



FOR REGISTRATION REGISTER OF DEEDS
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**DECLARATION
SELLAR'S COVE
CONDOMINIUM
PHASE I**

RETURNED TO
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To Declaration of Sellar's Cove Condominium

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CONSENT AND SUBORDINATION OF MORTGAGEE

NORTH CAROLINA

**DECLARATION OF
SELLAR'S COVE
CONDOMINIUM
PHASE I**

NEW HANOVER COUNTY

SELLAR'S COVE, LLC, a North Carolina limited liability company, as Developer and hereinafter referred to as "Declarant," does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of Sellar's Cove Condominium, being the property and improvements hereinafter described.

WITNESSETH:

WHEREAS, Developer is the owner of the fee simple title to that certain real property situated in New Hanover County, North Carolina, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, 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 property.

WHEREAS, Developer does hereby submit the above-described property, the buildings located thereon and all other improvements to condominium ownership under the provisions of Chapter 47C of the General Statutes of North Carolina (North Carolina Condominium Act), and hereby declares the same to be a condominium to be known and identified as "SELLAR'S COVE," sometimes hereinafter referred to as the "Condominiums."

WHEREAS, Developer desires to submit all of said property to the Act.

NOW, THEREFORE, Developer, as the owner of said property, hereby declares as follows:

ARTICLE I

Definitions

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

1.1 Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

1.2 Additional Real Estate. The real estate described in Exhibit A-1 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.

1.3 Allocated Interests. Allocated Interests shall mean the undivided interests in the Common Elements, common expense liability, and the votes in the Association allocated to each Unit.

1.4 Association. Sellar's Cove Condominium Association, Inc., a nonprofit corporation organized under Section 47C-3-101, North Carolina General Statutes.

1.5 Board. The Executive Board of the Association.

1.6 Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference, and attached as Exhibit B.

1.7 Common Elements. All portions of the Condominium except the Units and Garage Units. Limited Common Elements are Common Elements. "Common Elements" shall include the completed permanent water retention areas, if any, as shown on the Plat (the "Water Quality Device") and all private streets, roads and drives, if any, shown on said plats as now recorded or shall be recorded in the New Hanover County Register of Deeds.

1.8 Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, including but not limited to, any allocations to reserves and expenses of administration, maintenance, repair or replacement of the Common Elements.

1.9 Condominium. The condominium created by this Declaration.

1.10 Declarant. Developer and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration except First Mortgagees and except persons whose interests in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declarant Rights as defined in Section 47C-1-103(23) of the Act.

1.11 Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of the following:

(i) the date two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business, or

(ii) the date upon which Declarant surrenders control of the Condominium, or

(iii) the date one hundred twenty (120) days after the Declarant has conveyed seventy-five percent (75%) of the Units in all phases (including Units annexed by Supplemental Declaration and Garage Units.) to Unit Owners other than a Declarant, or

(iv) the date two (2) years after any development right to add new Units was last exercised by Declarant, or

(v) seven (7) years after the first Unit was conveyed to a Unit Owner.

1.12 First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust that has been recorded so as to give constructive notice thereof, and which is a first lien on the Units described therein. A First Mortgagee is the holder, from time to time, of a First Mortgage as shown by the records of the Office of the Register of Deeds of New Hanover County, North Carolina, including the Federal National Mortgage Association and a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration.

1.13 Garage Unit. Garage Units, as designated on the plats, may only be owned and used, except as provided for herein, by owners of Units in Sellar's Cove, and may be used solely for storage of a Unit Owner's or occupant's vehicles and/or personal property. No commercial use may be made of any Garage Unit. A Garage Unit Owner may only lease their Garage Units to an occupant of a Unit in Sellar's Cove. The term "Garage Unit Owner" and "Unit Owner" will be synonymous if a Unit Owner also owns a Garage Unit.

1.13 Limited Common Elements. Those portions of the Common Elements allocated by this Declaration or any amendments thereto, the Plans or by operation of Section 47C-2-102(2) or (4) of the Act for the exclusive use of one or more, but fewer than all, of the Units, including, but not limited to, any deck, porch, balcony, patio, attic, storage shed or detached garage.

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

1.16 Plans. The plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended, and described on Exhibit C.

1.17 Plat. The survey plat depicting the Condominium and the location of the buildings on the Property recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended, and described on Exhibit C.

1.18 Property. The real estate described on Exhibit A, and the real estate described on Exhibit A-1 to be added by Declarant pursuant to Article III hereof, 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.

1.19 Rules and Regulations. The rules and regulations of the Condominium promulgated by the Executive Board from time to time.

1.20 Special Declarant Rights. The rights as defined in Section 47C-1-103(23) of the Act for the benefit of a Declarant, including, but not limited to, the following: to complete the

improvements indicated on the Plans; to build a pool and pool house/club house or other amenities for the development, and amend the association dues to provide for maintenance and upkeep of the same; to maintain sales offices, management offices, models and signs advertising the Condominium on the Property; to exercise any development right as defined in Section 47C-2-110 of the Act, including the right to add additional property or withdraw portions of property from the Condominium; to use easements over the Common Elements; to elect, appoint or remove members of the Board during the Declarant Control Period; and to make the Condominium part of a larger condominium.

1.21 Unit. A portion of the Condominium designated for separate ownership or occupancy, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit D. Each Unit is designated and delineated on the Plans. The term Unit may include "Garage Unit", if context requires.

1.22 Unit Boundaries. The boundaries of each Unit/Garage Unit, both as to vertical and horizontal planes, as shown on the Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceiling facing the interior of the uppermost level of the Unit, and the topmost surfaces of the subflooring of the lowest level of the Unit, and include the decoration on all such interior and topmost surfaces, including, without limitation, all paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within such boundaries. Also included as a part of the Unit shall be those portions of the heating and air conditioning system for the Unit which are located within the perimeter walls of the Unit and those portions of the heating and air conditioning system serving such Unit but located in the Common Elements, wherever located.

1.23 Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple. The term Unit Owner may include a Garage Unit Owner as required by context. The term Unit may include "Garage Unit", if context requires.

ARTICLE II

Submission of Property to the Act

2.1 Submission. Developer hereby submits the Property to the Act.

2.2 Name. The Property shall hereafter be known as Sellar's Cove Condominium.

2.3 Division of Property into Separately Owned Units. Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property (Phase I) into thirty-three (33) Units and eight (8) Garage Units, all designated for separate ownership, subject however, to the provisions of Section 2.4 hereof. Each Unit has been assigned an Identifying Number as shown on Exhibit C and listed on Exhibit

D, and no Unit bears the same Identifying Number as any other Unit in that Building. The Condominium Plat is recorded in Condominium Map Book 17, beginning at Page 257, New Hanover County Registry.

2.4 Alteration of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of Sections 47C-2-111, 47C-2-112 and 47C-2-113 of the Act.

2.5 Limited Common Elements. The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit, and include the following:

(a) Any shutters, awnings, window boxes, doorsteps, exterior doors, window frames, panes, screens and stoops designed to serve a single Unit but located outside the Unit's boundaries are allocated exclusively for the use of that Unit.

(b) Any entrance breezeway, stairway, hall and landing located in any building is reserved for the use of and allocated to the Unit Owners of Units in that Building, their families, guests, invitees and lessees.

(c) Any storage shed designed to serve a single Unit and/or multiple Units located in a structure detached from the Units and designated as being for the specific use of an identified Unit.

2.6 Allocated Interests. The allocation to each Unit of a percentage of undivided interest in the Common Elements and of a percentage of the Common Expenses, is as stated on Exhibit D. The allocation of undivided interests in the Common Elements and of the Common Expenses has been determined by a ratio formulated upon the relation that the square foot area of each Unit bears to the then aggregate square foot area of all Units. The votes in the Association are equally allocated to all Units with each Unit Owner having one (1) vote for each Unit owned.

2.7 Use of Common Elements. Each Unit Owner shall have the right to use the Common Elements, with the exception of the limitations set forth in Article V, in accordance with the purposes for which they are intended, and for all purposes incident to the use and occupancy of the Unit Owner's Unit, including unrestricted ingress and egress to and from the Owner's Unit, and such right shall be appurtenant to and run with the Unit; provided, however, that no person shall use the Common Elements or any part thereof in such a manner as to interfere with or restrict or impede their use by others entitled to their use, or in any manner contrary to or not in accordance with this Declaration, Bylaws and the Rules and Regulations.

2.8 Encumbrances. The liens, defects and encumbrances affecting the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on Exhibit E.

2.9 Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights.

ARTICLE III

Development Rights

3.1 Declarant's Right to Add Additional Real Estate. Declarant expressly reserves the right for a period of seven (7) years from the date of recording this Declaration to add the Additional Real Estate to the Condominium and to create on the Additional Real Estate, Units, Garage Units, amenities, Common Elements and Limited Common Elements without the consent of any Unit Owner or Mortgagee. All or part of the Additional Real Estate identified and described on Exhibit A-1 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. Declarant is not obligated to add all of the Additional Real Estate. The method of adding the Additional Real Estate to the Condominium shall be pursuant to Section 47C-2-110 of the Act.

3.2 Maximum Number of Additional Units; Units Restricted to Residential Use. The maximum number of additional Units that may be created within the Additional Real Estate is sixty-six (66) and the total number of Units in the Condominium shall not exceed ninety-nine (99), excluding up to 36 Garage Units that may be built. The maximum number of additional Garage Units that may be created within the Additional Real Estate is twenty-eight (28) and the total number of Garage Units in the Condominium shall not exceed thirty-six (36). All of such Units will be restricted exclusively to residential use, excluding Garage Units, which shall be used solely for the Garage Unit Owner's, or a Tenant in the Garage Unit Owner's Unit, vehicles and personal property storage.

3.3 Compatibility of Style, Etc. It is the Declarant's present intent that any buildings and Units that may be erected upon the Additional Real Estate or a portion thereof will be compatible with the other buildings and Units in the Condominium in terms of architectural style, quality of construction, principal materials employed in construction, and size. Declarant, however, expressly reserves the right to change the architectural style and size of any buildings and Units that may be erected upon the Additional Real Estate.

3.4 Subdivision of Units. Declarant hereby reserves the right for seven (7) years from the date of recording of this Declaration to subdivide an existing Unit owned by Declarant into two or more new Units, or into two or more new Units and new Common Elements and/or Limited Common Elements, without the consent of any Unit Owner or mortgagee. Declarant's right under this Paragraph 3.4 shall apply to Units created under this original Declaration, as well as to Units which may be created on any additional real estate added to the Condominium pursuant to Paragraph 3.1 of this Article, if the amendment adding such real estate so provides. If Declarant elects to exercise its right to subdivide Units, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenance to the original Unit between or among the new Units created by the subdivision of the Unit in proportion to the number of square feet of heated floor area contained in each new Unit.

3.5 Conversion of Units to Common Elements. Declarant hereby reserves the right for seven (7) years from the date of recording of this Declaration to convert an existing Unit or

Units owned by Declarant entirely to Common Elements, without the consent of any Unit Owner or mortgagee. Declarant's right under this Paragraph 3.5 shall apply to Units created under this original Declaration as well as to Units and Garage Units that may be created on any Additional Real Estate added to the Condominium pursuant to Paragraph 3.1 of this Article III, if the amendment adding such real estate so provides. If Declarant elects to exercise its right to convert Units to Common Elements, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenant to the former Unit(s) equally among the remaining Units in the Condominium.

3.6 Method of Exercising Development Rights. In the event Declarant exercises any of its development rights under this Article III, Declarant shall prepare, execute with the same formalities as a deed, and record an amendment to this Declaration in the public records of New Hanover County, North Carolina, such amendment to refer specifically to the recording data identifying this Declaration. Such amendment shall assign an Identifying Number to any new Units created thereby, describe any new Common Elements and Limited Common Elements created thereby and, in the case of the latter, designate the Unit(s) to which such Limited Common Elements are reserved. If appropriate, the amendment shall reallocate the Allocated Interest in the Common Elements among all Units then located in the Condominium. In that event, the Allocated Interest of each Unit shall be determined in the manner prescribed in Article 3.10 based generally on the number of Units and their area then comprising the Condominium, and the reallocation shall become effective upon recording the amendment.

In addition to the execution and recordation of the amendment to the Declaration described above, Declarant shall record in the public records of New Hanover County either new plats and plans of the Condominium evidencing the changes effected by Declarant's exercise of its development rights, or new certifications of the plats and plans previously recorded if the Condominium continues to conform to those plats and plans.

Each Unit Owner shall be deemed by his acceptance of the deed to a Unit or Garage Unit to have consented to the Development Rights reserved in this Article and to any amendments previously or thereafter executed by Declarant pursuant to this Article and to Article XIV hereof. Except as provided in this Declaration, the Allocated Interest in the Common Elements appurtenant to each Unit or Garage Unit shall not be changed except with the unanimous consent of all Unit Owners and with the consent of all of the First Mortgagees, as defined in Article I hereof, holding first mortgages or deeds of trust on the Units or Garage Units.

Any and all of the Development Rights reserved under this Article III may be exercised as to any, all or none of the real estate described in Exhibit "A" and Exhibit "A-1" of this Declaration, at different times and from time to time, and in any sequence, all in the sole discretion of the Declarant.

3.7 Applicability of Restrictions, Etc. All restrictions in this Declaration and the Bylaws affecting use, occupancy and alienation of Units will apply to any and all additional Units or Garage Units that may be created within the Additional Real Estate or by subdivision of Units.

3.8 Other Improvements and Common Elements. In addition to the buildings, Units, and Garage Units that may be erected upon the Additional Real Estate or a portion thereof, the other improvements and Common Elements that may be made or created upon or within the Additional Real Estate or each portion thereof which may be added to the Condominium will be generally similar in quality and quantity to the improvements and Common Elements located in the Condominium.

3.9 Applicability of Assurances to Additional Real Estate. The assurances made in this Article III will apply with respect to any Additional Real Estate that is added to the Condominium.

3.10 Allocation of Interest in Common Elements and Common Expenses. At such time as Declarant adds the Additional Real Estate to the Condominium, the percentage interest of each Unit Owner in the Common Elements and the Common Expenses will be determined by a ratio formula based generally on the number of Units and the relation that the square foot area of each Unit in the Condominium bears to the aggregate square foot area of all Units in all phases having an interest in the Common Elements. Garage Units, if built, will be assigned an interest also based generally on the number of all Units and the relation that the square foot area of each Unit in the Condominium bears to the aggregate square foot area of all Units and Garage Units in all phases having an interest in the Common Elements

3.11 Withdrawal of Property. Declarant hereby reserves for seven years from the date of recording of this Declaration the right to withdraw Property from the Condominium without the consent of any Unit Owner or First Mortgagee but subject to prior approval by the City of Greensboro Planning Department. Declarant's right to withdraw Property under this Section 3.11 presently extends to the real estate described on Exhibit A attached hereto; provided, however, that if and as the Additional Real Estate is added to the Condominium pursuant to Section 3.1, Declarant's right to withdraw under this Section 3.11 shall extend to each piece of Additional Real Estate so added.

In the event Declarant elects to exercise its right to withdraw real estate from the Condominium, Declarant shall file an amendment to this Declaration pursuant to Section 3.6 above reallocating Interests in the Common Elements of each Unit remaining in the Condominium. The Allocated Interests shall be determined by a ratio formulated based on the relation that to the approximate square footage of each remaining Unit will bear to the aggregate square footage of all remaining Units.

