



Execution Version

(Top portion for recording purposes)

**DECLARATION OF COVENANTS, RESTRICTIONS AND
EASEMENTS**

FOR

COASTAL CLUB OF THE CAROLINAS

***THE FOLLOWING STATEMENTS ARE REQUIRED BY THE NORTH CAROLINA
PLANNED COMMUNITY ACT:***

***THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF THE
UNITED STATES OF AMERICA OR THE STATE OF NORTH CAROLINA.***

THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF POLITICAL SIGNS.

Prepared by and return to:
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**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR COASTAL CLUB OF THE CAROLINAS**

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**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR COASTAL CLUB OF THE CAROLINAS**

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR COASTAL CLUB OF THE CAROLINAS (this "Declaration") is made by COASTAL CLUB NC SC, LLC, a Virginia limited liability company ("Declarant"), as of the date and time it is recorded "Of Record" (as defined below) in the Brunswick County, North Carolina office of Register of Deeds (ROD) Office.

WITNESSETH:

WHEREAS, Declarant and/or Consenting Owner (as the case may be) is/are the owner(s) of that certain tract of land located in Brunswick County, North Carolina, which property is described on Exhibit "A" attached hereto (the "Property");

AND WHEREAS, Declarant has acquired and/or has the right to acquire some or all of the Property (and the Additional Property defined herein) from Crossroads Lake Front Development, Inc, a South Carolina corporation ("Crossroads"), subject to the terms and conditions of that certain Purchase Agreement dated as of August 11, 2021 (as amended from time to time, the "P&S Agreement"), between Crossroads, as Seller, and Declarant as Buyer by assignment;

WHEREAS, In accordance with the P&S Agreement and in any event, Declarant desires to subject the Property to the plan and operation of this Declaration to create on the Property a residential planned community to be known as COASTAL CLUB OF THE CAROLINAS (the "Community"), and they may but need not also subject some or all of the Additional Property to the same Declaration and regime, all in accordance with the North Carolina Planned Community Act, as set forth in Chapter 47F of the North Carolina General Statutes, as the same may be amended by from to time, and/or in accordance with other applicable law if the law of another state would instead apply to any real property annexed into the Community and not located in North Carolina;

WHEREAS, Declarant and Consenting Owner desire to provide for the maintenance and upkeep of the Common Areas (as hereinafter defined) within the Property and to provide for enforcement of covenants and restrictions applicable to the Property, and, to that end, desires to subject all of the Property within the Property to the plan and operation of this Declaration and to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each Owner thereof; and

WHEREAS, Declarant and Consenting Owner deem it advisable that Declarant create an organization to own, maintain and administer the Common Areas, to administer and enforce covenants and restrictions applicable to the Property, and to collect and disburse the Assessments and charges hereinafter created, and Declarant has therefore incorporated under North Carolina law a non-profit corporation, COASTAL CLUB OF THE CAROLINAS PROPERTY OWNERS ASSOCIATION, INC., for the purpose of exercising the aforesaid functions.

NOW, THEREFORE, Declarant and Consenting Owner hereby declare that the Property (as defined herein) and such additions thereto (including if applicable additions of real property outside of North Carolina) or withdrawals therefrom as may hereafter be made pursuant to Article 2 of this Declaration, is and shall be owned, held, transferred, sold, conveyed, used and occupied subject to the

covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration, all of which shall run with the land and be binding on all parties owning any right, title or interest in the Property or any part thereof, their heirs, personal representatives and administrators, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE 1

DEFINITIONS

When used in this Declaration, unless the context will prohibit or otherwise require, the following words, will have all the following meanings, and all definitions will be applicable to the singular and plural forms of such terms:

1.1 Definitions.

(a) "Additional Property" shall have the meaning ascribed to the term on Exhibit "A-1".

(b) "Act" shall mean the North Carolina Planned Community Act, currently codified in Chapter 47F of the North Carolina General Statutes, as it exists from time to time, including all amendments, supplements and replacements thereof.

(c) "Affiliate" means any person or entity who directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with a party. As used herein, the term "control" (including the terms "controlling", "controlled by", or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such party, whether through ownership of voting securities or rights, by contract or otherwise.

(d) "Approved Builder" means Chesapeake Homes of North Carolina, Inc., a Virginia corporation, its successors, assigns and/or affiliates ("Chesapeake"); provided, however, that Declarant may designate an additional Approved Builder (in addition to Chesapeake) in its discretion.

(e) "Architectural Review Committee" or "ARC" shall have the meaning ascribed to it in Section 8.1.

(f) "Articles of Incorporation" means the Articles of Incorporation of the Association, as amended and/or restated from time to time, filed in the Office of the Secretary of State of the State of North Carolina in accordance with the Nonprofit Corporation Act.

(g) "Assessment" means an Owner's share of the Common Expenses or other charges from time to time assessed against an Owner by the Association in the manner herein provided. Assessments include annual assessments, special assessments and specific assessments, all as defined in Article 5.

