however, that the sale or transfer of any Unit pursuant to a decree of foreclosure on such a first priority deed of trust or mortgage thereon or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Unit from liability or liens arising from Assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first priority mortgage or deed of trust.

7.4 Omission of Assessments. The omission by the Board, before the expiration of any year, to fix the annual assessments hereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay the assessments, or any installment thereof for that or any subsequent year, but the annual assessment fixed for the preceding year shall continue until a new annual assessment is fixed.

7.5 Personal Liability of Transferee; Statement; Liability of Mortgagee.

7.5.1 The transferee of a Unit shall be jointly and severally liable with the transferor for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of the grant or conveyance, without prejudice to the transferee's right to recover from the transferor the amounts paid by the transferee therefor. However, any such transferee shall be entitled to a statement from the manager or Board, as the case may be, setting forth the amount of the unpaid assessments against the transferor and such transferee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessment in excess of the amount therein set forth.

7.5.2 Any transferee referred to in section 7.5.1 above shall be entitled to a statement from the Board, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

7.5.3 Where a mortgagee, or other person claiming through such mortgagee, pursuant to the remedies provided in a deed of trust, or by foreclosure or by deed or assignment in lieu of

foreclosure, obtains title to a Unit, the liability of such mortgagee or such other person for assessments shall be only for the assessments, or installments thereof, that would become delinquent, if not paid, after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

7.5.4 Without releasing the transferor from any liability therefor, any unpaid portion of assessments which is not a lien under section 7.5.2. above or, resulting, as provided in section 7.5.3. above, from the exercise of remedies in a deed of trust, or by foreclosure thereof or by deed, or assignment in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under section 7.5.2. above and the mortgagee or such other person under section 7.5.3. above who acquires ownership by foreclosure or by deed, or assignment in lieu of foreclosure.

7.6 Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

7.7 Assessment Reserves. The Condominium Association shall establish a reserve fund to meet expected future costs of long-term or emergency repairs. In addition, an initial working capital fund equal to two (2) months of assessments of all Units shall be established by the Declarant upon the closing of the sale of the first Unit. In any given fiscal year, if the Association has surplus funds, then such funds shall be deposited in the reserve fund account and not distributed back to the Unit Owners. Amounts paid into the reserve fund are not considered to be an advance payment of assessments.

7.8 Fines. The Association may impose charges for late payment of Assessments as outlined in the Bylaws.

ARTICLE 8

MANAGEMENT, MAINTENANCE, REPAIRS REPLACEMENTS, ALTERATIONS AND IMPROVEMENTS

8.1 Maintenance of Common Elements By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provisions of section 8.4 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to section 8.2 hereof; provided the Association shall have no duty to maintain any Common Elements which are maintained by any governmental body or by any public utility company. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense.

8.2 Damage of Common Elements By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his intentional or negligent acts or the intentional or negligent acts of any Occupant of his Unit. Such payment shall be made upon demand made by the Association and in accordance with the Act and the Bylaws.

8.3 Owner's Maintenance.

8.3.1 Each Unit Owner agrees as follows:

(a) To maintain in good condition and repair his Unit and all interior surfaces within his Unit (such as walls, ceiling tiles, and floors) which are not Common Elements or exterior surfaces, the maintenance of which shall be the responsibility of the Association and assessable to all the Unit Owners as a Common Expense.

(b) To maintain, repair, or replace (if necessary) the heating or air-conditioning systems serving only his Unit, whether located within or adjacent to such Unit.

(c) Not to make or cause to be made any structural addition to the Common Elements without the prior written consent of the Association, unless otherwise permitted under this Declaration.

(d) To make no alteration, repair, replacement, or change of the Common Elements, or to any outside or exterior portion of the building, whether within a Unit or part of the Common Elements.

8.3.2 In the event a Unit Owner fails to maintain the Unit as required herein or makes any structural addition or alteration to the Common Elements without the required consent of the Association, or fails to permit entrance to the Association, or its authorized agents, the Association shall have the right to proceed either at law or in equity for whatever appropriate remedy the circumstances require. In lieu thereof and/or in addition to this remedy, the Association, through the Board, shall have the right and power to levy an assessment against the Unit Owner and the Unit itself for such necessary sums to remove any unauthorized structure or alteration and the restore the Property to its former condition. The Association and/or the Board on its behalf, shall have the further right and power to have its employees or agents, or any subcontractor appointed by it, enter the Unit at any all reasonable times, to do such work as it deems necessary by the Board to enforce compliance with the provisions hereof.