ARTICLE IV

Grant and Reservation of Easements and Licenses

4.1 The Common Elements shall be, and the same are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all Unit Owners, all Phases of the development, and Occupants for their use and the use of their immediate families, guests and invitees, for all proper and normal purposes, including access, parking, and for the furnishing of

services and facilities for which the same are reasonably intended, for the enjoyment of said Unit Owners. Notwithstanding the foregoing or anything provided herein to the contrary, the Association and Board shall have the right to establish the Rules and Regulations pursuant to which a Unit Owner or Occupant, his family, guests and invitees, may be entitled to use the Common Elements and Limited Common Elements.

4.2 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 any Unit or the Common Elements now or hereafter encroaches upon any part of any other Unit or any part of Common Elements, 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.

4.3 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 and Garage Units, whether or not such walls lie in whole or in part within the boundaries of any Unit or Garage Unit.

4.4 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, Garage Unit, or the Common Elements to inspect, 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. Damage caused by the use of such easements shall be promptly repaired at the expense of the party causing such damage.

4.5 Easements for Utilities. The Units, Garage Units, and Common Elements shall be, and are hereby, made subject to easements in favor of the Declarant (until Declarant shall have satisfied all of its obligations under the Declaration and Bylaws and all commitments in favor of any Unit Owner and the Association), the Association, appropriate utility and service companies and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements provided for by this Section 4.5 shall include, without limitation, rights of Declarant, the Association, any providing utility, any service company, and any governmental agency or authority and any of them to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electrical wires, conduits and equipment and ducts and vents and any other appropriate equipment and facilities over, under, through, along and on the Units, Garage Units, and Common Elements. Notwithstanding the foregoing provisions of this Section 4.5, unless approved in writing by the Unit Owner or Unit Owners affected thereby, any such easement through a Unit or Garage Unit shall be located either in substantially the same location as such facilities or similar facilities existed at the time of first

conveyance of the Unit or Garage Unit by the Declarant to a grantee other than the Declarant, or so as not to materially interfere with the use or occupancy of the Unit or Garage Unit by its Occupants or Users.

4.6 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 Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purpose.

4.7 Easement for Storm Water Retention. The Common Elements shall be and are hereby made subject to easements in favor of the Declarant, its successors and assigns, for the installation, maintenance, repair, relocation, replacement and use of storm water lines, pipes, conduits, mains and retention pond facilities and other appropriate equipment and facilities related to storm water drainage. The easements provided for in this Section 4.7 shall be for the benefit of the Property and other nearby property owned at any time hereafter by Declarant.

4.8 Easements To Run With Land. All easements and rights described in this Article IV are appurtenant easements running with the land, and except as otherwise expressly provided in this Article IV shall be non-exclusive and perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, First Mortgagees and any other person having any interest in the Condominium or any part 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 IV, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE V

Restrictions, Conditions and Covenants

5.1 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 Bylaws, the Articles of Incorporation of the Association, and Rules and Regulations promulgated by the Board or the Association, as amended from time to time. 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. The acceptance of a deed conveying title to a Unit or entering into a lease or occupancy of any Unit shall constitute an agreement that the Owner and any Occupant accepts and ratifies the provisions of this Declaration, the Bylaws and the Rules and Regulations.

5.2 Administration of Condominium. To efficiently and effectively provide for the administration of the Condominium by the Unit Owners, a nonprofit North Carolina corporation known as Sellar's Cove Condominium Association, Inc. (the "Association") 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 Bylaws. The Unit Owner(s) of each Unit and Garage Unit shall automatically become members of said Association upon his, her, their or its acquisition of an ownership interest in title to any Unit and its Allocated Interest in the Common Elements, and the membership of such Unit Owner(s) shall terminate automatically upon such Unit Owner(s) being divested of such ownership interest in the title to such Unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrances upon any 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 XVII hereof. In the administration of the operation and management of the Condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, 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 Units and Common Elements as the Board may deem to be in the best interests of the Association, including, without limitation, the following: (i) rules limiting the right of Unit Owners to keep domestic pets in Units; (ii) assignment of parking spaces; and (iii) rules concerning the use of the Units and Garage Units, charges for use of amenities, and fines.

In addition, the Association shall have and is hereby granted the authority and power, upon and subject to such terms and conditions as the Association in its sole discretion deems appropriate, to grant easements, leases, licenses and concessions through, over or with respect to the Common Elements without a vote or the consent of the Unit Owners, including permanent and temporary easements for portions of Common Elements to be used for wiring or installation of satellite dish systems upon conditions which may include the condition that acceptance by any Unit Owner of such an easement for the benefit of that Unit Owner's Unit shall be deemed consent (i) to the right of the Association to suspend such easement during any period in which any obligation of the Unit Owner to the Association is delinquent and, upon such suspension, to remove or disable any part of the system affixed to any Common Element; (ii) to the right of the Association to terminate the easement at any time upon a period of notice, if any, fixed in the grant and the obligation of the Unit Owner, upon such termination, to remove from the Common Elements any portions of such system designated by the Association; (iii) that the Unit Owner shall, at the option of the Association, perform or reimburse the Association for the cost of any maintenance or repair of Common Elements made necessary as the result of the installation, use, presence or removal of the system, including removal by the Association; (iv) that the Unit Owner shall reimburse to the Association any incremental cost of insuring Common Elements which results from the installation or maintenance of the system; and (v) that any amount owing to the Association for such reimbursement and not paid when due shall be assessed exclusively against such Unit and the assessment shall be the personal obligation of the Unit Owner and a lien against such Unit to the same extent provided under Article IV of this Declaration.

No rules or regulations, other than those set forth herein, may be instituted that primarily affect only the Garage Units and Garage Unit Owners, unless the same are affirmatively approved by at least fifty-one percent (51%) of the Garage Unit Owners.

5.3 Use Restricted; Use by Declarant.

(a) The Units shall be occupied and used by Unit Owners and Occupants for single-family residential purposes, including home professional uses which (i) do not use any signage that is visible from the exterior of the Unit, (ii) do not involve regular visits from public or commercial vehicles, and (iii) do not involve levels of mail, shipping, trash or storage that would unreasonably burden other Unit Owners. No Garage Unit may, under any circumstances, be used for any purpose other than parking for vehicles and storage of personal property.

(b) No signs including "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board; provided that this restriction shall not apply to the Declarant. Notwithstanding the foregoing restriction, "For Sale" signs may be displayed in front of a Unit for a reasonable time, such sign not to exceed 3 feet by 2 feet in size.

(c) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, Declarant shall have an easement to maintain sales offices and models for sales of Units throughout the Condominium and for the sale of residential houses, condominium units and garage units that Declarant develops or plans to develop on land adjacent to or in the general vicinity of the Condominium and management offices. Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, for not more than seven (7) years after the last of the Units has 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 and/or management offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed five (5), and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(d) Declarant shall also have an easement to maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

(e) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, the Association may maintain an office in the Condominium for management of the Condominium.

5.4 Hazardous Use and Waste. Nothing shall be done to or kept in any Unit or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium without the prior written consent of the Board. No Unit Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse, or destruction) to or in his Unit or the Common Elements.

5.5 Alteration of Units. Subject to the terms of this Declaration and any rules or regulations promulgated by the Board or Association, a Unit Owner may:

(1) make any improvements or alterations to his Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium; and

(2) after acquiring an adjoining Unit and obtaining the prior written consent of the Board, remove or alter any intervening partition or create apertures therein, even if the partition is a Common Element, if these acts do not impair the structural integrity or electrical and mechanical systems or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this Section is not an alteration of Unit Boundaries.

5.6 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, 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.

5.7 Prohibition of Renting for Transient or Hotel Purposes. No Unit Owner shall rent his Unit for transient or hotel purposes, which, for the 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 lease an entire Unit, shall be in writing, shall be for a period in excess of 30 days, and shall be subject to this Declaration, the Bylaws and any Rules and Regulations, 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 notify the Association of the name and address of each lessee, the Unit rented, and the term of the lease. Other than the foregoing restrictions, each Unit Owner shall have the full right to lease his Unit.

5.8 Pets. Only small domestic pets shall be allowed in the Condominium. For the purposes of this paragraph, "domestic pets" shall be defined solely as small dogs, cats or birds. Except for the foregoing, no other animals, livestock or poultry of any kind shall be raised, bred or kept on the Property. The Rules and Regulations may further address the right to have pets.

5.9 Television, Aerials, Antennas and Satellite Dishes. No radio, television or other aerial, antenna, satellite dish, tower or other transmitting or receiving structure or support thereof, of whatever size, shall be erected, installed, placed or maintained within the Condominium unless so erected, installed, placed or maintained entirely out of sight within a Unit; provided, however, television dishes 24 inches or less in diameter may be installed by a Unit Owner on the balcony or patio comprising a Limited Common Elements of his or her Unit provided such dish is installed out of sight in a location approved by the Board. Prior to installing a television dish, a Unit Owner must submit to the Board for its approval the proposed location for the television dish within sixty (60) days prior to the proposed installation. The

Board, in its sole discretion, may approve or disapprove of the proposed location of the dish. If the Board disapproves of the proposed location of the dish, the Board shall provide to the Unit Owner a suggested alternate location for the dish that will be acceptable to the Board.

5.10 Parking. No tractor-trailer, mobile home or trailer (either with or without wheels), camper, camper trailer, boat or other watercraft, boat trailer or any other recreational vehicle shall be parked on any portion of the Common Elements. The foregoing restriction shall not apply to sales trailers, construction trailers or other vehicles which may be used by Declarant and its agents and contractors in the conduct of their business prior to completion of the Condominium, and shall not apply to service vehicles which are temporarily parked while service contractors are providing temporary service work in one or more Units in the Condominium or on the Common Elements.

Permitted vehicles shall be parked or stored in or upon the Common Elements only in an area provided by the Association for such storage and subject to rules and regulations and fees charged by the Association, and shall not be parked or stored within any street right-of-way. The Declarant reserves the right to designate parking spaces and to delegate to the Board the authority to designate parking spaces for each Unit. No Unit Owner or Occupant shall repair or restore any vehicle of any kind upon the property, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility. Each parked vehicle must display a valid current license plate and inspection sticker and must not be larger than a standard parking space at the Condominium.

5.11 Exterior and Visible Interior Improvements.

(a) No awnings, shades, screens or other item shall be attached to, hung or used on the exterior of any window or door of a Unit or on the exterior of any building without the prior written consent of the Board, including the location or construction of fences and the planting or growing of flowers, trees, shrubs or other vegetation. All shades, blinds, drapery linings and other window treatments visible from the exterior of a Unit on any window or door shall be white or off-white. Outside clothes lines or other outside facilities for drying or airing clothes are specifically prohibited and shall not be erected, placed or maintained on any portion of the Condominium, nor shall any clothing, rugs, or any other item be hung on any railing or fence enclosing any balcony, porch, patio or deck.

(b) No Unit Owner or Garage Unit Owner shall install any electrical or telephone wire, television antenna, cabling of any sort, air conditioning unit, or other machine anywhere on the Condominium, a Unit, or a Garage Unit in such a fashion that it is visible anywhere outside of a Unit or Garage Unit.

(c) As a condition to granting approval for any request to make alterations described herein, the Board or Association may require that the Unit Owner requesting the alteration or improvement be liable for all costs of maintaining, repairing and insuring the approved alteration or improvement. If such a condition is imposed, the Unit Owner shall evidence his consent thereto by a written document in a recordable form satisfactory to the Board

or Association. Thereafter, the Unit Owner and any subsequent Owner is deemed to covenant and agree that the cost of maintaining, repairing and insuring the approved alteration shall be a part of the annual assessment or charge set forth in Article VI, and subject to the lien rights described in said Article.

5.12 Prohibitions on Use of Common Elements. Except with specific written approval of the Board, the Common Elements, including Limited Common Elements, shall not be used for temporary or permanent storage or supplies, personal property, trash or refuse of any kind, other than in common trash receptacles placed at the discretion of the Board, nor shall such areas be used in any way for the drying or airing of clothing, rugs, or other fabric. Entrances, sidewalks, yards, driveways, parking areas and stairways shall not be obstructed in any way. No activities shall be carried on nor condition maintained by any Unit Owner, either in his Unit or upon the Common Elements, if such activities should despoil, or tend to despoil, the appearance of the Property. No "garage", "attic sales" or "yard sales" shall be permitted outside of a Unit. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all Unit Owners of the Property and is necessary for the protection of the Unit Owners and is enforceable by the Board or by any one or more Unit Owners through the Board.

5.12 Nuisances. No nuisances shall be allowed upon the Property and no person shall engage in any use, practice or activity upon the Property that is noxious, offensive or a source of annoyance to Unit Owners or their tenants or which reasonably interferes with the peaceful possession and proper use of the Property by any Unit Owner and/or tenants. No exterior speakers, horns, whistles, bells or other sound devices except security devices used exclusively for security purposes, shall be located, used or placed on the Property. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist. Any Unit Owner or Occupant who shall dump or place (or permit his family, tenants, guests or agent to do so) any trash or debris upon any portion of the Property shall be liable to the Association for the actual cost of removal thereof or the sum of \$150.00, whichever is greater, and the same shall be added to and become a part of the assessment next coming due to which the Unit Owner of his Unit is subject. No Unit Owner or Occupant shall permit any use of a Unit or of the Common Elements that will increase the rate of insurance upon the Property. The Association and its agent shall have the right to remove any item or items left outside a Unit on the Common Elements or hanging from a balcony.

5.14 Lawful Use. No immoral, improper or unlawful use shall be made of the Property or any part thereof. All valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction thereof shall be observed.

5.15 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 and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

5.16 Restrictions, Conditions and Covenants To Run With Land. Each Unit Owner, garage 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, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE VI

Assessments

6.1 Assessment Liens. The Association has the power to levy assessments against the Units and Garage Units for Common Expenses. Such assessments shall be a lien on the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit sold, or a money judgment obtained against the persons liable therefore, all set forth in the Bylaws.

6.2 Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless said delinquent assessments are expressly assumed by said transferee.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to Section 6.13 below, 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.

(c) Where a First Mortgagee, or other person claiming through such First 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 First 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.

(d) Without releasing the transfer from any liability therefore, any unpaid portion of assessments which is not a lien under (b) above or, resulting, as provided in (c) 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 (b) above and the First Mortgagee or other such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.

6.3 Calculation of Assessments. Unless specifically otherwise provided for in this Declaration, all assessments made by the Association shall be in such an amount that any assessment made against all Unit Owners and their Units as the Allocated Interest in the Common Elements appurtenant to each Unit bears to the total Allocated Interest in the Common Elements appurtenant to all Units;

Unless specifically otherwise provided for in this Declaration, all assessments made by the Association shall be in such an amount that any assessment made against all Garage Unit Owners and their Garage Units as the Allocated Interest in the Common Elements appurtenant to each Garage Unit bears to the total Allocated Interest in the Common Elements appurtenant to all Garage Units;

In the event that utility services which are provided to Unit Owners are charged to and paid for by the Association, the cost of such utilities shall be a party of Common Expenses and levied against each Unit Owner in proportion to his Unit's/Garage Unit's share of the Allocated Interest, or in such other proportions as the Executive Board, in its sole discretion, may determine; any portion of the Common Expense, including expense for utility service, which was incurred for the benefit of fewer than all Unit Owners may be assessed solely against the Unit Owner or Owners benefited in such proportions as the Board, in its sole discretion, shall determine; and

Provided that, until the end of the Declarant Control Period, as defined in Section 1.11, and notwithstanding any other provision of this Declaration, any assessment levied on a Unit/Garage Unit owned by Declarant shall: (1) if at the time of such levy no certificate of occupancy has been issued for that Unit, be twenty-five percent (25%) of the amount computed based on the Allocated Interest appurtenant to such Unit; and (2) if at the time of levy a certificate of occupancy for that Unit has been issued, be fifty percent (50%) of the amount computed based on the Allocated Interest appurtenant to such Unit; and

Provided further that, if the Common Expense incurred by the Association shall exceed the assessments herein provided for any period in which the assessment levied as to Units owned by Declarant shall be reduced pursuant to this Section 6.3, then Declarant shall indemnify and hold the Association harmless as to such deficit.