(h) "Association" means COASTAL CLUB PROPERTY OWNERS ASSOCIATION, INC., a North Carolina nonprofit corporation, its successors and assigns. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized directors, officers, agents, employees and contractors.

(i) "Board of Directors" or "Board" means the Board of Directors of the Association, which is the governing body of the Association.

(j) "Builder" means any Person which acquires one or more unimproved Units from the Declarant for the purpose of constructing a single-family residential dwelling on each such Unit for resale.

(k) "Bylaws" means the Bylaws of the Association which govern the administration and operation of the Association, as the same may be amended from time to time. A copy of the original Bylaws is attached hereto as **Exhibit "D"**.

(l) "Common Area" or "Common Areas" means all of the following: (i) any real property, together with any Improvements, landscaping and personal property thereon, shown on any Plat of the Property, with the exception of any Units or areas identified on the Plat as future development or like reserved areas, which are not dedicated or deeded to and actually maintained by a governmental entity; (ii) any real property, together with any Improvements, landscaping and personal property thereon dedicated to the Association on any Plat of the Property; (iii) any real property, together with any Improvements and personal property thereon deeded to or leased by the Association; and (iv) any portion of the Property together with any Improvements, landscaping and personal property thereon designed and intended for the common, non-exclusive use of the Owners and declared on any Plat to be Common Areas in this Declaration or any Supplemental Declaration. The Common Areas include, without limitation, any open space noted on any subdivision plat of the Property or in an Supplemental Declaration as a Common Area; any USPS delivery center, Storm Water Management System, including private drainage easements ("Private D.E."), private lake maintenance easements and Ponds shown on the Plat, wetland buffers, landscape areas, entrance features, walls, monuments, columns, Common Area Improvements, mitigation areas, irrigation pumps, drainage swales, drainage structures, retaining walls, irrigation areas, irrigation lines, commonly used utility facilities, community signage, street lights, monument signage, community amenity or recreational areas and other areas shown on any Plat of the Property for common use or otherwise identified as or declared to be Common Areas. Until turned over to and accepted by a public authority for ownership and maintenance, or if designated private, all sidewalks, roads and rights-of-way within the Property shall constitute Common Areas. The designation of any land and/or Improvements as Common Areas will not mean or imply that the public at large acquires any easement of use or enjoyment therein. All Common Areas are to be devoted to and intended for the common use and enjoyment of the Declarant, Owners and Occupants and their respective Tenants, guests, and invitees. Except as otherwise provided in this Declaration, the Common Areas shall be maintained by the Association or its successors in interest unless dedicated to public use as set forth herein. **NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, THE DEFINITION OF "COMMON AREAS" AS SET FORTH IN THIS DECLARATION IS FOR DESCRIPTIVE PURPOSES ONLY AND SHALL IN NO WAY BIND, OBLIGATE OR LIMIT THE DECLARANT TO CONSTRUCT OR SUPPLY ANY SUCH ITEM AS SET FORTH IN SUCH DESCRIPTION, WHICH SHALL INCLUDE, WITHOUT LIMITATION, THE CONSTRUCTION OR SUPPLY OF ANY RECREATIONAL AMENITIES IN ANY PORTION OF THE PROPERTY, THE CONSTRUCTION OR SUPPLYING OF ANY SUCH ITEM HEREINABOVE BEING IN DECLARANT'S SOLE DISCRETION. FURTHER, NO PARTY SHALL BE ENTITLED TO RELY UPON SUCH DESCRIPTION AS A REPRESENTATION OR WARRANTY AS TO THE EXTENT OF THE COMMON AREAS TO BE OWNED, LEASED BY OR DEDICATED TO ASSOCIATION, EXCEPT AFTER CONSTRUCTION AND DEDICATION OR CONVEYANCE OF ANY SUCH ITEM. FURTHERMORE, IN THE EVENT OF ANY QUESTION OR DISPUTE AS TO WHETHER OR NOT CERTAIN REAL PROPERTY OR IMPROVEMENTS ARE PART OF THE COMMON AREA, DECLARANT SHALL DECIDE THE SAME IN ITS SOLE AND ABSOLUTE DISCRETION.**

(m) "Common Expenses" means all expenditures lawfully made or incurred by or on behalf of the Association including under the Governing Documents, together with all funds lawfully assessed for the creation or maintenance of reserves, pursuant to the provisions of this Declaration for the maintenance, repair, operation, insurance, management and replacement of the Common Areas, including the matters listed in Section 9.1 of this Declaration. Common Expenses also include all expenses for which the Association is liable under any contract or agreement entered into by the Association or by the Declarant on behalf of the Association as allowed herein (including without limitation a management or bulk services contract). Furthermore, and without limiting the foregoing, if either or both of Exhibit "B" (Supplemental Townhomes) or Exhibit "C" (Bulk Services), is/are attached to this Declaration, then the costs of all Townhome Services (defined therein) and/or Bulk Services (defined therein) shall be assessed as Common Expenses against the applicable Units.