8.4 Common Expenses Associated with Limited Common Elements or Benefiting Less Than All Units.

8.4.1 Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit or Units to which such Limited Common Element was or were allocated at the time the expense was incurred in proportion to each said Unit's Common Expense liability.

8.4.2 The Association may assess any Common Expense benefiting less than all of the Units against the Units benefited in proportion to their Common Expense liability.

8.5 Units. Each Unit owner shall maintain his Unit at all times in a good and clean condition, and repair and replace, at his expense, all portions of his Unit; shall perform his responsibilities in such manner as not to unreasonably disturb other Occupants; shall promptly report to the Board, or its agents, any defect or need for repairs, the responsibility for which is that of the Association; and, to the extent that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall

be made upon demand by the Unit Owner of such other Unit or the Board of Directors. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

8.6 Waiver of Claims. Except as otherwise provided, the Association agrees that it shall make no claim against a Unit Owner or Occupant, and each Unit owner and Occupant agrees that he shall make no claim against the Association, the members of the Board, officers of the Association, or employees or agents of any thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, or other Unit Owners or Occupants, for any loss or damage to any of the Property, or to a Unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons and all such claims are hereby waived and released; provided, the that this waiver shall not apply to any such loss or damage due to intentional acts.

8.7 Right of Entry by the Association. The Association, and any person authorized by the Association, may enter any Unit or any of the Limited Common Elements without prior notice in case of any emergency or dangerous condition or a situation originating in or threatening that Unit or any of the Common elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for purposes of performing any of the Association's duties or obligations or exercising any of the Association's powers under the Act, this Declaration or the Bylaws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding anything herein to the contrary, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner.

8.8 Right of Entry by Unit Owners. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representatives, to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit, or performing the duties and obligations under the Act, this Declaration or the Bylaws of the Unit Owners or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owners or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding anything herein to the contrary, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Elements.

8.9 Manager. The Association may enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance, and management of the Condominium. All the powers and duties of the Association necessary or convenient for such maintenance and management may be delegated to and invested in the manager by the Board, except as are specifically required by this Declaration, the Bylaws, or the Act, to have approval of the Board or the Association. The manager is hereby further authorized to recommend the annual budget, and, upon approval thereof by the Board, collect assessments, subject always to the supervision and right of approval of the Board.

All other affairs of the Association shall be conducted by a Board who shall be designated as provided in the Bylaws of the Association.

ARTICLE 9

INSURANCE

9.1 Ownership of Policies. All insurance policies upon the Property shall be purchased by the Board for the benefit of the Board and the Unit Owners and their mortgagees as their interest may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Unit Owners. Unit owners may, at their option, obtain insurance coverage at their own expense upon their own personal property and personal liability and such other coverage as they may desire.

9.2 Coverage. All buildings and improvements upon the land and all personal property included in the Common Elements shall be insured in an amount equal to the maximum insurable replacement value as determined annually by the Board with the assistance of the insurance company providing such coverage. Such coverage shall provide protection against (i) loss by fire and other hazards covered by a standard extended coverage endorsement, (ii) such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the building on the land, and (iii) workmen's compensation insurance, if and to the extent required by law.

The Board may, if it so elects, include in its insurance coverage for the benefit of the Unit Owners any or all of those items owned by the Unit Owners which would normally be deemed real estate under the laws of North Carolina, including, without limitation, such items as sheetrock, non-load bearing walls, doors and built-in appliances. If such items are included in the insurance coverage, the extra cost of such coverage shall be borne by the Unit Owners in the same ratio that applies to other assessments.