6.4 Payment of Assessments. Assessments provided for herein shall be payable in monthly or quarterly installments or such other installments as may be determined by the Board of the Association. Such assessments shall commence for each Unit/Garage Unit upon the conveyance of the Unit/Garage Unit by the Declarant, or its successor.

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 of such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the lesser of the rate of eighteen percent (18%) per annum or the maximum rate permitted by applicable law until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, shall be subject to such reasonable late charge not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any unpaid assessment per month for each monthly assessment in arrears. All monies owing to the Association shall be due and payable at the principal office of Association in the State of North Carolina, or at such other address as the Association may designate from time to time by notice in writing.

6.5 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.

6.6 Special Assessments. In addition to the annual assessment authorized above, the Board 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 Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Unit Owners of Units to which two-thirds (2/3rds) of the Allocated Interest in the Common Elements are assigned, voting in person or by proxy at a meeting duly called for such purpose.

6.7 Individual Specific Assessments. Any expenses incurred by the Association because of the actions of one or more Owners or occupants of an Owner's Unit, or because of their failure to act, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration or rules and regulations adopted hereunder, and any fines as may be imposed against an Owner in accordance with this Declaration will be specifically assessed as a Specific Assessment against each such Owner and the Owner's Unit.

6.8 Procedure for Establishing a Budget.

(a) The Board 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 Unit). A separate budget shall be established for the Garage Units and the residential Units. Such budgets shall project all expenses for the forthcoming year which may be required for the allowance for contingencies and reserves, and the budgets 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 shall keep separate, in accordance with paragraph 6.8 of this Article VI items relating to operation and maintenance from items relating to capital improvements. Within thirty (30) days after adoption of the budget by the Board, the Board shall provide a copy of said budget or a summary thereof to each Unit Owner and shall set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen (14) or more than thirty (30) days after mailing of the budget or summary to the Unit Owners. There shall be no requirement that a quorum be present at the meeting. The budget for the Units shall be deemed ratified unless at the meeting the Unit Owners entitled to cast seventy-five percent (75%) of the votes of the Association reject the budget. The budget for the Garage Units shall be deemed ratified unless at the meeting the Garage Unit Owners entitled to cast seventy-five percent (75%) of the votes of the Garage Unit Owners reject the budget. In the event the Board fails to propose budgets or the proposed budgets are rejected, the annual budgets last ratified shall be continued until such time as the Unit Owners ratify subsequent budgets proposed by the Board.

(b) Until December 31 of the year in which the first Unit is conveyed to a Unit Owner other than Declarant, the maximum annual assessment shall be as follows:

Units with one bedroom:

\$1,560.00 per Unit payable, in advance, in monthly installments of \$130.00

Units with 1106/7 square feet - two bedrooms:

\$1,740.00 per Unit payable, in advance, in monthly installments of \$145.00

Units with 1120 square feet - two bedrooms:

\$1,776.00 per Unit payable, in advance, in monthly installments of \$148.00

Garage Units:

\$420.00 per Unit payable, in advance, in monthly installments of \$35.00

From and after January 1 of the year immediately following the conveyance of the first Unit to a Unit Owner other than Declarant, the maximum annual assessments 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 a Unit Owner other than Declarant, the maximum annual assessments may be increased above ten percent (10%) by a vote of the Unit Owners to whom sixty-seven percent (67%) or more of the Allocated Interest in the Common Elements have been assigned who are voting in person or by proxy, at a meeting duly called for such purpose.

6.9 Capital Improvement Funds. The Board, in establishing the annual budgets for operation, management and maintenance of the Condominium, shall designate therein a sum to be collected and maintained as reserve funds for replacement of and capital improvements to the Common Elements ("Capital Improvement Funds"). Separate funds shall be established for the Units and Garage Units. These funds shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Elements, as well as the replacement of portions of the Common Elements. The amount to be allocated to the Capital Improvement Funds shall be established by the Board so as to collect and maintain a sum reasonably necessary to anticipate the need for repair and replacement of Common Elements, including roads, streets and parking. The amount collected for the Capital Improvement Funds may be maintained in separate accounts by the Association and such monies shall be used only to make capital improvements, repairs and maintenance to Common Elements. Any interest earned on monies in the Capital Improvement Funds may, in the discretion of the Executive Board of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Funds equal to his Unit's Allocated Interest in the Common Elements; however, such balance shall not be subject to withdrawal by a Unit Owner.

6.10 Property of the Association. 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, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Unit Owner, the same may be commingled with monies paid to the Association by any other Unit Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from

the leasing or use of Common Elements, 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 Unit. When a Unit Owner shall cease to be a member of the Association by reason of his divestment of ownership of such Unit, by whatever means, the Association shall not be required to account to such Unit Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Unit Owner, as all monies which any Unit 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.

6.11 Liability of Multiple Unit Owners. The Unit Owner(s) of each 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 Unit while such party or parties are Unit Owner(s) shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all late charges and costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorneys' fee, whether suit be brought or not.

6.12 Lien for Assessments.

(a) The Association is hereby granted a lien upon each Unit/Garage Unit and its appurtenant Allocated Interest, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Unit Owner of each said Unit/Garage 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 late charges, fines and all costs and expenses, including reasonable attorneys' fees, which may be incurred by the Association in enforcing this lien upon said Unit/Garage Unit and its appurtenant Allocated Interest in the Common Elements. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust may be foreclosed under power of sale under the laws of 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 Unit Owner of any Unit/Garage 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 such Unit. The Trustee for any such foreclosure shall be a person or entity appointed in writing by the Association. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, lien 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 lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum amount permitted by applicable 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 Unit/Garage 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 Unit/Garage Unit expressly subject to such lien rights.

(b) The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Office of the Clerk of Superior Court of New

Hanover County, North Carolina, as provided in Chapter 47C, Section 47C-3-116 and/or Chapter 47F, Section 47F-3-116, both of the North Carolina General Statutes, which claim shall include the name and address of the Association, a description of the Unit encumbered thereby, the name of the record owner(s), 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, fees, charges, late charges, fines, costs, reasonable attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, any service fee, collection fee, consulting fee or administration fee 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, it shall be satisfied of record.

The lien provided for herein shall be subordinate to: (i) any liens and encumbrances recorded before the docketing of the lien (including any mortgage or deed of trust); and (ii) liens for real estate taxes and other governmental assessments or charges against the Unit. In addition, the lien provided for herein shall be subordinate to the lien of any First Mortgage. Any person, firm or corporation acquiring title to any Unit/Garage Unit and its appurtenant Allocated Interest in the Common Elements by virtue of any foreclosure of a First Mortgage, deed in lieu of foreclosure of a First Mortgage or judicial sale relating to a First Mortgage, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Unit/Garage Unit and its Allocated Interest in the Common Elements subsequent to the date of acquisition of such title, and it shall not 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 title to a Unit/Garage 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 Unit Owners as a part of the Common Expense, including said purchaser, its heirs, successors and assigns, 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.

The Association's lien may be foreclosed in a like manner as a deed of trust on real estate under Article 2A of Chapter 45 of the North Carolina General Statutes (Power of Sale). The Trustee for any such action shall be a person appointed by the Association in a writing filed in the action.

(c) Notwithstanding anything herein to the contrary, the Association may not foreclose an association assessment lien under Article 2A of Chapter 45 of the North Carolina General Statutes if the debt secured by the lien consists solely of fines imposed by the Association, interest on unpaid fines, or attorney's fees incurred by the Association solely associated with fines imposed by the Association. The Association may, however, enforce the lien by judicial foreclosure as provided in Article 29A of Chapter 1 of the North Carolina General Statutes.

(d) A judgment, decree, or order in any action brought under this section shall include costs and reasonable attorneys' fees for the prevailing party. If the Unit Owner does not

contest the collection of debt enforcement of a lien after the expiration of the 15-day period following notice as required in subsection (e) below, then reasonable attorneys' fees shall not exceed one thousand two hundred dollars (\$1,200.00), not including costs or expenses incurred. The collection of debt and enforcement of a lien remain uncontested as long as the Unit Owner does not dispute, contest, or raise any objection, defense, offset, or counterclaim as to the amount or validity of the debt and lien asserted of the association's right to collect the debt and enforce the lien as provided in this section. The attorneys' fee limitation in this subsection shall not apply to judicial foreclosures or proceedings authorized under subsection (d) of N.C.G.S. 47F-3-116.

(e) A Unit Owner may not be required to pay attorneys' fees and court costs until the Unit Owner is notified in writing of the association's intent to see payment of attorneys' fees and court costs. The notice must be sent by first-class mail to the property address and, if different, to the mailing address for the Unit Owner in the association's records. The notice shall set out the outstanding balance due as of the date of the notice and state that the Unit Owner has 15 days from the mailing of the notice by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If the Unit Owner pays the outstanding balance within this period, then the Unit Owner shall have no obligation to pay attorneys' and court costs. The notice shall inform the Unit Owner of the opportunity to contact a representative of the association to discuss a payment schedule for the outstanding balance as provided in subsection (f) below and shall provide the name and telephone number of the representative.

(f) The association, acting through its executive board in the board's sole discretion, may agree to allow payment of an outstanding balance in installments. Neither the association nor the Unit Owner is obligated to offer or accept any proposed installment schedule. Reasonable administrative fees and costs for accepting and processing installments may be added to the outstanding balance and included in an installment payment schedule. Reasonable attorneys' fees may be added to the outstanding balance and included in an installment schedule only after the Unit Owner has been given notice as required in subsection (e) above.

(g) 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.

6.13 Statement of Assessments. Whenever any Unit/Garage Unit may be leased, sold or mortgaged by the Unit Owner(s) thereof, the Association, upon written request of the Unit Owner(s), shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessments which shall be due and payable to the Association on account of such Unit/Garage Unit. Such statement shall be executed by any Officer or Agent 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. A reasonable fee may be charged for preparation and transmission of the statement.

In the event that a Unit is to be leased, sold or mortgaged at the time when payment of any assessment against such Unit and its Unit Owner(s) 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 assessments or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to any Unit Owner who is responsible for payment of such delinquent assessments.

6.14 Working Capital Fund. In order to help insure that the Association will have sufficient monies available to meet unforeseen expenditures of long-term capital improvements and repairs to the Condominium, the Association has established working capital funds for the Units and Garage Units. At the time of the closing of the first sale of each Unit/Garage Unit to a purchaser other than Declarant, 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; provided that if, prior to first sale of a Unit, the Declarant shall have advanced to the Association such Unit's share of the working capital fund, then Declarant may be reimbursed for such advance from amounts otherwise payable into the working capital fund from proceeds collected at the closing of such first sale of the Unit. 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 Bylaws, and, except as expressly authorized in this paragraph, no portion of the working capital fund may be used to advance or defray any of Declarant's expenses, reserve contributions, or construction costs or to make up any budget deficit occurring while Declarant is in control of the Association.

ARTICLE VII

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 Expenses, shall be owned by the Unit Owners in the same proportion that the Allocated Interest in Common Elements appurtenant to each Unit Owner's Unit bears to the total of all Allocated Interest in Common Elements appurtenant to all Units. The Common Surplus shall be held by the Association in the manner prescribed in, and subject to, the terms, provisions and conditions of this Declaration, provided, however, that the Association shall have the sole discretion as to whether any distribution of Common Surplus should be made to Unit Owners and, if so, when. Nothing in this Article shall require periodic distributions of Common Surplus. 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 current Unit Owners in accordance with their Allocated Interest.

ARTICLE VIII

Management, Maintenance and Repairs

8.1 Common Elements.

(a) 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 8.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 8.1(b) hereof. All damage caused to a Unit/Garage 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. Notwithstanding anything contained herein, the annual assessments levied by the Association shall be used to pay all costs for repair and/or maintenance of any Water Quality Device which will include but not be limited to the cost of repairs, replacements and additions, and the cost of labor, equipment, materials and management, and supervision as directed by the governmental office having jurisdiction for watershed protection. If the Association should be dissolved or cease to exist, then in that event, all Owners of record at the time of required maintenance shall be jointly and severally liable for any and all costs attendant thereto;

(b) By Unit Owners. Each Unit Owner and Garage 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 acts and omissions or the acts and omissions of any Occupant of his Unit/Garage Unit. Such payment shall be made upon demand made by the Association.

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

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any Common Expense benefiting less than all of the Unit/Garage Unit against the Units/Garage Units benefited in proportion to their Common Expense liability.

8.3 Units. Each Unit Owner and Garage Unit Owner shall maintain his Unit(s) 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/Garage 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 Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

8.4 Waiver of Claims. Except only as provided in Section 8.1(a) and (b), 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, that this waiver shall not apply to any such loss or damage due to intentional acts.

8.5 Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any Unit or Garage Unit or any of the Limited Common Elements in case of any emergency or dangerous conditions or situation originating in or threatening that Unit or any of the Limited Common Elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner, Garage Unit Owner, or Occupant, may enter that Unit or Garage Unit or any of the Limited Common Elements for the purpose of performing 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 Section 8.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, or Garage 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, Garage Unit owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner/ Garage Unit Owner.

(b) By Unit Owners. Each Unit Owner, Garage Unit Owner, and Occupant shall allow other Unit Owners and Occupants, and their representatives, to enter his Unit, Garage Unit or Limited Common Elements allocated to his Unit(s), 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 by the Bylaws, of the Unit Owner 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 Owner 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 Section 8.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

ARTICLE IX

Insurance

9.1 Casualty Insurance. The Association shall maintain, to the extent available, casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to, the Association, as trustee for all Unit Owners and First Mortgagees as their interests may appear, and be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than one hundred percent (100%) full insurable value of the Property on a replacement cost basis exclusive of land, excavations, foundations and other items normally excluded from property policies, and shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-113(h) of the Act. In addition, if any fixtures, property or equipment used or kept in a Unit are financed by the proceeds of any First Mortgage on such Unit, then the Association, at its option, may obtain insurance coverage for such fixtures, property or equipment.

9.2 Public Liability Insurance. The Association shall maintain public liability insurance for the benefit of the Unit Owners, Occupants, the Association, the Board, the managing agent, if any, the Declarant, and their respective officers, directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board; provided that the public liability insurance shall be for at least One Million Dollars (\$1,000,000) per occurrence for death, bodily injury and property damage. Said insurance shall comply in all respects to the requirements of the Act and shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefited parties against such liability arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the streets, sidewalks and public spaces adjoining the Condominium; and insure the Association, the Board, the manager, if any, and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units.