(n) "County" means Brunswick County, North Carolina.

(o) "Declarant" means COASTAL CLUB NC SC, LLC, a Virginia limited liability company, or (i) any successor-in-title to the entire interest of such Person with respect to all of the Property at the time of such transfer to said successor-in-title to the entire interest of such Person in all of the Property (and such assignor Person no longer owns any portion of the Property) who receives an express written assignment of all or a portion of the Declarant rights hereunder and such assignment is filed Of Record, or (ii) any Person designated in a Supplemental Declaration or other instrument filed Of Record to succeed to the rights of Declarant hereunder as to the specific matters set forth in such writing, which may include, at the sole election of Declarant, a reservation of concomitant rights by the Declarant in and to portions of the Property and the rights therein being assigned. In the event of a partial assignment of Declarant rights, the assignee collectively with the original Declarant shall be deemed the "Declarant" but may only exercise such rights of the Declarant as specifically assigned to it. Any such assignment may be made on a non-exclusive basis. In exercising any right or easement granted or reserved to Declarant hereunder, such right or easement shall be deemed to extend to Declarant's duly authorized directors, officers, members, managers, agents, employees and contractors.

(p) "Declarant Control Period" means the time period commencing on the date this Declaration is filed Of Record, and ending on the earlier of:

(i) The date December 31, 2050; or

(ii) The date which is three (3) months after the date which Declarant, an Affiliate of Declarant or a Builder no longer owns any Units within the Property (expressly including any Additional Property annexed or added to this Declaration pursuant to Article 2 of this Declaration); or

(iii) The date the Declarant terminates the Declarant Control Period by an express amendment to this Declaration filed Of Record.

(q) "Declaration" means this Declaration of Covenants, Restrictions and Easements for COASTAL CLUB OF THE CAROLINAS, as amended from time to time by any Supplemental Declaration filed Of Record.

(r) "Development Period" means the time period during which the Declarant may exercise development rights reserved to it hereunder, which will commence on the date of recording of this Declaration and end the date provided in this Declaration for such development right to terminate, or if no specific date is so provided, then the Development Period shall end on the earlier of:

- (i) The date which is December 31, 2050; or
- (ii) Three (3) months after the date which Declarant, an Affiliate of Declarant or a Builder no longer owns any Units within the Property (expressly including any Additional Property annexed or added to this Declaration pursuant to Article 2 of this Declaration); or
- (iii) Three (3) months following the date the Declarant surrenders the rights to develop hereunder by an express amendment to this Declaration executed and filed Of Record.
- (s) “Eligible Mortgagee” means an Institutional Mortgagee which owns, services, insures or guarantees a first mortgage encumbering a Unit and has notified the Association in writing of its name and address and status as a holder, insurer or guarantor of a first mortgage.
- (t) “Governing Documents” means collectively the Declaration (including any Supplemental Declaration), Articles, Bylaws, and the rules and regulations of the Association and all exhibits to any of the foregoing, and any binding agreements entered into by the Association, if any, all as they may be amended or supplemented from time to time.
- (u) “Improvement” means any structure or artificially created condition or appurtenance located on the Property, including, but not limited to, any building constructed on any Unit or Common Areas, additions, exterior modifications or structural alterations to any Unit or Common Areas, walkway, irrigation pipe or equipment, road, driveway, parking area, fence, wall, screening wall, retaining wall, stairway, deck, landscaping, hedge, tree, planting, shrub, windbreak, pole, swimming pool, pool deck, spa, fountain, water feature, sign, screen enclosure, sewer, drain, disposal system, grading, paving, or exterior air-conditioning or water softener fixture or equipment.
- (v) “Institutional Mortgagee” means the Declarant, any federal or state commercial bank, federal or state savings bank, federal or state savings and loan association, federal or state trust company, life insurance company, casualty insurance company, agency of the United States government, mortgage banker, pension plan, REMIC trust, credit union, broker dealer, investment banking firm, commercial brokerage firm, real estate investment trust, or other financial institution or similar entity making loans in the United States and recognized as an institutional lender, or any affiliate, subsidiary, successor or assignee of any of the foregoing, owning, holding, serving as a trustee or servicer, insuring or guaranteeing a first mortgage (prior to all other mortgage liens) on a Unit or a collateral assignment of a first mortgage on a Unit, or an institutional or governmental insurer or purchaser of such a first lien mortgage in the secondary market, such as Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”), U.S. Department of Housing and Urban Development (“HUD”) and U.S. Department of Veterans Affairs (“VA”).
- (w) The term “majority of the Voting Interests” means a majority of the votes entitled to be cast by the Owners present in person or by proxy or by electronic or written ballot and voting at any meeting of the Owners at which a quorum is attained. The term “majority of the Voting Interests” shall not mean a majority of the Units or Owners themselves or of the total votes entitled to be cast by all Owners. Similarly, if some greater percentage of Voting Interests is required herein or in the Bylaws or Articles, it shall mean such greater percentage of the votes entitled to be cast by the Owners present in person or by proxy or by electronic or written ballot and voting at any meeting of the Owners at which a quorum is attained and not of the number of Units or Owners themselves or the total votes entitled to be cast by all Owners. So long as Declarant, an Affiliate of Declarant or a Builder owns any property in the Property or has the right to add any real property to the Property, a majority of the Voting Interests or greater percentage of Voting Interests cannot be attained without the consent of Declarant.