To the extent obtainable, public liability and property damage insurance in such limits as the Board may from time to time determine, shall be purchased, insuring each member of the Board; the manager, if any; and each Unit Owner against any liability to the public or to the Unit Owners (and their invitees, agents, and employees) arising out of or incident to the ownership and/or use of the Common Elements. The insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another insured. Such other insurance coverage shall also be obtained as the Board shall determine from time to time to be desirable and necessary.

9.3 Premiums. Premiums upon insurance policies purchased by the Board shall be paid by the Association.

9.4 Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Unit Owners and their mortgagees as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Board as insurance trustee under this Declaration. The sole duty of the Board as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes elsewhere stated or stated in the Bylaws and for the benefit of the Unit owners and their mortgagees in the following shares:

(a) Proceeds on account of damage to Common Elements - an undivided share for each Unit Owner, such share being the same as each Unit owner's undivided interest in the Common Elements.

(b) Proceeds on account of damage to Units shall be held in the following undivided shares: (i) when the building is to be restored - for the Unit Owners of damaged Units in proportion to the cost of repairing the damage suffered by each Unit Owner, which costs shall be determined by the Board; (ii) when the building is not to be restored - an undivided share for each Unit Owner, such share being the same as each Unit Owner's undivided interest in the Common Elements.

(c) In the event a mortgagee endorsement has been issued as to a Unit, the share of the Unit Owner shall be held in trust for the mortgagee and the Unit Owner as their interests may appear.

9.5 Carrier. The carrier of each type of insurance purchased by the Association shall be an insurance company authorized to do business in the State of North Carolina as selected, from time to time, by the Association.

9.6 Additional Coverage. Each individual Unit Owner shall be responsible for purchasing, at his own expense, including but not limited to, liability insurance with respect to his ownership and/or use of his Unit, coverage upon his own personal property, fire and other hazards, mortgage insurance and such other insurance as the respective Unit Owner deems necessary or desirable. Any insurance procured by any Unit Owner shall provided that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of proceeds that would otherwise be payable on the insurance purchased by the Unit Owner, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and shall assign the proceeds of such reduction to the Association.

ARTICLE 10

SPECIAL DECLARANT RIGHTS

10.1 Reservation of Special Declarant Rights. With respect to the Property described in Exhibits A and C for a period of ten (10) years from the date of this Declaration of Condominium, unless sooner released by Declarant, and subject to the provisions of § 47C-3-104 of the Act, Declarant hereby reserves unto itself, its successors and assigns, the following Special Declarant Rights:

(a) the right to complete the improvements indicated on the recorded plats and plans;

(b) the right to exercise any Development Right set forth in Article 11;

(c) the right to maintain, within the Condominium, sales offices, management offices, signs, advertising the Condominium, and models;

(d) an easement through the Common Elements or within the real estate which may be added to the Condominium for the purpose of making improvements within the Condominium and the exercise of any Development Right;

(e) the right to make the Condominium a part of a larger condominium; and,

(f) the right to appoint or remove any member of the Board during the Declarant Control Period.

The Declarant may exercise the Special Declarant Rights over any portion of the Condominium as it, in its discretion, deems necessary or appropriate.

ARTICLE 11

DEVELOPMENT RIGHTS

11.1 Declarant's Right To Add Additional Real Estate. Declarant expressly reserves the right to add the additional real estate to the Condominium. All or part of the additional real estate identified and described in Exhibit C may be added to the Condominium at different times, but no assurances are made in regard to the order in which such portions may be added. All such additions of additional real estate shall be completed within ten (10) years of the date of this Declaration of Condominium. No assurances are made regarding the boundaries of portions of additional real estate that may be added. Declarant shall have the unlimited right to assign some of the additional real estate, and improvements thereon, as Common Elements of Limited Common Elements. Declarant shall have no duty or obligation of any kind to add any or all of the additional real estate. If a portion of the additional real estate is added to the Condominium, Declarant shall not be under any obligation to add any further portion or portions of additional real estate to the Condominium. The method of adding the additional real estate to the Condominium shall be pursuant to § 47C-2-110 of the Act.

ARTICLE 12

CASUALTY DAMAGE

If all or any part of the Property shall be damaged or destroyed, the same shall be repaired or replaced and proceeds of insurance shall be the used and applied in accordance with the provisions of § 47C-3-113 of the Act.