9.3 Fidelity Coverage. If available at reasonable cost, fidelity coverage shall be maintained by the Association in commercial blanket form covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association in the face amount of at least the greater of (i) one and one-half (1-1/2) times the estimated annual operating expenses and reserves of the Association, or (ii) the sum of three months' aggregate assessments on all Units plus the Association's reserve funds. Such bonds shall contain an appropriate endorsement to cover persons who serve without compensation. The premium on such bonds shall be a Common Expense.

9.4 Insurance Unavailable. If the insurance described in Section 9.1, 9.2 or 9.3 is not reasonably available, the Association shall promptly cause notice of such fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners.

9.5 Other Insurance. The Association may procure such other insurance, including worker's compensation insurance, as it may from time to time deem appropriate to protect the Association or the Unit Owners. If at least one Unit is subject to mortgage financing, the Association shall obtain and keep in force such insurance as such mortgagee shall reasonably require from time to time.

9.6 Insurance Trustee. The Board may engage, and pay as a Common Expense, any appropriate person or entity to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

9.7 Individual Policy for Unit Owners. Each Unit Owner shall obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own interests; provided that any such insurance shall contain waivers and shall provide 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 the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, 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 assigns the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE X

Casualty Damage

10.1 Insurance Proceeds Held By the Association. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of the Association, the Owners and their respective mortgagees in the following shares:

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

(b) Proceeds on account of damages to Units/Garage Units shall be held in the following undivided shares:

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

(ii) Total destruction of the Condominium or where the Condominium is not to be restored: for all Unit Owners, the share of each being set forth in Exhibit "D," as amended from time to time.

In the event a mortgagee endorsement has been issued as to a Unit, the share of the Unit Owner shall be held for the mortgagee and the Unit Owner as their interests may appear, but nothing herein shall be construed so as to give any mortgagee the right to participate in the determination of reconstruction or repair.

10.2 Distribution of Insurance Proceeds. Proceeds of insurance policies received by the Association for damages to Units shall be distributed to or for the benefit of the beneficial Unit Owners in the following manner:

(a) 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 Unit Owners or Garage Unit of the damaged Units, in proportion to each Unit's share of Allocated Interests in the Common Elements, all remittances to Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit/ Garage Unit and may be enforced by it.

(b) 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 Owners of the damaged Units/ Garage Unit, in proportion to each Unit's share of Allocated Interests in the Common Elements, remittances to Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit/ Garage Unit and may be enforced by it.

ARTICLE XI

Reconstruction or Repair of Casualty Damage

11.1 Conditions Preventing Reconstruction. If any part of the Condominium shall be damaged by casualty, the damaged area shall be reconstructed or repaired unless:

(a) The Condominium is terminated as provided in Article XVI hereof; or

(b) Repair or replacement would violate any state or local health or safety statute or ordinance; or

(c) The Owners, by a vote of Owners owning at least eighty percent (80%) of the Allocated Interests (including one hundred percent (100%) of the Owners of Units which shall not be rebuilt or whose Limited Common Elements shall not be restored) determine not to rebuild or restore all or any portion of the damaged area; or

(d) First Mortgagees (as defined in Article I of this Declaration) representing at least fifty-one percent (51%) of the Allocated Interests subject to mortgages held by Institutional Lenders, determine not to rebuild or restore all or any portion of the damaged area.

11.2 Reconstruction in Accordance with Plans. Any reconstruction or repair shall be performed substantially in accordance with the plans and specifications for the Condominium contained herein and which are on file in the New Hanover County Registry.

11.3 Unit Owner's Repair Responsibilities. If the damage is only to those parts of one or more Units for which the responsibility for maintenance and repair is that of the Unit Owner, or Garage Unit Owner, then the Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

11.4 Association to Obtain Cost Estimates. Immediately after the casualty 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. Such costs may include professional fees and premiums for such bonds as the Executive Board deems necessary or appropriate.

11.5 Application of Proceeds. When the damage is to both Common Elements and Units/ Garage Units or to Common Elements only, the insurance proceeds shall be payable to the Association and shall be applied first to the cost of repairing the Common Elements and the balance to the cost of repairing the Units.

11.6 Repair of Less than Entire Damaged Area. In the event less than all of the damaged area is to be repaired or restored, the insurance proceeds shall be utilized and/or distributed as follows:

(a) Proceeds attributable to damaged Common Elements shall be used to restore such Common Elements to a condition compatible with the remainder of the Condominium;

(b) Proceeds attributable to Units, Garage Units, and to Common Elements which are not rebuilt or restored shall be distributed to the Unit Owners of Units which are not rebuilt or restored and to the Unit Owners of Units appurtenant to the damaged Limited Common Elements, in proportion to the damage to such Unit, Garage Unit and/or Limited Common Elements and to the mortgagees of all such Units, as their interests may appear; and

(c) Any remaining proceeds shall be distributed among all Unit Owners and mortgagees, as their interests may appear, in proportion to the Allocated Interests of each Unit.

11.7 Board Delegated Right to Adjust. Each Unit Owner and Garage Unit Owner shall be deemed to have delegated to the Executive Board of the Association his right to adjust with insurance companies all losses under policies purchased by the Association.

11.8 Payment of Proceeds to Unit Owners and Mortgagees. All remittances to Unit Owners, Garage Unit Owners and their mortgagees shall be payable jointly to them.

11.9 Reallocation of Allocated Interests. In the event that Owners vote not to rebuild a damaged Unit, that Unit's Allocated Interests shall be automatically reallocated among the remaining Units at the time of such vote. The Association shall prepare, execute and record an amendment to the Declaration reflecting such reallocation.

ARTICLE XII

Condemnation of Common Elements or Units

12.1 Condemnation of a Unit/Garage Unit. In the event a Unit, Garage Unit or a portion thereof is acquired by eminent domain, the condemnation award therefor shall be paid to the Unit Owner. In such an event, if the condemning authority does not acquire the Unit's share of Allocated Interests in the Common Elements, that Unit's Allocated Interests are automatically reallocated as provided in N.C. Gen. Stat. Section 47C-1-107. The Association shall prepare, execute and record an amendment to the Declaration reflecting such reallocation. Any portion of a Unit remaining after condemnation which may not practically or lawfully be used for residential purposes shall thereafter be a part of the Common Elements.

12.2 Condemnation of Common Elements.

(a) In the event a portion of the Common Elements is acquired by eminent domain, any portion of the condemnation award attributable to the taking of Limited Common Elements shall be paid to the Association as trustee for Unit Owners, and the Association shall apportion the award among the Unit Owners of Units to which such Limited Common Elements were allocated at the time of the taking, in shares of equal value, or in such other proportion as the Association, in its sole discretion, shall determine.

(b) In the event a portion of the Common Elements is acquired by eminent domain, any portion of the condemnation award not payable to Unit Owners under Section 12.2(a) of this Article shall be paid to the Association.

ARTICLE XIII

Association to Maintain Register of Owners and Mortgagees

The Association shall at all times maintain a register setting forth the names of the Unit Owners and Garage Unit Owners of all of the Units. In the event of a sale or transfer of any Unit or Garage Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such 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

Unit. Further, the Unit Owner or Garage Unit Owner of each Unit shall notify the Association of the names of the parties holding any mortgage on his Unit, the amount of such mortgages and the recording information shall be pertinent to identify the mortgages. The holder of any mortgage upon any Unit may, if it so desires, notify the Association of the existence of the mortgage held by such party and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

ARTICLE XIV

Amendment

14.1 Manners of Amending Declarations. This Declaration may be amended in the following manner:

(a) An Amendment to this Declaration may be proposed by the Board of the Association acting upon a vote of a majority of its Board Members, or by Owners of Units to which at least fifty percent (50%) of the votes in the Association are allocated, whether meeting as members or by instrument in writing signed by them. Upon any amendment to this Declaration being proposed by the Board or Unit Owners, the proposed amendment shall be transmitted to the President of the Association, or other officers 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 not later than sixty (60) days from receipt by him of the proposed amendment. 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 in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than fifty (50) 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 address as it appears on the records of the Association, first class 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 proposed Amendment must be approved by an affirmative vote of the members owning Units in the Condominium in order for such Amendment to become effective. Except as required by N.C. Gen. Stat. Section 47C-2-117(d) or as specifically provided elsewhere in this Declaration, an affirmative vote of Unit Owners and Garage Unit Owners to which at least seventy-five percent (75%) of the votes in the Association are allocated shall be required. No amendment that primarily affects only the Garage Units shall be effective without the affirmative vote of seventy-five percent (75%) of the Garage Unit Owners. Upon adoption, such amendment of this Declaration 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, so certified and executed with the same formalities as a deed, shall be recorded in the Public Records of New Hanover County, North Carolina. Such amendment shall specifically refer to the recording data identifying the Declaration and shall become effective upon recordation. Thereafter, a copy of said amendment in the form in which the same was placed of record by the officers of the Association shall be delivered to the Unit Owners of all Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of

such amendment. At any meeting held to consider such amendment, 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 amend this Declaration pursuant to Article III of this Declaration, without the consent or joinder of any Unit Owners, Garage Unit Owner or their mortgagees.

(c) The Association shall have the right to amend this Declaration pursuant to the provisions of N.C. Gen. Stat. Section 47C-1-107, and Article XII of this Declaration, without the consent of any Unit Owners, Garage Unit Owners or their mortgagees.

(d) Certain Unit Owners, acting in conjunction with the Association, shall have the right to amend this Declaration as set forth in N.C. Gen. Stat. Sections 47C-2-108(b), -2-112(a), and -2-113(b) without the consent of any other Unit Owners or their mortgagees not parties to the amendment.

14.2 Limitations and Amendments. Except to the extent expressly permitted or required by this Declaration, consistent with the North Carolina Condominium Act, no amendment to this Declaration may create or increase additional Development Rights or Declarant's Rights, increase the number of Units allowed hereunder, or change the boundaries of any Unit, the allocated interest of a Unit, or the uses to which any Unit is restricted, without the unanimous consent of the Unit Owners of all Units and the First Mortgagee, as hereinafter defined. Amendments to this Declaration, the Articles of Incorporation of the Association or the Bylaws of the Association relating to the maintenance and ownership of any permanent Water Quality Device shall not be permitted without review and approval by the governmental office having jurisdiction for watershed protection.

14.3 First Mortgagee Consent Required. No material alteration, amendment or modification of this Declaration, the Articles of Incorporation or Bylaws of the Association shall become effective without the prior written consent of First Mortgagee holding First Mortgages on Units to which at least fifty-one percent (51%) of the votes in the Association have been assigned. For the purposes of this paragraph, any amendment to the following provisions of this Declaration, the Articles of Incorporation or Bylaws shall be deemed material: voting rights; increases in assessments which increase the previously assessed amount by more than twenty-five percent (25%); assessment liens; the priority of assessment liens; reductions in reserves for maintenance; repair and replacement of the Common Elements; responsibility for maintenance and repairs; reallocation of the Allocated Interests in the Common Elements or Limited Common Elements or the rights to their use, other than as expressly provided for herein; redefinition of any Unit boundaries; convertibility of Units into Common Elements or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium, other than as expressly provided for herein; hazard or fidelity insurance requirements; imposition of additional restrictions on the 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 Association to establish self-management; restoration or repair of the Condominium in a manner

other than that now specified in the Declaration, Articles of Incorporation or Bylaws; or revisions to provisions which expressly benefit mortgage holders, insurers or guarantors. Provided, however, that nothing in this paragraph shall be construed to require the consent of a First Mortgagee as to amendments allowed under Article III of this Declaration. Provided further, that a First Mortgagee shall be deemed to have approved any material amendment if it fails to respond to a written notice of amendment within thirty (30) days following its receipt of such notice, which notice was sent by certified or registered mail, "return receipt" requested.

14.5 No Amendment of Declarant's Right without Consent. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Declarant, or its successors and assigns, shall be made without the written consent of Declarant being first had and obtained.

ARTICLE XV

Remedies in Event of Default

15.1 Remedies of any Unit Owner or the Association. Each Unit Owner, Garage Unit Owner and the Association shall be governed by and shall comply with the provisions of this Declaration, and the Articles of Incorporation and Bylaws 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 Association or a default by the Unit Owner shall entitle the Association or the Unit Owner, as appropriate, to the following relief:

(a) Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Articles of Incorporation or Bylaws 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) As provided herein and in the Bylaws, 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 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) The Bylaws of the Association provide that the Association may fine a Unit Owner in an amount not to exceed One Hundred Dollars (\$100.00) for each violation of this Declaration, the Bylaws or the Rules and Regulations of the Association, or may assess liability in an amount not to exceed Five Hundred Dollars (\$500.00) for damage to Common Elements caused by a Unit Owner, which damage is not covered by the Association's insurance. As set forth in the Bylaws, a hearing for an accused Unit Owner must be held before the Board or an

adjudicatory panel appointed by the Board, which panel shall accord to the party charged with the violation: (i) notice of the charge and proposed fine; (ii) opportunity to be heard and to present evidence; and (iii) a notice of the decision. Any such fine or liability assessment shall be both the personal obligation of the Unit Owner against whom the fine is assessed and a lien upon the Unit of such owner and its appurtenant Allocated Interest, to the same extent as the assessments described in Article VI hereof.

(d) If damage is inflicted on any Unit by an agent of the Association acting within the scope of his activities as such agent, the Association shall be liable to repair such damage or to reimburse the Unit Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

(e) 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.

(f) The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration 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.

(g) All rights, remedies and privileges granted to the Association or the Unit Owner, pursuant to any terms, provisions, covenants or conditions of this Declaration 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.

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

(i) The failure of a First Mortgagee, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it by this Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such rights, privileges, covenant or condition in the future.

ARTICLE XVI

Termination

16.1 **Means of Termination.** The Condominium shall be terminated, if at all, in the following manner:

(a) Except in the case of a taking of all of the Units by eminent domain, and except as otherwise provided in subparagraph B below, the termination of the Condominium may be effected only by a termination agreement executed in the same manner as a deed to which have consented the Unit Owners to which at least eighty percent (80%) of the Allocated Interest in the Common Elements are allocated; provided that First Mortgagees which represent at least sixty-seven percent (67%) of the Units then subject to First Mortgages, who have requested notification in the manner prescribed in Article XVII hereof, consent thereunto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the Allocated Interest of the Unit Owner in the Condominium as provided below; and provided further that, so long as a Declarant retains the right to designate and select a majority of the persons who shall serve as members of the Board of the Association, Declarant consents thereto in writing by instrument duly recorded. The termination agreement shall become effective when it has been recorded in the public records of New Hanover County, North Carolina, and shall specify a date after which it will be void unless then recorded.

(b) Following the taking by eminent domain or destruction by casualty of substantially all the Units, the termination of the Condominium may be effected only by a termination agreement executed in the same manner as a deed to which have consented the Unit Owners to which at least sixty-seven percent (67%) of the Allocated Interest in the Common Elements are allocated; provided that First Mortgagees holding first mortgage loans on Units which represent at least fifty-one percent (51%) of the Units then subject to mortgages held by First Mortgagees, who have requested notification in the manner prescribed in Section A of Article XVII hereof, consent thereunto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the Allocated Interest of the Unit Owner in the Condominium as provided below; and provided further that, so long as Declarant retains the right to designate and select a majority of the persons who shall serve as members of the Board of the Association, Declarant consents thereto in writing by instrument duly recorded. The termination agreement shall become effective when it has been recorded in the public records of New Hanover County, North Carolina, and shall specify a date after which it will be void unless then recorded.