(x) "Member" means every person or entity who or which holds membership in the Association.

(y) "Nonprofit Corporation Act" means the North Carolina Nonprofit Corporation Act, Chapter 55A of the North Carolina General Statutes as it may be amended or renumbered from time to time.

(z) "Occupant" means any person, including, without limitation, any Owner, occupying or otherwise using a Unit, Tenant and their respective families, servants, agents, guests, and invitees. Any person who is physically present in or occupies a Unit at the invitation of the Owner or Tenant for consideration shall be deemed a "Tenant".

(aa) "Of Record" means the place of filing a writing in the applicable public records, currently being the Brunswick County, North Carolina office of Register of Deeds (ROD) Office, as will give legal notice to the world of the matters set forth in the writing so filed.

(bb) "Owner" means the record owner (including Declarant), whether one or more persons or entities, of fee simple title to any Unit which is a part of the Property, including contract sellers, but excluding those having an interest in a Unit solely as security for the performance of an obligation.

(cc) "Person" means any natural person, as well as a corporation, joint venture, partnership (general or limited), association, trust, limited liability company or other legal entity.

(dd) "Plat" shall mean one or more plats subdividing the Property and described in Exhibit "A" attached hereto and filed Of Record.

(ee) "Pond" shall mean any pond, lagoon, retention or detention area, or similar body of water shown on a Plat of the Property and constituting a Common Area, as provided in Section 1.1(l) above, and further described as a part of the Storm Water Management System under Section 1.1(gg) below.

(ff) "Property" means the property described in Exhibit "A" to this Declaration and any Additional Property annexed or added pursuant to Article 2 of this Declaration and all Improvements located or constructed thereon, being a part of the overall plan and scheme, from time to time existing hereunder, for the real estate development known as "COASTAL CLUB OF THE CAROLINAS".

(gg) "Storm Water Management System" means the system which is designed, constructed, and implemented for the Property to control discharges which are necessitated by rainfall events, incorporating methods to collect, convey, store, absorb, inhibit, treat, use or reuse water to prevent or reduce flooding, over-drainage, environmental degradation and water pollution, or otherwise affect the quantity and quality of discharges from the system, as permitted or required pursuant to the applicable requirements of the applicable governmental authorities. Such system shall include any Pond shown on a Plat filed Of Record and located within the Property, drainage easements shown on any Plat of the Property and located within the Property, any outfall ditches and any storm water piping systems, drains, catch basins and other related apparatus and facilities located within the Property and intended to provide storm water management and control for the Property.

(hh) "Supplemental Declaration" means any amendment to this Declaration filed Of Record, which makes any changes hereto.

(ii) "Tenant" means the person or persons, entity or entities, which occupy or are entitled to occupy a Unit for consideration. Tenants shall not be members of the Association, but shall, through the Owner, be entitled to certain rights and undertake certain obligations with respect to the Unit.

(jj) "Unit" or "Lot" means a portion of the Property, whether improved or unimproved, which may be independently owned and conveyed as a single residential lot and dwelling, whether such dwelling is located in a single family detached, duplex or townhome building. The term Unit shall be deemed to include the benefits and burdens applicable or appurtenant to a Unit, such as easements or maintenance obligations of the Owner. The term "Unit" does not include the Common Areas.

(kk) "Voting Interests" means the total amount of votes entitled to be cast by the Owners.

1.2 Interpretation and Flexibility.

In the event of any ambiguity or question as to whether any Person, property or improvement falls within any of the definitions set forth in this Article 1, the determination made by Declarant in such regard (as evidenced by a recorded Supplemental Declaration stating same) shall be binding and conclusive. Moreover, Declarant may also, by way of Supplemental Declaration, alter or amend the application of any portion of the Declaration as to any specified portion(s) of the Property in order to reflect any unique characteristics thereof.