ARTICLE 13

CONDEMNATION

In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Property, the same shall be repaired or restored and the awards paid on account thereof shall be used and applied in accordance with § 47C-1-107 of the Act.

ARTICLE 14

TERMINATION

The Condominium may be terminated only in strict compliance with § 47C-2-118 of the Act.

ARTICLE 15

AUTHORITY TO MORTGAGE

Any mortgage by the Association of the Common Elements shall have the assent of Unit Owners to which at least eighty percent (80%) of the votes in the Association are allocated.

ARTICLE 16

AMENDMENT

This Declaration may be amended only in strict compliance with § 47C-2-117 of the Act. Except as limited by § 47C-2-117(d) this Declaration may be amended only by the affirmative vote of, or a written agreement signed by, Unit Owners of Units to which at least seventy-five (75%) percent of the votes in the Association are allocated. No such amendment shall be effective until recorded in the Office of the Register of Deeds of Beaufort County, North Carolina.

ARTICLE 17

RIGHTS OF ELIGIBLE MORTGAGEES, MISCELLANEOUS PROVISIONS

17.1 Availability of Condominium Documents, Books, Records and Financial Statements. The Association shall, upon reasonable notification and during normal business hours, make available for inspection by Unit Owners and the Eligible Mortgagees and his insurers and guarantors of a mortgage on any Unit, current copies of the Declaration, the Bylaws, other Rules and Regulations governing the Condominium and the books, records and financial statements, if any, of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by an Eligible Mortgagee or insurer or guarantor of a mortgage. The Association shall, upon reasonable notification and during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, Bylaws, other Rules and Regulations governing the Condominium, and the most recent annual audited financial statement (if one is prepared).

17.2 Breach of Restrictions. In the event of a violation or a breach of any other restrictions contained in this Declaration or of any other covenants contained in this Declaration, the Bylaws or rules and regulations of the Association by any Unit Owner or Occupant, the Association shall have the right to proceed at law or in equity, or both, to compel compliance with the terms of or to prevent the violation or breach of this Declaration, the Bylaws, or rules and regulations of the Association. In addition to the foregoing, the Association, its Board or agents shall have the right, whenever there shall have been any violation of these restrictions, to enter upon the Property where such violation exists and summarily abate or remove the same at the expense of the Unit Owner, if after thirty (30) days' written notice of such violation it shall have not been corrected by the Unit Owner. Any such entry and abatement or removal shall not be deemed a trespass. The failure to enforce any right, reservation, or condition in this Declaration, the Bylaws, or rules and regulations however long continued, shall not be deemed a waiver of the right to do so thereafter, as to the same breach or as to a breach occurring prior or subsequent thereto, and shall not bar or affect its enforcement.

17.3 Right of First Refusal. The right of a Unit Owner to sell, transfer, mortgage or otherwise convey his interest in his Unit shall not be subject to any right of first refusal.

17.4 Rights of Eligible Mortgagee; Insurance Proceeds or Condominium Awards. With respect to mortgages held by or for the benefit of Eligible Mortgagees, no provision of this Declaration or the Bylaws shall be deemed to give a Unit Owner, or any other party, priority over any rights of an Eligible Mortgagee pursuant to its mortgage on said Unit Owner's Unit, in the cause of a distribution to said Unit Owner of insurance proceeds or condemnation awards for lessee to or a taking of Units and/or Common Elements.

17.5 Rights of Mortgagee; Amendment to Plans. The percentage of undivided interest of obligation of any Unit for purposes of determining shares of the Common Elements of the Condominium shall not be changed except in conformity with the Act and unless all holders of First Mortgages on individual Units have given their prior written approval.