16.2 Sale Following Termination. Following termination of the Condominium, the Association, on behalf of the Unit Owners, may contract for the sale of real estate in the Condominium, but such contract shall not be binding on the Unit Owners until approved by unanimous agreement of all Unit Owners and the termination agreement described in Section 16.1 above reflects such approval and is recorded as required. For purposes of any such sale following termination, title to that real estate, upon approval of sale, shall be deemed vested in the Association as Trustee for those holding an interest in the Units and the Common Elements. Thereafter, the Association shall have all powers necessary and appropriate to effect the sale. Until the same has been concluded and the proceeds thereof distributed, the Association shall continue in existence with all powers vested in the Association before the termination. Proceeds of the sale must be distributed to the Unit Owners and lienholders, as their interests may appear, in proportion to their respective interests in the Common Elements of the Unit Owners and their mortgagees as set forth in this Article. All remittances to Unit Owners and lienholders shall be payable jointly to them. Unless otherwise specified in the termination agreement, as long as the Association is deemed to hold title to the real estate, each Unit Owner and his successors in

interest shall have an exclusive right to occupancy of the portion of the real estate that formerly constituted his Unit. During the period of that occupancy, each Unit Owner and his successors in interest shall remain liable for all assessments and other obligations imposed on Unit Owners by law and under this Declaration.

16.3 Termination Not Followed by Sale. In the event the real estate constituting the Condominium is not to be sold following termination, title to the Common Elements and to all real estate in the Condominium shall vest in the Unit Owners as tenants in common in proportion to each Unit's Allocated Interest, and all liens on such Units shall shift accordingly. While such tenancy in common exists, each Unit Owner and his successors in interest shall have an exclusive right to occupancy of the property that formerly constituted his Unit.

16.4 Ownership Interests. The respective ownership interests of Unit Owners described in this Article XXVI are as follows:

(a) Except as provided below, the respective interest of a Unit Owner is the fair market value of such Unit Owner's Unit, Limited Common Elements and such Unit's Allocated Interest in the Common Elements immediately before the termination, as determined by one or more independent appraisers selected by the Association. The appraisals shall be distributed to the Unit Owners and shall become final unless disapproved within thirty (30) days after distribution by Unit Owners to which twenty-five percent (25%) of the votes in the Association are allocated. The proportion of any Unit Owner's interest to that of all Unit Owners is determined by dividing the fair market value of that Unit Owner's Allocated Interest in the Common Elements by the total fair market values of all the Units and Common Elements.

(b) If any Unit or any Limited Common Elements is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made, the interest of each Unit Owner shall be Allocated Interest appurtenant to his Unit immediately before termination.

ARTICLE XVII

Rights Reserved Unto First Mortgagees

17.1 Rights of a First Mortgagee. "First Mortgagee" or "First Mortgagees," 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 liens on residences, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and eligible insurers and governmental guarantors. In addition to any other rights set forth in this Declaration, so long as any First Mortgagee shall hold any mortgage upon any Unit, or shall be the owner of any Unit, such First Mortgagee shall have the following rights:

(a) To approve the company or companies with whom casualty insurance is placed and to be given timely written notice as to any lapse, cancellation or material modification of any insurance policy maintained by the Association.

(b) To examine, at reasonable times and upon reasonable notice, the books and records of the Association and the annual financial statement and report of the Association, prepared by an independent accountant designated by the Association, such financial statement and report to be available within one hundred twenty (120) days following the end of the Association's previous fiscal year.

(c) To be given timely written notice by the Association of the call of any meeting of the membership to be held for the purpose of considering (1) any material alteration, amendment or modification of this Declaration, the Articles of Incorporation or the Bylaws, as defined in Section 14.3 of this Declaration, including Amendment by Declarant to exercise any right under Article III; or (2) the proposed termination or abandonment of the Condominium. Such notice shall state the nature of the amendment or action being proposed.

(d) To be given timely written 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 Unit encumbered by a mortgage held by such First Mortgagee.

(e) To be given timely written notice of any condemnation or casualty loss which affects either a material portion of the Condominium or the Unit securing its mortgage.

(f) So long as Declarant retains the right to appoint a majority of its members of the Executive Board of the Association as set forth in Article XVIII below, the following actions will, if any loan obtained through the Department of Veterans Affairs is then outstanding and secured by a Unit, require the prior approval of the Department of Veterans Affairs; amendment of the Articles of Incorporation or of this Declaration (excluding amendments by Declarant to exercise any of the Development Rights reserved under Article III hereof); annexation of properties not described in this Declaration; dedication of any Common Elements; merger or consolidation of the Association or of the Condominium; encumbrance of any of the Common Elements; and dissolution of the Association.

17.2 Registration by First Mortgagee. Whenever any First Mortgagee desires the provisions of this Article, Article XV or Article XVI 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 Sellar's Cove Condominium Owners Association, Inc., c/o 1202 North Lake Park Blvd., Carolina Beach, North Carolina 28428, identifying the Unit or Units upon which such First Mortgagee, or identifying any Units owned by it, 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 First Mortgagee.

ARTICLE XVIII

Right of Declarant to Designate Members of Executive Board of the Association

18.1 Right to Designate Members of the Board. Pursuant to the provisions of N.C. Gen. Stat. Section 47C-3-103(d), Declarant shall be entitled to designate and select a majority of the persons who shall serve as Members of the Board of the Association until the first to occur of: (i) one hundred twenty (120) days after Declarant conveys seventy-five percent (75%) of the Units in the Condominium (including Units which may be created pursuant to the Development Rights reserved in Article III of this Declaration); (ii) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; (iii) two (2) years after Declarant's last exercise of its right under Article III of this Declaration to add additional Units to the Condominium; or (iv) seven (7) years after the date of the sale of the first Unit in the Condominium.

18.2 Number of Board Members Appointed by Declarant. Not later than sixty (60) days after conveyance of 25% of the Units, including Units which may be created under Article III to Unit Owners other than the Declarant, at least one member and not less than 25% of the members of the Board shall be elected by owners other than the Declarant. Not less than 60 days after conveyance of 50% of the Units including Units that may be created under Article III to Unit Owners other than the Declarant, not less than 33% of the members of the Board shall be elected by Unit Owners other than the Declarant.

18.3 Means of Designation and Right to Remove. Whenever Declarant shall be entitled to designate and select any person to serve on any Board, the manner in which such person shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person selected by it to act and serve on said Board and to replace such person with another person to act and serve in the place of any Director so removed for the remainder of the unexpired term of any Board Member so removed. Any Board Member designated and selected by Declarant need not be an Owner or a resident of the Condominium.

ARTICLE XIX

General Provisions

19.1 Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or of any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstances.

19.2 Interpretation of Declaration. Whenever appropriate singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix “here” shall refer to this entire Declaration and not merely to the part in which they appear.

19.3 Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

19.4 Exhibits. Exhibits A, A-1, B, C, D, and E attached hereto are hereby made a part hereof.

19.5 Maintenance of Water Quality Device. The Association is responsible for maintaining any completed Water Quality Device as directed by the governmental office having jurisdiction for watershed protection. If the Association should be dissolved or should cease to exist, then in that event, all Owners of record at the time of required maintenance shall be jointly and severally liable for any and all costs attendant thereto.

19.5 Invalidity. The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity or 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.

19.6 Waiver. No provision of 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 that may occur.

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

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the 22nd day of January, 2008.

SELLAR'S COVE, LLC
a North Carolina limited liability company

By: 
Matthew T. Murphy
Title: Manager

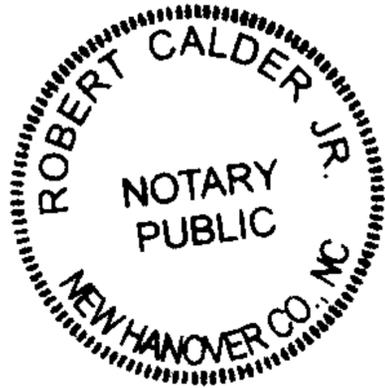
ACKNOWLEDGEMENT IS ON FOLLOWING PAGE

State of North Carolina

County of New Hanover

I, Robert Calder, Jr., Notary Public, certify that **Matthew T. Murphy**, known to be or proven by photographic identification, personally came before me this day and acknowledged that he is a Manager of Sellar's Cove, LLC, a limited liability company, and that he, as a Manager being authorized to do so, executed the foregoing on behalf of the company for the purposes therein.

Witness my hand and official seal, this the 22nd day of January, 2008.



[Notarial Seal]

[Handwritten Signature]

Notary Public

My commission expires: 8/7/2012

Robert Calder, Jr.

Print name of Notary Public

EXHIBIT A

All that certain piece, parcel or tract of land, lying and being in New Hanover County, North Carolina, and being more particularly described as follows:

PHASE I:

THAT approximately 3.37 acre tract containing Building 1, a Parking Garage, parking areas, Condo Club Drive and Common Area, all as shown on that plat of Phase 1 Building 1 Sellar's Cove Condominiums recorded in Condominium Map Book 17 at Page 297 in the New Hanover County Registry, excluding northern and western portion shown as "FUTURE DEVELOPMENT".

EXHIBIT A-1

All that certain piece, parcel or tract of land, lying and being in New Hanover County, North Carolina, and being more particularly described as follows:

FUTURE DEVELOPMENT:

THOSE TRACTS shown as “FUTURE DEVELOPMENT – Need not be built” on that plat of Phase 1 Building 1 Sellar’s Cove Condominiums recorded in Condominium Map Book 17 at Page 257 in the New Hanover County Registry.

**BYLAWS OF
SELLAR'S COVE CONDOMINIUM
ASSOCIATION, INC.**

EXHIBIT B TO DECLARATION

ARTICLE 1

Name, Offices and Fiscal Year

Section 1.1 Name. The name of this organization is Sellar's Cove Condominium Association, Inc. (hereinafter referred to as the "Association").

Section 1.2 Principal Office and Registered Office. The initial principal office of the Association shall be located at 1202 North Lake Park Blvd., Carolina Beach, North Carolina 28428. The address of the initial registered office of the Association will be 1202 North Lake Park Blvd., Carolina Beach, New Hanover County, North Carolina 28428.

Section 1.3 Other Offices. The Association may have other offices at such other places within the State of North Carolina as the Board may from time to time determine or as the affairs of the Association may require.

Section 1.4 Fiscal Year. The fiscal year of the Association shall be the calendar year.

ARTICLE 2

Purpose

Section 2.1 Purpose. The purpose of the Association is to act on behalf of its members collectively as their governing body with respect to the administration and operation of the Property (as defined in the Declaration of Condominium for Sellar's Cove Condominium, recorded in the Office of the Register of Deeds for New Hanover County, North Carolina), which Property is submitted to condominium ownership pursuant to the provisions of Chapter 47C of the North Carolina General Statutes, the North Carolina Condominium Act, and as such to own and acquire any real estate or interest or rights therein or appurtenant thereto and any and all personal property in connection therewith as may be incidental or necessary to such purpose.

Section 2.2 Definitions. The words, phrases and terms used in these Bylaws shall have the meanings as set forth in the Declaration of Condominium for Sellar's Cove Condominium, recorded in the Office of the Register of Deeds for New Hanover County, North Carolina (the "Declaration").

Section 2.3 Applicability of Bylaws. The provisions of these Bylaws are applicable to the Property and the use and occupancy thereof. The term "Property" as used in these Bylaws shall include the Property and all easements, rights, and appurtenances belonging thereto, and all other property, personal or fixed, intended for use in connection therewith. All present and

future Unit Owners, mortgagees including First Mortgagees, lessees and Occupants of any portion of the Property and their employees, and any other persons who may use the facilities of the Property in any manner are subject to the Declaration, these Bylaws and the Rules and Regulations and any amendment to these Bylaws or the Declaration upon the same being approved and recorded in the Declarations. The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a Unit or any portion of the Property shall constitute an agreement that these Bylaws and the Rules and Regulations and the provisions of the Declaration or other agreements or restrictions to which such Property may be subject as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE 3

Membership

Section 3.1 Qualification. Membership in the Association shall be limited to the Unit Owners, and every Unit Owner shall automatically be a member of the Association. Membership in the Association shall be appurtenant to and may not be separated from Unit Ownership. Membership in the Association shall inure automatically to Unit Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Units. The date of recordation in the Office of the Registered of Deeds of New Hanover County of the conveyance of the Unit in question shall govern the date of ownership of each particular Unit.

Section 3.2 Unit Ownership. Title to portions of the Property may be taken in the name of an individual, or in the names of two or more persons as tenants in common or as joint tenants or as tenants by the entirety, or in the name of a corporation or partnership or association, or in the name of a fiduciary, and the same, collectively if more than the one person or entity, shall be deemed the Unit Owner for the purposes of these Bylaws.

Section 3.3 Place of Meetings. All meetings of the membership shall be held at the Property or at such other suitable place convenient to the Unit Owners as may be designated by Board and stated in the notice of the meeting.

Section 3.4 Annual Meetings. There shall be an annual meeting of the Unit Owners at 7:00 p.m. on the first Monday in April of each year; if not a legal holiday, and if a legal holiday, then at the same time on the next business day following the legal holiday. At such meetings, the Unit Owners shall elect new members to the Board to fill vacancies thereon in accordance with Section 4.4 of these Bylaws, and the new Members shall transact such other business as may properly come before them.

Section 3.5 Substitute Annual Meetings. If an Annual Meeting shall not be held on the day designated by these Bylaws, a Substitute Annual Meeting may be called in accordance with the provisions of Section 3.6 and Section 3.7. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 3.6 Special Meetings. After the first Annual Meeting of the Members, Special Meetings of the Members may be called at any time (i) by the President; (ii) by Unit Owners having at least twenty percent (20%) of the votes in the Association; or (iii) by not less than fifty-one percent (51%) of the Board members. No business shall be transacted at a Special Meeting except as stated in the notice.

Section 3.7 Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of the Unit Owners at least fourteen (14) but not more than fifty (50) days prior to such meeting, stating the time and place where the meeting is to be held and the items on the agenda, including the general nature of any proposed amendment to the Declarations or these Bylaws, any budget changes, and any proposal to remove Board members or officers. The notice shall be hand-delivered or mailed postage prepaid to each Unit Owner of record at such address as such Unit Owner shall have designated by notice in writing to the Secretary. Notice shall be deemed given upon personal delivery or deposit in the United States mail. Notice given to any one tenant in common, tenant by entirety or other joint Unit Owner of a Unit shall be deemed notice to all joint Unit Owners of the subject Unit. Notice shall also be mailed postage prepaid to all First Mortgagees so requesting under the provisions of Article XVII of the Declarations, who may request a representative to attend the meeting of Unit Owners.

Section 3.8 Voting Rights. There shall be one person with respect to each Unit Ownership who shall be entitled to vote at any meeting of the Unit Owners (the "Voting Member"). The Voting Member may be the Unit Owner, or one of a group composed of all of the owners of a Unit or may be some other person designated by such Unit Owners to act as proxy on his or their behalf, and who need not be a Unit Owner. Each Unit Owner or group of owners shall be entitled to one vote for each Unit owned. Each Garage Unit Owner or group of owners shall be entitled to one-half of a vote in general association matters for each Garage Unit owned. Each Garage Unit Owner or group of owners shall be entitled to one vote in matters involving only Garage Units for each Garage Unit owned. No votes allocated to a Unit or Units owned by the Association may be cast.