ARTICLE 2

Plan of Development; Property Subject to Declaration and Within Jurisdiction of Brunswick County, NC

2.1 Plan of Development.

The plan of development of the Property is to create within the Property a residential subdivision. Each lot shown on a Plat shall constitute a Unit hereunder. The subdivision Plat may also include Common Areas, sidewalks and such private and public roads and rights-of-way (prior to the acceptance of such sidewalks and public roads and rights-of-way by a governmental authority), utility systems, drainage systems, and other Improvements serving the Property as are, from time to time, denominated as Common Areas in this Declaration or by the Declarant on any Plat of the Property in furtherance of the development plan for the Property, as it exists from time to time, or in any deed, lease, easement, use agreement, Supplemental Declaration or memorandum thereof filed Of Record, and which are installed and existing or to be installed. All Units within the Property will be and are hereby restricted exclusively to residential use and will be subject to the standards and restrictions set forth in this Declaration. Without the consent of any Person, except that Approved Builder must consent in writing to any of the following which adversely affect Approved Builder or affect any Units owned by Approved Builder, the Declarant will have the right, but not the obligation, during the Development Period, to subdivide and develop unimproved portions of the Property; to make Improvements and changes to the Common Areas and to all portions of the Property owned by the Declarant, including, without limitation, (a) installation, modification, alteration, deletion, expansion, and maintenance of any Improvements, (b) changes in the location of the boundaries of any such Property owned by the Declarant, and (c) installation and maintenance of any water, sewer, and other utility systems and facilities. The Declarant may file a Supplemental Declaration with regard to any now or later subdivided part of the Property in order to identify each Unit, Common Area, including recreational amenity, if any, and other use and/or purpose allowed and defined in this Declaration, but the failure to do so shall not negate the subjection to the Declaration hereby of each Unit, which may be identified as a lot on any subdivision Plat, Common Areas, including any

recreational amenity, and/or other uses and purposes allowed and defined in the Declaration. Because of the authority and power of the Declarant to amend this Declaration, as herein provided, including the power and authority to withdraw portions of the Property, as set forth in Section 2.4 below, no implication should be drawn that a general plan or scheme of development with respect to any portion of the Property includes its uniform application to all parts of the Property. Without limiting the foregoing or any other terms or provisions herein, and in addition to any Supplemental Article 17 if such an Article is attached hereto as Exhibit "B", and except that Approved Builder must consent in writing to any of the following which adversely affect Approved Builder or affect any Units owned by Approved Builder, Declarant may unilaterally by recordation of a Supplemental Declaration, increase, decrease or otherwise alter the level of services to be provided by the Association within a certain portion of the Property in conjunction with the recordation of a new Plat or in any event.

Upon termination of the Development Period, any of the Property not then developed and shown on any subdivision plat as a lot (defined as an unimproved Unit under this Declaration), Common Area, including any recreational amenity, or any other specifically identified use or purpose allowed and defined in the Declaration, and not otherwise withdrawn from the plan and operation of the Declaration pursuant to Section 2.4 below shall constitute a Common Area subject to the Association's obligation to insure, maintain, and, if required, replace irrespective of whether title thereto has been conveyed to the Association by the Declarant. Every party acquiring a Unit or portion thereof, or any interest therein, within the Property, by acceptance of a deed conveying title thereto or by execution of a contract for the purchase thereof, whether from Declarant or a subsequent Owner of such Unit, or any interest therein, shall for such grantee and such grantee's heirs, personal representatives, successors and assigns, be deemed to covenant, consent and agree to and with Declarant, the Association, and with current and successor Owners of other Units, to keep, observe, comply with and perform the obligations of such grantee under the Declaration, as amended and supplemented by any Supplemental Declaration, and any additions or amendments thereto and hereto.

2.2 Existing Property.

The real property described on Exhibit "A" attached hereto and incorporated herein by reference is and shall be held, transferred, sold, conveyed, used and occupied subject to this Declaration as of the date of recording hereof, and is within the jurisdiction of the Association.

2.3 Additional Property.

During the Development Period, Declarant, without the consent of the Members, the Association or any mortgagee, so long as Declarant owns the property being annexed (or so long as the owner thereof has consented to the annexation by joining Declarant in the execution of the Supplemental Declaration), may unilaterally annex additional property under this Declaration (collectively, in part if applicable, and in any case or event and from time to time, "Additional Property"). The Additional Property shall become subject to the plan and operation of this Declaration by Declarant filing Of Record a Supplemental Declaration extending the operation and effect of this Declaration to the Additional Property to be annexed. Any Additional Property annexed pursuant to this Section 2.3 may be annexed and subjected to this Declaration as one parcel or as several parcels at different times. The addition of such Additional Property pursuant to this Section 2.3 may increase the cumulative number of Units within the Property and, therefore, may alter the relative voting strength of the various types of Members or extend the control period of the Declarant. Subject to any approval rights of Approved Builder described in this Declaration, a Supplemental Declaration may contain such additions to and modifications of the covenants and restrictions contained in this Declaration, including, without limitation, different voting rights and different Assessments for the Units so annexed, as Declarant, in its sole discretion, may deem necessary or appropriate to reflect the different character or use of the property added. A Supplemental Declaration

annexing Additional Property need only be executed by the Declarant and, if applicable, by Approved Builder or by the owner of the property being annexed, and shall not require the joinder or consent of the Association or any of its Members. If a Supplemental Declaration also provides for differing voting rights, or service levels and assessment loads for Owners, the Declarant may also amend the Articles and Bylaws and budgets of the Association without the joinder or consent of the Association or any Member. If and once annexed under the Declaration the annexed portion of the Additional Property shall be part of the Property.