17.6 Rights of Eligible Mortgagee.

17.6.1 Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation of the Property shall require the prior written consent of Eligible Mortgagees representing at least 67% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgagees. Except for any amendment to the Declaration made for the purpose of adding any property pursuant to the Special Declarant Rights, any amendment to the Declaration or the bylaws which changes any of the following shall require the prior written consent of Eligible Mortgagees representing at least 51% of the votes allocated to Units:

(a) voting rights;

(b) assessments, assessment liens or subordination of such liens;

(c) reserves for maintenance, repair and replacement of Common Elements;

(d) insurance or fidelity bonds;

(e) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium other than by virtue of Special Declarant Rights;

(f) decision by the Association to establish self-management when professional management has been required previously by an Eligible Mortgagee;

(g) restoration or repair of the Condominium after hazard, damage or partial condemnation in a manner other than specified in the Declaration;
repairs;

(h) responsibility for maintenance or

(i) boundaries of any Unit;

(j) reallocation of interest in Common Elements or Limited Common Elements or rights to their use;

(k) convertibility of Units into Common Elements or vice versa;

(l) leasing of Units;

(m) imposition of any restriction on a Unit owner~s right to sell or transfer his Unit;

(n) any action to terminate the legal status of the Condominium after substantial construction or condemnation occurs;

(o) a provision for express benefit of mortgage holders, insurers or guarantors.

17.6.2 Upon written notice to the Association, Eligible Mortgagees, insurers and guarantors shall be entitled to written notice of: (i) the condemnation or any casualty loss affecting a material portion of the Condominium or a Unit securing its mortgage; (ii) a sixty (60) day delinquency in payment of assessments or charges owed by a Unit Owner of such Unit; (iii) a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or (iv) proposed action requiring consent of specified percentage of Eligible Mortgagees, insurers and guarantors.

ARTICLE 18

WATER AND SEWER CHARGES

Any water supplied to all the Units and the Common Elements through a master water meter shall be a Common Expense of the Association. Sewer charges, if any, shall be considered a Common Expense and paid for by the Association.

ARTICLE 19

GENERAL PROVISIONS

19.1 Construction. In interpreting any and all provisions of this instrument, the exhibits attached hereto, and subsequent deeds and deeds of trust covering individual Units, the actual location of the Unit shall be deemed conclusively to be the Property intended to be conveyed reserved or encumbered notwithstanding any minor deviations either horizontally or vertically, from the locations indicated on the architectural plans, or in minor variations in the description of the Unit contained herein. To the extent that such minor deviations in location do or shall exist, a valid easement therefore and for the maintenance thereof does and shall exist.

19.2 Invalidity. The invalidity of any provisions of this Declaration shall not be deemed to impair or affect in any manner the validity and enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein.

19.3 Waiver. No provisions contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

19.4 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way to define, limit or describe the scope of this Declaration nor the intent of any provisions hereof.

19.5 Law Controlling. This Declaration and the Bylaws shall be construed and controlled by and under the laws of the State of North Carolina.

19.6 Definition of Terms. Any terms used herein which are defined in the North Carolina Condominium Act shall have the meaning specified in said Act unless a contrary intent clearly appears.

19.7 Merger of Units. Nothing hereinbefore set forth in this Declaration shall be construed as prohibiting the Board from removing or authorizing removal of any common wall between Units, or any portion thereof, between any Units in order that the said Units might be used together as one Unit. If a Unit Owner desires to sell, transfer or convey title to the original component Units of any previously merged Units, such Unit Owner shall have the sole obligation to restore or repair the common wall between such Units as nearly as practicable in accordance with the architectural plans and specifications.

19.8 Warranties and Representations. The Declarant specifically disclaims any intent to have made any warranty or representation in connection with the Property or the Condominium documents, except as specifically set forth herein, and no person shall rely upon any warranty or representation not so specifically made therein. Any estimates of Common Expenses, taxes or other charges are based on information deemed reliable by the Declarant, and therefore accurate as a projection, but no warranty or guaranty is made or intended to be made, nor may one be relied upon.

19.9 Covenants. All provisions of this Declaration and exhibits attached hereto and amendments hereof, shall be construed to be covenants running with the land, and of every interest therein, including but not limited to the appurtenances thereto, including Unit Owner and claimant of this of any interest therein, his heirs, executors, administrators, successors and assigns, shall be bound by all of the provisions of said Declaration and any amendments, exhibits annexed hereto.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first above written.

HARBOUR POINTE ASSOCIATES, INC.
a North Carolina corporation

By: _____
_____ President

ATTEST:

_____
_____ Secretary

[corporate seal]