Section 3.9 Waiver of Notice of Meeting. Any Unit Owner may, at any time, waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Unit Owner at any meeting of the Association shall constitute a waiver by him of the time and place thereof except where a Unit Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

Section 3.10 Proxies. Voting Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of the terms stated therein or the expiration of twelve (12) months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary or duly acting Secretary either during or prior to the meeting in question. A member may not revoke a proxy given pursuant to this Section 3.10 except by

written notice of revocation delivered to the person presiding over a meeting of the Association. A proxy is void if it is not dated.

Section 3.11 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Unit Owners having at least forty percent (40%) of the total votes which may be cast for election of the Board shall constitute a quorum at all meetings of the Unit Owners. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Garage Unit Owners having at least forty percent (40%) of the total votes allocated to Garage Units shall constitute a quorum at all meetings for matters concerning Garage Units. If any meeting of the Unit Owners cannot be held because a quorum has not attended, a majority in number of those Unit Owners present at such meeting may adjourn the meeting, and at any adjourned meeting, the reconvene, and the quorum then required shall be reduced by 50% of the original quorum required. At any such reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called and adjourned may be transacted without further notice. The Voting Members at a meeting at which a quorum was present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum.

Section 3.12 Majority Vote. The vote of a majority of the Voting Members present at a meeting at which a quorum shall be present shall be binding upon all Unit Owners/Garage Unit Owners for all purposes except where by law or in the Declaration or these Bylaws a higher percentage vote is required.

Section 3.13 Actions Without Meeting. Any action which may be taken at a meeting of the membership may be taken without a meeting if consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

ARTICLE 4

Board

Section 4.1 General Powers. The business, property and affairs of the Association shall be managed by the Board (the "Board") or by such committees as the Board may establish pursuant to these Bylaws. Provided, however, the Board may not act on behalf of the Association to amend the Declaration, to terminate the Condominium, to elect members of the Board, or to determine the qualifications, powers and duties, or terms of office of Board members. The Board may, however, fill vacancies in its membership for the unexpired portion of any term.

Section 4.2 Number and Qualification. The initial Board shall consist of at least three (3) but no more than five (5) individuals appointed by Declarant whose names are set forth in the Articles of Incorporation of the Association.

Section 4.3 Powers and Duties. The Board shall have the powers and duties necessary or convenient for the administration of the affairs of the Association and Condominium and may do all such acts and things except those which by law or by the Declaration or by these Bylaws may not be delegated to the Board. The powers of the Board shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep and maintenance of the Property other than the Units and Garage Units.

(b) Determination of the Common Expenses required for the affairs of the Association.

(c) Collection of Common Expenses from Unit Owners and Garage Unit Owners as herein or in the Declaration provided.

(d) Employment and dismissal of the personnel necessary for the maintenance and operation of the Property.

(e) Adoption and amendment of Rules and Regulations covering the details of the operation and use of the Property. Written notice of such Rules and Regulations shall be given to all Unit Owners and Garage Unit Owners or Occupants, and the Property shall at all times be maintained subject to such Rules and Regulations.

(f) Opening of bank accounts on behalf of the Association and designating of the signatories required therefor.

(g) Supervising all officers, agents and employees of the Association and insuring that their duties are properly performed.

(h) Enforcing, on behalf of the Association, the obligations and assessments provided in the Declaration, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C.G.S. § 47C-3-116, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines not to exceed One Hundred and No/100 Dollars (\$100.00) for violations of the Declaration, Bylaws and Rules and Regulations of the Association.

(i) Enforcing by any legal means or proceeding the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration or the Rules and Regulations hereinafter promulgated governing use of the Common Elements.

(j) Paying all taxes and assessments that are or may become liens against any part of the Condominium, other than the Units and Garage Units, and to assess the same against the Unit Owners and Garage Unit Owners in the manner herein provided.

(k) Purchasing or leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, on behalf of all Unit Owners and Garage Unit Owners, Units and Garage Units offered for sale or surrendered by their Owners to the Association.

(l) Purchasing of Units or Garage Unit at foreclosure or other judicial sales in the name of the Association or its designee, corporate or otherwise, on behalf of all Unit Owners and Garage Unit Owners.

(m) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board), or otherwise dealing with units acquired by, and subleasing units leased by the Association, or its designee, corporate or otherwise, on behalf of all Unit Owners and Garage Unit Owners.

(n) Organizing corporations to act as designees of the Board in acquiring title to or leasing of units on behalf of all Unit Owners and Garage Unit Owners.

(o) Obtaining insurance as required or permitted under the terms of the applicable provisions of these Bylaws or the Declaration.

(p) Making of repairs, additions and improvements to or alterations of the Property other than the Units and Garage Units and repairs to and restoration of the Property other than the units in accordance with the other provisions of these Bylaws, after damage or destruction by fire or other casualty or as a result of condemnation of eminent domain proceedings.

(q) Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the Treasurer of the Association, and countersigned by any member of the Board.

(r) Furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Unit to the Unit Owner or Mortgagee of such Unit, or a proposed purchaser or Mortgagee of such Unit, and imposing and collecting reasonable charges therefor.

(s) Exercising any other powers and duties reserved to the Association exercisable by the Board in the Declaration, the Articles of Incorporation, these Bylaws, or the North Carolina Condominium Act.

Section 4.4 Election of Board Members. Except as provided herein, the members of the Board (also referred to as the "Directors") shall be elected at the annual meeting of the Association, and those persons who receiving the highest number of votes shall be deemed to have been elected. Notwithstanding anything herein to the contrary, the Board shall consist of three Directors during the period that Declarant is entitled to appoint a majority of the Directors.

The Declarant shall have the right to appoint or remove the Directors during the period commencing on the date of the Declarations and terminating on the earlier of the following three (3) dates: (a) within 120 days after the date by which 75% of the Units (including any Units which may be created pursuant to Special Declarant Rights) have been conveyed to Unit purchasers other than Declarant; (b) two years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (c) two years after any development right to add additional Units under the Act was last exercised.

Within 60 days after conveyance of 25% of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than the Declarant, at least one Director and not less than 25% of the Directors of the Board shall be elected by Unit Owners other than the Declarant. Within 60 days after conveyance of 50% of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than the Declarant, not less than 33% of the Directors of the Board shall be elected by Unit Owners other than the Declarant.

The Declarant voluntarily surrender the right to appoint and remove Directors prior to such dates in its sole discretion by causing all or part of its appointed Directors to resign, whereupon it shall be the affirmative obligation of Unit Owners other than the Declarant to elect Directors and assume control of the Association. Provided at least 30 days notice of Declarant's decision to cause its appointees to resign is given to Unit Owners, neither the Declarant, nor such appointees, shall be liable in any manner in connection with such resignations even if the Unit Owners other than the Declarant refuse or fail to assume control. Notwithstanding the surrender of the right to appoint and remove Directors, any action that pursuant to the terms of these Bylaws or the Declarations requires Declarant's approval during the Declarant Control Period, shall continue to require Declarant approval until the expiration of the Declarant Control Period.

The Association shall publish the names and addresses of all officers and Board Members of the Association within thirty (30) days of the election.

Section 4.5 Independent Manager. The Board may employ or enter into a management contract with any individual, firm or entity it deems appropriate and in the best interest of the Association concerning the routine management of the condominium. The Board may delegate to such person, firm or entity (the "Manager" or "Independent Manager") such duties and responsibilities in the management of the Property as the Board deems appropriate. Provided, the Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the North Carolina Nonprofit Corporation Act or the North Carolina Condominium Act. The Board shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Board and subject to its direction. Any management agreement for the Condominium shall be terminable by either party without cause and without payment of a termination fee or penalty upon 90 days or more written notice thereof and the terms of such agreement may not exceed one year, renewable by agreement of the parties for successive one year terms. Any management agreement shall be terminable by either party for cause upon the giving of not less than 30 days written notice.

Section 4.6 Term of Office and Qualification. The term of office of each member of the Board shall be three years. Each member of the Board shall hold office until his successor shall have been elected and qualified. If the number of members of the Board shall at any time be increased, the terms of such additional members shall be fixed so that terms of at least one-third (1/3) but not more than one-half (1/2) of the members of the Board shall expire annually. Nothing herein contained shall be construed to prevent the election of a Director to succeed himself. Each Board member, except those selected by the Declarant pursuant to these Bylaws, shall be one of the Unit Owners or co-owners, provided, however, that in the event a Unit Owner is a corporation, partnership trust or other legal entity other than a natural person or persons, then an officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity shall be eligible to serve as a member of the Board.

Section 4.7 Removal. At any regular or special meeting of Unit Owners at which a quorum is present, any one or more of the members of the Board may be removed with or without cause by a vote of at least 67% of all Voting Members present and titled to vote, other than members of the Board appointed by the Declarant, who may be removed only with the prior written consent of the Declarant. Provided, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any members of the Board are so removed, their successors as Board members may be elected by the membership at the same meeting to fill unexpired terms of the Board members so removed. Any member of the Board whose removal has been proposed by the Unit Owners shall be given an opportunity to be heard at the meeting.

Section 4.8 Resignation. Any Board member may resign at any time, by sending a written notice of such resignation to the Association delivered to the Secretary thereof. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary.

Section 4.9 Vacancies. Vacancies on the Board caused by any reason other than the removal of a member thereof by a vote of the Unit Owners shall be filled by a vote of a majority of the remaining members of the Board at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy, provided that there is a quorum of the then remaining members present at such meeting. Each person so elected shall be a member of the Board for the remainder of the term of his predecessor and until a successor shall be elected at the next annual meeting of the Unit Owners. In the event that Declarant, in accordance with these Bylaws, selected any person to serve on the Board, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on the Board. Replacement of any person designated by the Declarant to serve on the Board shall be made by written instrument to any officer of the Association.

Section 4.10 Chairperson. A member of the Board shall be elected as Chairperson of the Board by the Board members at the first meeting of the Board. The Chairperson shall preside at all meetings of the Board and perform such other duties as may be directed by the Board. Prior to the election of a Chairperson and/or in the event that the Chairperson is not present at any meeting of the Board, the President shall preside.

Section 4.11 Compensation. No member of the Board shall receive any stated salary or fixed fee for their services but, by resolution of the Board, shall be reimbursed for their reasonable expenses incurred in attendance at regular and special meetings of the Board. Members of the Board shall be reimbursed for all expenditures made by them on behalf of the Association or the Board. All such reimbursements shall be deemed part of the common expenses and as such shall be subject to the review of the Unit Owners.

Section 4.12 Loans to Board Members and Officers. No loans shall be made by the Association to its Board members or officers. The Board members who vote for or assent to the making of a loan to a Board member or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

Section 4.13 Meetings of the Board.

(a) Regular Meetings. The first meeting of the initial Board designated by the Declarant shall be held at such time as Declarant shall determine, but in no event later than one year from the date of incorporation of the Association. Thereafter, regular meetings shall be held, without notice, at such hour and address as may be fixed from time to time by resolution of the Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day that is not a legal holiday. At regular intervals, the Board shall provide Unit Owners an opportunity to attend a portion of the Board Meeting and speak to the Board about their issues and concerns. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

(b) Special Meetings. Special meetings shall be held when called by the President of the Association, or by any two Board members, after not less than three (3) or more than thirty (30) days written notice to each member of the Board.

(c) Notice of Special Meetings. The notice provided for herein may be waived by written instrument signed by those Board members who do not receive said notice. Except to the extent otherwise required by law, the purpose of a Board members' special meeting need not be stated in the notice. Notices shall be deemed received upon the happening of any one of the following events: (i) one day following deposit of the same in the United States mail with proper postage paid and addressed to the Board member at his last known address on file with the Association; (ii) deposit of same in his Unit mail box; or (iii) delivery to the Board member. Attendance by a Board member at a meeting shall constitute a waiver of notice of such meeting unless the subject Board member gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is now lawfully called and gives such notice prior to the vote on any resolution.

(d) Approved Meeting Place. All Board meetings shall be held in New Hanover County, North Carolina, unless otherwise agreed by all Board members.

(e) Quorum. A majority of the Board members then holding office shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the Board members present at a duly held meeting at which quorum is present shall be regarded as the act or decision of the Board.

(f) Minutes. The Board shall keep minutes of its proceedings, which shall be available for inspection by the Unit Owners during reasonable business hours.

Section 4.14 Action Without Meeting. The members of the Board shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the members of the Board. Any such action or authorization shall have the same force and effect as if taken or authorized at a meeting of the Board. Said written approval shall be filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 4.15 Presumption of Assent. A Board member who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a member of the Board who voted in favor of such action.

Section 4.16 Fidelity Bonds. The Board shall obtain adequate fidelity bonds for all officers and employees of the Association handling or responsible for Association funds. The premiums on such bonds shall constitute a common expense.

ARTICLE 5

Committees

Section 5.1 Creation. After the period of Declarant control, there shall be a standing Committee comprised of no less than three, and no more than 5 Garage Unit Owners. The Board, by resolutions adopted by a majority of the number of Board members then holding office, may create such other committees as they deem necessary and appropriate in aiding the Board to carry out its duties and responsibilities with respect to the management of the Condominium. Each committee so created shall have such authorities and responsibilities as the Board members deem appropriate and as set forth in the resolutions creating such committee. The Board shall elect the members of each such committee. Provided, each committee shall have in its membership at least one (1) officer or one (1) member of the Board.

Section 5.2 Vacancy. Any vacancy occurring on a committee shall be filled by a majority of the number of Board members then holding office at a regular or special meeting of the Board.

Section 5.3 Removal. Any member of a committee may be removed at any time with or without cause by a majority of the number of Board members then holding office.

Section 5.4 Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 5.5 Responsibility of Board Members. The designation of committees and the delegation thereto of authority shall not operate to relieve the Board or any member thereof of any responsibility or liability upon it or him by law.

If any action taken by a committee is not thereafter formally considered by the Board, a member of the Board may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE 6

Officers

Section 6.1 Designation. The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer and such assistants to such officers and such other officers as the Board may deem necessary from time to time, all of whom shall hold office at the pleasure of the Board. The President, Vice President, Secretary and Treasurer shall be elected from among the Board, and all other officers, if any, need only be a Unit Owner. The officers elected by the initial Board are not required to be Unit Owners.

Section 6.2 Election and Term. The officers of the Association shall be elected annually by the Board at its Annual Meeting. Each officer shall hold office for a period of one year, or until his death, resignation, removal or until his successor is elected and qualified.

Section 6.3 Removal. Upon the affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any annual meeting of the Board or at any special meeting of the Board called for such purpose.

Section 6.4 Vacancies. A vacancy in any office may be filled by the election by the Board of a successor to such office. Such election may be held at any meeting of the Board. The officer elected to such vacancy shall serve for the remaining term of the officer he replaces.

Section 6.5 Multiple Offices. The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person.

Section 6.6 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Unit Owners. In the absence of an elected Chairperson, he shall preside at all meetings of the Board. He shall have all of the general

powers and duties which are incident to the office of president of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

Section 6.7 Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President or Vice President is able to act, the Board shall appoint some other member of the Board to act in place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board or which shall be delegated to him by the President.

Section 6.8 Secretary. The Secretary shall keep the minutes of all meetings of the Unit Owners; keep records of Unit Ownership, each Unit Owner's vote total and the total authorized vote; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of secretary of a corporation organized under Chapter 55A of the North Carolina General Statutes.

Section 6.9 Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board, and he shall, in general, perform all the duties incident to the office of treasurer of a stock corporation organized under Chapter 55A of the North Carolina General Statutes.