Nothing contained in this Section 2.3 shall be construed to obligate or require Declarant to make any additions to the Property.

2.4 Withdrawal of Property.

The Declarant reserves the unilateral right to amend this Declaration during the Development Period without the consent of any Owner, the Association or any mortgagee for the purpose of removing any portion of the Property then owned by the Declarant, its Affiliates, a Builder or the Association from the provisions of the Declaration for any reason.: Any withdrawal of land not owned by Declarant shall not be effective without the written consent or joinder of the then-owner(s) of the withdrawn land. Notwithstanding the foregoing, Declarant may not withdraw any Common Area or portion of the Property owned by Approved Builder without written consent of Approved Builder.

ARTICLE 3

Membership And Voting Rights

3.1 Membership.

The Declarant and every Owner of a Unit which is subject to assessment by the Association shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Unit which is subject to assessment.

3.2 Voting Rights.

The voting rights of the Members shall be appurtenant to the ownership of a Unit and may not be separated from ownership of any Unit. There shall be two classes of membership with respect to voting rights:

(a) Class A.

Class A Members shall be all Owners (including the Declarant). A Class A Member will be entitled to one (1) vote for each Unit owned. When more than one person owns an interest (other than a leasehold or security interest) in any Unit, all such persons shall be Members and the voting rights appurtenant to their Units shall be exercised as they, among themselves, determine; but fractional voting shall not be allowed, and in no event shall more than one vote be cast with respect to any Unit owned by a Class A Member.

(b) Class B.

The Class B Member shall be the Declarant and Approved Builder, or their respective designated assignees. In addition to such other control, consent and amendment rights as are accorded Declarant and/or Approved Builder hereunder, and without limiting the same, during the

Declarant Control Period, the Class B Member will be entitled to three (3) votes for each vote held by each Class A Member. Thereafter, the Class B Member will exercise votes only as to its Class A Memberships.

(c) Special Declarant Voting Rights.

Notwithstanding anything to the contrary contained herein, until the expiration of the Declarant Control Period under the Declaration, Declarant shall be vested with the sole voting rights of the Association on all matters (including election and removal of directors and officers of the Association), except such matters as to which a specific vote of the Class A Members is otherwise required by the Declaration (including any Supplemental Declaration), these Articles of Incorporation, or the Association Bylaws, all as they may be amended or supplemented from time to time as therein provided.

ARTICLE 4

Property Rights

4.1 Owners' Easements of Enjoyment and Access.

Except as limited by the provisions of this Section 4.1 and by the rules and regulations adopted by the Board of Directors, every Owner shall have a right and easement of enjoyment in, use of and access to, from, and over the Common Areas, which right and easement shall be appurtenant to and shall pass with title to every Unit, subject to:

(a) the right of the Association to limit the use of such facilities to Owners who occupy a residence on the Property and their Occupants, as provided in Section 4.2.

(b) the right of the Association to suspend the voting rights of an Owner and to prohibit use of the Common Areas (other than legal access) by an Owner and his Occupants during any period which the Assessment against his Unit remains unpaid, or for a period not to exceed sixty (60) days for any infraction of the published rules and regulations of the Association.

(c) the right of the Association (subject to approval of Declarant or Approved Builder for so long as the same own any portion of the Property) to dedicate, sell or transfer all or any part of the Common Areas to any public or quasi-public agency, authority, utility or service provider for such purposes and subject to such conditions as may be agreed upon by a majority of the Voting Interests. After the expiration of the Declarant Control Period, no such dedication or transfer shall be effective unless Approved Builder and Members holding at least two-thirds of the Voting Interests agree to such dedication, sale or transfer. Nothing herein shall be deemed to prohibit the Board of Directors, without consent of the Members, from granting easements over and across the Common Areas to any public agency, authority, utility or service provider for the installation and maintenance of sewerage, utility (including telecommunications, cable television and broadband internet), drainage or other facilities or for the provision of any services when, in the opinion of the Board of Directors, such easements are necessary for the convenient use and enjoyment of Property.

(d) the right of the Association to borrow money. After the expiration of the Declarant Control Period, if the principal amount of the loan exceeds the 200% of amount of the annual Association budget and the Association is required to mortgage, pledge, grant a deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred then the loan shall require the approval of a majority of the Voting Interests.

In the event of such mortgage, pledge, deed in trust or hypothecation, the rights of any such lender or mortgagee shall be subordinate to the property rights of the Members and the Association as set forth herein.

(e) the right of the Association to exchange all or part of the Common Areas for other property and consideration of like value and utility, provided, however, that, after the expiration of the Declarant Control Period, any such dedication shall require the assent of the Approved Builder and Members as set forth in Section 4.1(c) above, and further provided that, if the Board of Directors determines, in its sole discretion, that such exchange is necessary to cure an encroachment or setback violation on any Unit, the Board may effect such exchange without the consent of or approval by the Members.

(f) the right of the Association to open the Common Areas for use by non-members of the Association.

(g) the right of the Association to alter, modify, expand or add to the Common Areas and to improve, maintain and operate the Common Areas.

(h) the right of the Association to adopt, promulgate and enforce rules and regulations concerning the use of the Common Areas.

(i) the right of the Association to otherwise deal with the Common Areas as provided in this Declaration, the Articles and Bylaws of the Association.

4.2 Delegation of Use.

(a) Family.

The right and easement of enjoyment and access granted to every Owner by Section 4.1 may be exercised by members of the Owner's family who occupy the Unit of the Owner as their residence in the County.

(b) Tenants.

The right and easement of enjoyment and access granted to every Owner by Section 4.1 may be delegated by such Owner to his Occupants or Tenants who occupy the Unit as their residence in the County.

(c) Guests.

The right and easement of enjoyment and access granted to every Owner by Section 4.1 may be delegated to guests of such Owners, Occupants or Tenants, subject to such rules and regulations as may be established by the Board of Directors. Notwithstanding the foregoing, the Association may adopt reasonable rules and regulations from time to time for the purpose of limiting the number of guests using the Common Areas at any given time.

(d) Suspension of Rights.

The rights of any delegate of an Owner shall be suspended by, upon and during suspension of such Owner's rights as provided in Section 4.1(b) and Section 16.8 of this Declaration.

4.3 Conveyance of the Common Areas to the Association.

No later than the expiration of the Development Period, the Declarant, Approved Builder, or other owner(s) of the Common Areas shall convey by quit claim deed, and the Association shall accept, fee simple title to all Common Areas within the Property, and shall assign, reserve for or grant to the Association all Common Area easements, all subject to such easements, reservations, conditions and restrictions as then may be Of Record, and the Association shall accept all such conveyances, grants, assignments and reservations. THE ASSOCIATION AGREES TO ACCEPT "AS IS" ANY CONVEYANCE OF THE COMMON AREAS AND THE PERSONAL PROPERTY AND IMPROVEMENTS APPURTENANT THERETO, WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN FACT OR BY LAW, AS TO THE CONDITION OR FITNESS OF THE COMMON AREAS OR PORTIONS THEREOF AND THE PERSONAL PROPERTY AND IMPROVEMENTS THEREON. So long as Declarant, an Affiliate of Declarant, or a Builder owns any Unit within the Property, Declarant and Approved Builder reserves/are hereby granted an easement over and across any Common Areas deeded to the Association for the purpose of constructing and maintaining any Improvements on the Common Areas as it deems necessary or advisable, provided that any such Improvements must comply with the requirements of the appropriate governmental authority.

If the Common Areas have previously been conveyed to the Association, then any Improvements subsequently constructed or placed on the Common Areas by Declarant shall become the property of the Association upon completion of such Improvements and such completed Improvements will be conveyed to the Association in accordance with the terms of this Declaration. If the Common Areas have not been conveyed to the Association, then any Improvements constructed or placed on the Common Areas by Declarant shall be conveyed to the Association simultaneously with the conveyance of the Common Areas.

The Association shall, however, become responsible for all maintenance, repair, replacement, operation and insuring of Common Areas prior to such conveyance when Improvements thereto have been completed, which shall be the later of the date the required certificates or permits of occupancy or use are issued therefor, or the date such Common Areas may be used by the Owners in the manner and for the purposes for which they are developed or constructed. In consideration of the benefits accruing to the Association and to the Owners under this Declaration and in consideration of the covenants and agreements of the Declarant, an Affiliate of Declarant and/or a Builder, if applicable, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration. Upon filing a deed, assignment, easement, lease or other instrument of conveyance Of Record to the Association, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed or approval of any person, including the grantor, landlord and/or Association. Neither Declarant, an Affiliate of Declarant or a Builder shall be required to make any additional Improvements whatsoever to property to be conveyed and accepted pursuant to this Section 4.3 than shall exist at the date of conveyance. The Common Areas shall be conveyed to the Association without any express or implied warranties, which are hereby expressly disclaimed by Declarant, any Affiliate of Declarant, and any Builder.

4.4 Regulation and Maintenance of Common Areas and Common Area Easements.

It is the intent of the Declarant that the Common Areas be preserved for the perpetual benefit of the Owners.

(a) Regulation of Common Areas.

The Association may adopt and promulgate rules and regulations governing the use of the Common Areas by Owners and Occupants. No Owner or other Occupant shall use the Common Areas or any portion thereof in violation of the rules and regulations contained in this Declaration or subsequently adopted by the Association.