Section 6.10 Agreements, Contracts, Deeds, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any two officers of the Association or by such other person or persons as may be designated by the Board.

Section 6.11 Compensation. Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to the offices held by such officers. The Board may, however, with a unanimous vote, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Officers shall be reimbursed for all expenditures made by them on behalf of the Association. All such reimbursements shall be deemed part of the common expenses and as such shall be subject to the review of the Unit Owners.

Section 6.12 Indemnification. To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

ARTICLE 7

Operation of the Property

Section 7.1 Determination of Common Expenses and Fixing of Common Charges. The Board shall, from time to time, and at least annually, prepare or cause to be prepared Unit and Garage Unit budgets for the Association based on an estimation of expenses, income and establishment of necessary reserves for the following year. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance to be or which have been obtained by the Board pursuant to the provisions hereof. The Common Expenses shall also include any payments to be made to members of the Board and Officers paid in accordance with the provisions hereof. The Common Expenses shall also include such amounts as the Board may deem proper for the operation and maintenance of the Property, including without limitation, an amount for working capital of the Association, for general operating reserves, for reserve funds for replacements, Capital Improvement Funds, and to make up for any deficit in income against expenses for any prior year. The Common Expenses may also include such amounts as may be required for the purchase or lease by the Association or its designee, corporate or otherwise, on behalf of all Unit Owners, of any Unit or Garage Unit Owners in accordance with the provisions of these Bylaws including any Unit or Garage Unit which is to be sold at a foreclosure or other judicial sale.

Within 30 days after adoption of a proposed budget by the Board, the Board shall furnish a summary of such budget to each Unit Owner and Garage Unit Owner and to his Mortgagee and shall give notice of a date for a meeting to consider ratification of the budgets not less than 14 nor more than 30 days after mailing of the summary and notice. Notwithstanding anything herein to the contrary, a quorum is not required at the meeting to ratify the budgets. The budgets are ratified unless at the meeting a majority of all the Unit Owners and Garage Unit Owner, whether or not present at the meeting, votes to reject the applicable budget. In the event a proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board. Until a new annual budget is sent to each Unit Owner and Garage Unit Owner by the Board, each Unit Owner or Garage Unit Owner shall continue to pay that amount which had been established on the basis of the previous budget. If at any time the Board shall deem the amount of the total applicable Owners' common charges to be inadequate by reason of its revision in its estimate of either expenses or income, the Board shall prepare and cause to be delivered to the applicable Owners a revised annual budget for the balance of the year and thereafter common charges shall be determined and paid on the basis of such revision.

Section 7.2 Payment of Common Expenses. All Unit Owners and Garage Unit Owners shall be obligated to pay (a) Annual Assessments of Common Expenses assessed by the Board pursuant to the provisions of Section 7.1; (b) special assessments to be established and collected as provided herein; and (c) specific assessments against any Unit or Garage Unit that are established pursuant to the terms of these Bylaws. Annual Assessments shall be due and payable in monthly installments on the first day of every month. A late payment charge in an amount to be determined by the Board shall be assessed for any installment not paid within ten (10) days of the date when due. Any installment not paid during the month in which it is due

shall be subject to the late payment charge and shall accrue interest as provided in Section 7.6, and shall constitute a lien on the Unit or Garage Unit as provided in Section 7.7.

No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit(s) subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Unit(s), together with his interest in the Common Elements (and Limited Common Elements, if any). A purchaser of any Unit shall be jointly and severally liable with the seller for the payment of Assessments assessed against such Unit prior to the acquisition by the purchaser of such Unit only if the purchaser expressly assumes such obligation in writing; provided, however, the lien assessed against such Unit shall remain in full force and effect. Any such purchaser shall be entitled to a statement from the Board setting forth the amount of the unpaid Assessments against the seller, and the Unit conveyed shall not be subject to a lien for any unpaid assessments in excess of the amount shown on the statement. Provided, however, that an Institutional Lender or other purchaser of a Unit at a foreclosure sale of such Unit or an Institutional Lender who takes a deed in lieu of foreclosure shall not be liable for, and such Unit shall not be subject to, a lien for the payment of Common Expenses assessed prior to the foreclosure sale or deed in lieu of foreclosure. Such unpaid Common Expenses shall be deemed to be Common Expenses collectible from all of the Unit Owners, including such purchaser, his successors and assigns.

7.3 Special Assessments. The Association may levy Special Assessments for Common Expenses not covered by the Annual 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 a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such Assessment shall have the assent of two thirds of the Voting Members at a meeting duly called for this purpose. Such Special Assessments shall be charged to the Units according to their Allocated Interests in the Common Elements. In addition, the Board may levy Special Assessments against one or more, but less than all, of the Units or Garage Units to cover repairs or maintenance for which such Unit Owner or Unit Owners are responsible and which they have failed to make, or for repairs or maintenance required of a Unit Owner or Unit Owners which impair the value of the Common Elements or the Unit or Units, or expenses which are incurred in the abatement of or as a result of a violation by a Unit Owner or Owners of the provisions of the Declaration, the Bylaws or the Rules and Regulations, or for fines levied for said violations, or where the Board has purchased a Unit on behalf of one or more Unit Owners. The period of assessment and manner of payment of such assessment shall be determined by the Board.

Section 7.4 Collection of Common Expenses. The Board shall assess Common Expenses against the Unit Owners and Garage Units Owners from time to time, at least annually, and shall take prompt action to collect charges due from any Unit Owner and Garage Units Owners which remain unpaid for more than thirty (30) days from the date due for payment thereof.

The Board shall notify First Mortgagees pursuant to the provisions of the Declaration of any amount assessed pursuant to these Bylaws that remains unpaid for more than 60 days from

its due date and in any other case where the Unit Owner or Garage Units Owners is in default with respect to the performance of any obligation hereunder for a period in excess of 60 days.

Section 7.5 Default in Payment of Assessment. In the event of default by any Unit Owner or Garage Units Owner in paying to the Board any amounts assessed by the Board, such Unit Owner or Garage Units Owner shall be obligated to pay a late payment charge not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any unpaid assessment, and interest at the rate of eighteen percent (18%) on such amounts from their due date; together with all costs, expenses, fees (including service fees, collection fees, administrative fees and costs and consulting fees) including attorneys' fees (as permitted by law), incurred by the Board in collecting such unpaid sums. If a Unit Owner or Garage Units Owner shall be in default in payment of an installment of an Assessment, including but not limited to, the monthly installment based on the annual budget, the Board may accelerate the remaining installments upon ten days' written notice to such Unit Owner, whereupon the entire unpaid balance of such Assessment shall become due upon the date stated in such notice.

The Board may appoint an Adjudicatory Panel composed of five (5) Unit Owners or Garage Units Owner, which shall be composed of Unit Owners or Garage Units Owner who are not officers or members of the Board. The Adjudicatory Panel or the Board shall have the authority to levy fines not to exceed One Hundred Dollars (\$100.00) per violation for each violation of the Declaration, these Bylaws, or any Rules and Regulations enacted by the Board and without further hearing for each day more than five (5) days after the decision that the violation occurs. Prior to the imposition of any such fine, the Adjudicatory Panel shall send to the defaulting Unit Owner or Garage Units Owner written notice of the charge and proposed fine and notice of the date, time and location for a hearing before the Adjudicatory Panel at which time the defaulting Unit Owner and the panel may present evidence. The notice of hearing shall be delivered personally or sent by certified mail before the hearing date. The Adjudicatory Panel shall provide the defaulting Unit Owner or Garage Units Owner written notice of its decision once it is reached. The fine shall be an assessment secured by a lien under Section 47C-3-116 of the Act.

In the even that the Board or Adjudicatory Panel hearing the evidence regarding a charge or violation determines that a suspension of condominium privileges should be imposed, the suspension may be continued without further hearings until the violation or delinquency is cured. A Unit Owner may appeal a decision of the Adjudicatory Panel to the full Board by delivering written notice of appeal to the Board within fifteen (15) days after the date of the decision. The Board may affirm, vacate or modify the decision of the Adjudicatory Panel.

Section 7.6 Lien and Personal Obligation. Each Assessment provided for in this Article, together with late payment charges, interest and expenses, including attorneys' fees (as permitted by law), shall be a charge on and a continuing lien upon the Unit against which the Assessment is made when a notice of such lien has been filed of record in the office of the Clerk of Superior Court of New Hanover County, North Carolina, in the manner provided in Article 8, Chapter 44, of the North Carolina General Statutes, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of 30 days after the same shall become due. Said notice of lien shall also secure all Assessments against the Unit or Garage

Units becoming due thereafter until the lien has been satisfied. Said lien may be foreclosed in the manner as a deed of trust on real property containing a power of sale as provided in NC General Statutes Chapter 45, Article 2. The Trustee for any such proceeding shall be appointed by the Board in a writing filed in the action. In addition, each Unit Owner shall be personally liable for any Assessment against his Unit becoming due and payable while he is the Owner of such Unit.

Section 7.7 Priority of Assessment Lien. The lien of the Assessments provided for in this Article shall be prior and superior to all other liens except (a) ad valorem taxes and (b) all sums unpaid on deeds of trust, mortgages or other encumbrances against the Unit prior to the docketing of the Assessment lien. The sale or transfer of any Unit or Garage Unit shall not affect the Assessment lien against such Unit. Provided, however, the sale of a Unit or Garage Unit pursuant to the foreclosure sale or execution sale instituted by a superior lien holder or conveyance to Mortgagees by deed in lieu of foreclosure shall extinguish the inferior Assessment lien against the subject Unit but no such sale or transfer shall relieve each Unit from liability for any Assessments thereafter becoming due or for any future lien in connection therewith. The Association shall share in the excess, if any, realized by the sale of any Unit pursuant to a foreclosure or action instituted by a superior lien holder, to the extent of its lien.

Section 7.8 Owners Non-Use. No Unit Owner may exempt himself from liability for Assessments and his other obligations to the Association by waiver of the use or enjoyment of any portion of the Common Elements or by the abandonment or sale of his Unit.

Section 7.9 Foreclosure of Liens for Unpaid Assessments. The Board, acting on behalf of the Association, or on behalf of any one or more individual Unit Owners, if so instructed, shall have the power to purchase such Unit or Garage Unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosure or waiver of the Assessment lien. Where an institutional lender or the purchaser of a Unit obtains title to the Unit as a result of foreclosure of a mortgage, such purchaser, its successors and assigns, shall not be liable for the share of the Common Expenses or Assessments by the Board chargeable to such Unit which became due prior to the acquisition of title to such Unit by such purchaser. Such unpaid share of Common Expenses or Assessments shall be deemed to be a Common Expense collectible from all Unit Owners, including such purchaser, its successors and assigns.

Section 7.10 Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board, the breach of any Bylaw contained herein, or the breach of any provision of this Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit or Garage Unit in which, or as to which, such violation or breach exists, and to make any repairs, and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing, or condition which may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass, but no items of construction shall be altered or demolished pursuant to this authority before judicial proceedings are instituted; (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, at the

expense of the defaulting Unit Owner, the continuance of any such breach; (c) in any case of flagrant or repeated violation by a Unit Owner, to require such Unit Owner to give sufficient sureties for his future compliance with such Condominium documents; or (d) after notice and an opportunity to be heard, to levy reasonable assessments and fines in accordance with Sections 47C-3-107 and 47C-3-107.1 of the Act for such violations. The failure of the Board or Adjudicatory Panel to so act with respect to any such violation or breach shall not be deemed a waiver of the Board's or Adjudicatory Panel's right to act with respect to the same or any other breach.

Section 7.11 Foreclosure of Liens for Unpaid Common Charges. In any action brought by the Board to foreclose a lien on a unit because of unpaid common charges, the Unit Owner shall be required to pay a reasonable rental for the use of his Unit or Garage Unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Unit Owners, shall have power to purchase such Unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

Section 7.12 Statement of Common Charges. The Board shall promptly provide any Unit Owner so requesting the same in writing with a written statement of all unpaid Common Expenses due from such Unit Owner.

Section 7.13 Maintenance and Repair.

(a) All maintenance of and repairs to any Unit or Garage Unit or the appurtenances thereto, structural or non-structural, ordinary or extraordinary including but not limited to maintenance, repair, or replacement of components of the heating and air conditioning unit, bathroom and kitchen fixtures and appliances, doors, floors, ceilings, carpeting and other items within the Units (other than maintenance of and repairs to any Common Elements and facilities contained therein or appurtenant thereto and not necessitated by the negligence, misuse or neglect of the owner of such Unit) shall be made by the Unit Owner of such Unit. Each Unit Owner shall clean the Limited Common Elements appurtenant to his Unit and replace all light bulbs in fixtures (if any) located in such Limited Common Elements. Each Unit Owner shall be responsible for all damages to any and all Units or Garage Unit and/or to the Common Elements and facilities caused by him or that his failure to maintain and repair his Unit or Garage Unit may engender. Should any Unit Owner fail to so maintain and repair his Unit and such failure results in a condition hazardous to the health and safety of the occupants of the Property or the structural integrity thereof, or in case of emergency, the Board may make any and all necessary repairs and any costs or expenses thereby incurred shall be charged to such Unit Owner and shall be deemed a common charge against his Unit or Garage Unit subject to the lien provided in this Article 7.

(b) All maintenance, repairs and replacements to the Common Elements and facilities, and to the Limited Common Elements and facilities, whether located inside or outside of the Units or Garage Units, shall be made by the Board and shall be charged to the Unit Owners as a Common Expense, unless such maintenance, repair, or replacement is necessitated by the negligence, misuse or neglect of a Unit Owner, in which case such expense

shall be charged to such Unit Owner and shall be deemed a Common Expense against his Unit or Garage Unit subject to the lien provided in this Article 7.

Section 7.14 Restriction on Use of Units. In order to provide for congenial occupancy of the Property and for the protection of the value of the Units or Garage Unit, the use of the Property shall be restricted to and shall be in accordance with the following provisions:

(a) The Units shall be used for residences only by the owner or owners thereof, their families, guests and invitees and for such other uses as set forth in the Declaration.

(b) Garage Units may only be owned and used, except as provided for herein, by owners of Units in Sellar's Cove, and may be used solely for storage of a Unit Owner's or occupant's vehicles and/or personal property. No commercial use may be made of any Garage Unit. A Garage Unit Owner may only lease their Garage Units to an occupant of a Unit in Sellar's Cove.

(c) The Common Elements and facilities shall be used only for the furnishing of the services and facilities for which they are reasonably intended and which are customarily incident to the use and occupancy of the Units.

(d) No nuisances shall be allowed on the Property, nor shall any use or practice be allowed which is a source of annoyance to its residents or which interferes with the peaceful possession or proper use of the Property by its residents.

(e) No improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning laws and regulations of all governmental bodies having jurisdiction thereof shall be observed. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be corrected, by and at the sole expense of the Unit Owners or the Board, whichever shall have the obligation to maintain or repair such portion of the Property.

Section 7.15 Additions, Alterations or Improvements By Board. Whenever in the judgment of the Board the Common Elements and facilities shall require additions, alterations or improvements costing in excess of \$50,000.00 and there are not adequate reserves established to pay for such work without assessing additional common charges against the Unit Owners, the Board shall proceed with such additions, alterations and improvements and shall impose a Special Assessment against all Unit Owners for the costs thereof as a Common Expense, subject to the provisions of Section 7.3 above. Any additions, alterations or improvements costing \$50,000.00 or less, or where there are adequate reserves established to pay for such work, may be made by the Board without approval of Unit Owners or any mortgagees of Units or Garage Units and the cost thereof shall constitute part of the Common Expenses or shall be charged against appropriate reserve accounts, if any, as the Board may determine.

Section 7.16 Additions, Alterations or Improvements By Unit Owners. No Unit Owner or Garage Unit Owner shall make any structural addition, alteration or improvement in or to his Unit or Garage Unit or do any exterior painting or make any exterior alteration or addition

(including awnings, grills, etc.) without the prior written consent thereto by the Board. The Board shall have the obligation to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement in such Owner's Unit, within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration or improvement. Any application to any governmental authority for a permit to make an addition, alteration or improvement in or to any Unit shall be executed by the Board only, without, however, incurring any liability on the part of the Board or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom.

Section 7.17 Use of Common Elements and Facilities. A Unit Owner shall not place or cause to be placed in the stairways or other Common Elements or facilities, including the Limited Common Elements and facilities, other than the areas designated as storage areas, any furniture, packages, or objects of any kind. The entry passages, stairways, entry bridges, etc. shall be used for no purpose other than for normal transit through them.

Section 7.18 Right of Access. Each Unit Owner hereby grants a right of access to his Unit or Garage Unit to the Manager and/or any other person authorized by the Board for the purpose of making inspections or for the purpose of correcting any condition originating in his Unit and threatening another Unit or Garage Unit or a Common Area or facility, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other Common Elements or facilities in his Unit or Garage Unit or elsewhere, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

Section 7.19 Rules and Regulations. Rules and Regulations concerning the use of the Units and the Common Elements and facilities may be promulgated, amended and supplemented from time to time by the vote of two-thirds (2/3) of the members of the Board. Copies of such Rules and Regulations shall be furnished by the Board to each Unit Owner prior to the time when the same shall become effective.

Section 7.20 Conveyance or Encumbrances of Common Elements. All or a portion of the Common Elements may be conveyed or subjected to a security interest by the Association in accordance with the provisions of Section 47C-3-112 of the Act.

Section 7.21 Nonwaiver of Remedies.

(a) The failure of the Association or any Unit Owner or Garage Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Documents shall not constitute a waiver of the right of the Association or the Unit Owner to enforce such right, provision, covenant or condition in the future.

(b) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by the Condominium Documents shall not constitute a

waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

(c) The failure of a mortgagee to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by the Condominium 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.

ARTICLE 8

Mortgages

Section 8.1 Notice of Board. The Board may require any Unit Owner who mortgages his Unit or Garage Unit to notify the Board of the name and address of his mortgagee and shall file a conformed copy of the note and mortgage with the Board. The Board shall maintain such information in a book entitled "Mortgages of Units."

Section 8.2 Notice of Unpaid Common Charges. The Board, whenever so requested in writing by a mortgagee of a Unit or Garage Unit, shall promptly report any then unpaid common charges due from or any other default by the Owner of the mortgaged Unit or Garage Unit.

Section 8.3 Notice of Default. The Board, when giving notice to a Unit Owner or Garage Unit Owner of a default in paying common charges or other default, shall send a copy of such notice to each holder of a mortgage covering such Unit or Garage Unit whose name and address has theretofore been furnished to the Board.

ARTICLE 9

Sales and Transfers of Interests of Units

Section 9.1 Severance of Ownership. No Unit Owner or Garage Unit Owner shall execute any deed, mortgage or other instrument conveying or mortgaging title to his Unit/ Garage Unit without including therein the Allocated Interests, it being the intention hereof to prevent any severance of such combined ownership. For the purpose of these Bylaws, the "Allocated Interests" shall mean, collectively (i) the Unit Owner's undivided interest, if any, in the Common Elements and facilities appurtenant to and necessary for the operation of the Unit as determined in accordance with the North Carolina Condominium Act; (ii) the interest of such Unit Owner in any Units theretofore acquired by the Board or its designee on behalf of all Unit Owners, or the proceeds of the sale or lease thereof, if any; and (iii) the interest of such Unit Owner in any other assets of the Association. Any such deed, mortgage or other instrument purporting to affect one or more of such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the Appurtenant Interests of any Unit may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other

disposition of the Unit to which such interests are appurtenant, or as part of a sale, transfer or other disposition of such part of the Appurtenant Interests of all Units.

Section 9.2 Sale to Board. A Unit Owner or Garage Unit Owner may, subject to mutual agreement of the parties, and subject to the provisions of this Article, sell his Unit/ Garage Unit to the Association, or its designee. Any such purchase by the Association or any other purchase or lease of any Unit by the Association in accordance with the provisions of these Bylaws, including the purchase of a Unit which is to be sold at a foreclosure or other judicial sale, shall have the prior approval of Unit Owners holding at least two-thirds (2/3) of the total authorized vote, cast in person or by proxy in accordance with these Bylaws.

Section 9.3 Financing of Purchased Units By Board. Acquisition of Units by the Board, or its designee, on behalf of all Unit Owners, may be made from the working capital and common charges in the hands of the Board, or if such funds are insufficient the Board may levy an assessment against each Unit Owner in proportion to his ownership in the Common Elements and facilities as a common charge, which assessment shall be enforceable in the same manner as provided herein for other common charges and subject to the lien for nonpayment thereof, or the Board, in its discretion, may borrow money to finance the acquisition of such units, provided, however, that no financing may be secured by an encumbrance or hypothecation of any property other than the units, together with the Allocated Interests, so to be acquired by the Board.

Section 9.4 Waiver of Right of Partition With Respect To Such Units As Are Acquired By the Board, or Its Designee, On Behalf of All Unit Owners. In the event that a Unit shall be acquired by the Association, or its designee, on behalf of all Unit Owners as tenants in common, all such Unit Owners shall be deemed to have waived all rights of partition with respect to such unit.

Section 9.5 Gifts and Devises. Any Unit Owner shall be free to convey or transfer his Unit or Garage Unit by gift, or to devise his Unit or Garage Unit by will, or to pass the same by intestacy, without restriction.

Section 9.6 Payment of Assessments. No Unit Owner shall be permitted to convey, mortgage, pledge, hypothecate or sell his unit unless and until he shall have paid in full to the Board all unpaid common charges theretofore assessed by the Board against his unit and Garage Unit and until he shall have satisfied all unpaid liens against such unit, except permitted mortgages. Notwithstanding the foregoing, a Unit Owner may convey or sell his unit(s), subject to all other provisions of these Bylaws, to a purchaser who in writing assumes all unpaid common charges and who agrees to take such unit subject to all unpaid liens against same or in accordance with the provisions of Article 7 hereof.

ARTICLE 10

Condemnation

In the event of a taking on condemnation or by eminent domain of a part or all of the Common Elements and facilities, the award made for such taking shall be payable to the Board which shall disburse the proceeds of such award as provided in the Declaration.

ARTICLE 11

Records

The Board shall keep or cause to be kept detailed records of the actions of the Board, minutes of the meetings of Unit Owners and minutes of meetings of the Board, and financial records and books of account of the Association, including a listing of receipts and expenditures and a listing of assets and liabilities, as well as a separate account for each Unit or Garage Unit which, among other things, shall contain the amount of each assessment of common charges against such Unit, the date when due, the amounts paid thereon, and the balance remaining unpaid. The Association shall make an annual income and expense statement and balance sheet available to all Unit Owners at no charge and within seventy-five (75) days after the close of the fiscal year to which the information relates. The Board shall also cause such books and records to be audited at least annually by an independent auditor and furnish a copy of such audit report to all Unit Owners within one hundred twenty (120) days of the Association's fiscal year end. Each Unit Owner, a Unit Owner's authorized agent, and each mortgagee of a Unit shall be permitted to examine the books of account of the Association at the place such records are maintained during regular business hours on not less than 24 hours advance notice, but not more often than once in each quarter.

ARTICLE 12

Amendments to Bylaws

12.1 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of a meeting at which a proposed amendment is to be considered.

12.2 Adoption. A resolution for the adoption of a proposed amendment may be proposed either by a majority of the Board or by not less than one third of the members of the Association. Directors and members of the Association not present in person or by proxy at the meeting considering the amendment may express their approval in writing provided that such approval is delivered to the Secretary at or prior to the meeting. The approval must be by not less than a majority of the votes of members of the Association represented at a meeting at which a quorum has been attained.

12.3 Limitation. No amendment may be adopted which would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to the Declarant or Eligible Mortgage Holders without the consent of said Declarant and Eligible Mortgage Holder in each instance. No amendment shall be made that is in conflict with the Articles of Incorporation of the Association or Declaration without satisfaction of the requirements therein contained. So long as the Declarant controls the Association and the Federal Housing Administration (FHA) holds or insures any First Mortgage on a Unit, the Federal Housing Administration (FHA) shall have the right to veto any amendment to the Bylaws. No amendment to this Section shall be valid.

12.4 Execution and Recording. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment to the Declaration and Bylaws, which certificate shall be executed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association with the formalities of a deed, or by the Declarant alone if the amendment has been adopted consistent with the provisions of the Declaration allowing such action by the Declarant. The amendment shall be effective when the certificate and a copy of amendment are recorded in the Office of the Register of Deeds for New Hanover County, North Carolina.

ARTICLE 13

Architectural Control

No building, fence, or other structure shall be commenced or maintained upon the Common Elements, including the Limited Common Elements, nor shall any exterior addition, change or alteration therein be made until plans and specifications showing the nature, kind, shape, height, materials, and location of same shall have been submitted to and approved in writing as to harmony of external design and location in relation to the surrounding structure and topography by the Board of the Association or by any architectural committee appointed by the Board. All structures shall be of standard design employed by Declarant in the original construction of such amenities in the Condominium project. In the event the Board or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Article XIII shall be deemed to have been fully complied with. Provided that nothing herein contained shall be construed to permit interference with the development of the Condominium property by the Declarant.

ARTICLE 14

Execution of Instruments and Seal

Section 14.1 Execution of Instruments. All instruments of the Association shall be executed under the seal by such officer or officers as the Board may designate, or may be otherwise authorized.

Section 14.2 Seal. The seal of the Association shall contain the name of the Association, the word "Seal", year of incorporation and such other words and figures as desired by the Board.

ARTICLE 15

Conflicts

These Bylaws are set forth to comply with the provisions of the North Carolina Condominium Act. In case any of these Bylaws conflict with the provisions of said statute or of the Declaration, the provisions of said statute or of the Declaration, as the case may be, shall control.

ARTICLE 16

Miscellaneous

Section 16.1 Insurance Trustee. The Insurance Trustee, if any, shall be a bank (including a national banking association) qualified to do business in the State of North Carolina and so designated by the Board. The Board shall pay the fees and disbursements of any Insurance Trustee.

Section 16.2 Ad Valorem Taxes. Each Unit shall be deemed to be a separate parcel and shall be separately assessed and taxed. Each Unit Owner shall be liable solely for the amount of tax assessed against his Unit or Garage Unit and shall not be affected by the consequences resulting from the tax delinquency of other Unit Owners. All tangible personal property owned by the Association in connection with the maintenance, upkeep and repair of the Common Elements shall be listed for said taxes in the name of and paid by the Association. Each Unit Owner is also responsible for his prorate share of taxes assessed on his portion of the Common Elements, if any.

Section 16.3 Notices. All notices hereunder shall be sent by registered or certified mail to the Board c/o the Independent Manager, or if there is no Independent Manager, to the office of the Board, or to such other address as the Board may designate from time to time by notice in writing to all Unit Owners. All notices to any Unit Owner shall be sent by registered or certified mail to such address as may have been designated by him from time to time, by notice in writing, to the Board and in the absence of such notice, to the unit at the Property. All notices to mortgagees of units shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, by notice in writing, to the Board. All notices shall be deemed to have been given when mailed, except notices of changes of address which shall be deemed to have been given when received.

Section 16.4 Invalidity. The Invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 16.5 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws, or the intent of any provision thereof.

Section 16.6 Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine gender and the use of singular shall be deemed to include the plural, whenever the context so requires.

Section 16.7 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation effective as of the 22nd day of January, 2007.

SELLAR'S COVE CONDOMINIUM ASSOCIATION, INC.

BY: 

EXHIBIT C TO DECLARATION

The “as-built plans” are as shown on those plan for Phase 1 Building 1 Sellar’s Cove Condominiums recorded in Condominium Map Book 17 beginning at Page 257 in the New Hanover County Registry,

EXHIBIT D TO DECLARATION

Part 1
Percentage Interest in Common Elements

UNITS: Building 1

<u>Units</u>	<u>Unit Address</u>	<u>Square Footage</u>	<u>Percentage Interest</u>
101		816	2.76%
102		816	2.76%
103		1106/7	3.08%
104		1106/7	3.08%
105		1120	3.14%
106		1106/7	3.08%
107		1120	3.14%
108		1106/7	3.08%
109		1106/7	3.08%
110		816	2.76%
111		816	2.76%
201		816	2.76%
202		816	2.76%
203		1106/7	3.08%
204		1106/7	3.08%
205		1120	3.14%
206		1106/7	3.08%
207		1120	3.14%
208		1106/7	3.08%

209		1106/7	3.08%
210		816	2.76%
211		816	2.76%
301		816	2.76%
302		816	2.76%
303		1106/7	3.08%
304		1106/7	3.08%
305		1120	3.14%
306		1106/7	3.08%
307		1120	3.14%
308		1106/7	3.08%
309		1106/7	3.08%
310		816	2.76%
311		816	2.76%

EXHIBIT D TO DECLARATION

Part 2

GARAGE UNITS:

<u>Units</u>	<u>Unit Address</u>	<u>Square Footage</u>	<u>Percentage Interest</u>
G1		264	0.23%
G2		264	0.23%
G3		264	0.23%
G4		264	0.23%
G5		264	0.23%
G6		264	0.23%
G7		264	0.23%
G8		264	0.23%

EXHIBIT E TO DECLARATION

Encumbrances on Title

In addition to any easements created by this Declaration, the Condominium is subject to:

- (A) The Declaration to be recorded, including conditions disclosed by the Plans, to be recorded, the Bylaws and the Rules and Regulations, as each of them may be amended from time to time.
- (B) Unrecorded easements, discrepancies or conflicts in boundary lines, shortages in area and encroachments which an accurate and complete survey would disclose, including any easements and encroachments as shown on the Plat and Plans.
- (C) Construction loan Deeds of Trust in Book 5205 Page 525 and Book 5267 Page 2006 in the New Hanover County Registry.
- (D) Rights of Way in normal form to utility providers.
- (E) Access and Utility Easements of record.
- (F) Applicable zoning and governmental regulations.

This document, instrument
number 2008002535_____,
was recorded as 77 pages.
It should have been 78 pages.

Mavis Ann Storer
Assistant Registrar



REBECCA P. SMITH
REGISTER OF DEEDS, NEW HANOVER
216 NORTH SECOND STREET

WILMINGTON, NC 28401

Filed For Registration: 01/22/2008 10:27:34 AM
Book: RE 5270 Page: 1488-1565
Document No.: 2008002535
DECL 78 PGS \$242.00
Recorder: JOHNSON, CAROLYN

State of North Carolina, County of New Hanover

YELLOW PROBATE SHEET IS A VITAL PART OF YOUR RECORDED DOCUMENT.
PLEASE RETAIN WITH ORIGINAL DOCUMENT AND SUBMIT FOR RE-RECORDING.

2008002535

2008002535