Without limiting the generality of the foregoing, no Owner or Occupant shall, without the specific prior written consent of the Association: (i) damage or waste the Common Areas or Improvements thereon or remove any trees or vegetation therefrom; (ii) erect any gate, fence, structure or other improvement or thing on the Common Areas; (iii) place any garbage receptacle, trash or debris on Common Areas; (iv) fill or excavate any part of the Common Areas; (v) landscape or plant vegetation on Common Areas; or (vi) use the Common Areas or any part thereof in a manner inconsistent with or in any way interfering with the rights of other Owners.

So long as the Declarant, any Affiliate of the Declarant or a Builder owns any of the Property for development and sale, no rule or regulation shall be adopted by the Board of Directors which would be binding upon the Owners of such Property to be developed by the Declarant, Affiliate of the Declarant, or Builder without the prior written consent of the Declarant, including, but not limited to any rule or regulation which would have the effect of discriminating against or in favor of (i) one type of Owner over another or (ii) one type of Tenant or Occupant over another.

(b) Rights and Responsibilities of the Owners as to Common Area Easements.

Each Owner of a Unit subject to a Common Area easement shall pay all property taxes, hazard and liability insurance and Assessments levied against his Unit, including such Common Area easement portion of his Unit. The Association shall have no liability for maintenance of or payment of property taxes, hazard and liability insurance and Assessments levied against such Common Area easement portion of a Unit.

(c) Rights and Responsibilities of the Association as to the Common Areas.

The Association shall have the right and obligation to ensure that the Common Areas owned by the Association are preserved for the perpetual benefit of the Owners, and, to that end, shall: (i) maintain the Common Areas in their natural or improved state, as appropriate, and keep them free of impediments to its use by the Owners, subject to the provisions of this Declaration; (ii) procure and maintain adequate commercial general liability insurance covering the Association and its Members, Directors and officers against any loss or damage suffered by any person, including the Owner of the Unit upon which a Common Area easement lies, resulting from use of the Common Areas, and adequate hazard insurance covering the real and personal property owned by the Association; (iii) procure and maintain adequate hazard insurance covering the real and personal property leased by the Association; and (iv) pay all property taxes and other assessments levied against all Common Areas owned by the Association.

(d) Declarant's and Association's Right of Entry.

The Declarant, Affiliates of Declarant, Builders, the Association and the employees, agents, contractors and subcontractors of each, shall have a non-exclusive, alienable, transferable, and perpetual right and easement at all times to enter upon any portion of a Unit reserved or designated as a Common Area easement for the purposes of: (i) installing and maintaining subdivision entrance signs, features, fencing and landscaping; and (ii) making such Improvements to the Common Areas; and (iii) maintaining the Common Area easement in its natural or improved state.

4.5 Ponds; Restrictive Covenants.

Units may contain portions of, be adjacent to or lie within proximity of any Pond located within the Property. The Declarant shall have the right to unilaterally and without need for consent of any Owner or the Association, place certain restrictive covenants on the Property by filing Of Record one or more Declaration(s) of Restrictions (“Restrictive Covenants”) or Supplemental Declarations. The Restrictive Covenants or Supplemental Declarations shall run with the land and be binding on all heirs, successors, assigns, lessees, or other occupiers or users. The Restrictive Covenants or Supplemental Declarations may prohibit any or all of the following: filling, draining, flooding, dredging, impounding, burning, cultivating, excavating, erecting, constructing, releasing wastes, or otherwise doing any work on any Pond; introducing exotic species into a Pond, changing the grade or elevation, impairing the flow or circulation of waters, reducing the reach of waters and any other discharge or activity requiring a permit under clean water or water pollution control laws and regulations, as amended. Owners of Units containing portions of or abutting a Pond shall not remove native vegetation that becomes established within a Pond located within or abutting their Unit. The Association shall be responsible for the perpetual maintenance of the Ponds. The cost of such maintenance shall be deemed a Common Expense of the Association. The Association has the right to take action against Owners as necessary to enforce the conditions, covenants and use restrictions placed on any Pond described in any Restrictive Covenants or Supplemental Declaration, or the Plat or any other subdivision plat of the Property filed or to be filed Of Record. Ponds are Common Areas; they shall be the perpetual responsibility of Association and may not be altered from their natural or permitted state.

4.6 Drainage System.

Drainage facilities and systems which are located within any private drainage easement area depicted on a Plat of the Property and which serve more than a single Lot shall be Common Areas. From and after such drainage systems or drainage facilities are installed by the Declarant, the maintenance of such systems and/or facilities within the drainage easement area thereafter shall be the responsibility of the Owner of the Lot on which the same are located, unless the same are Common Areas in which case they shall be the responsibility of the Association. In any event, if any drainage system or facilities are adversely affected by landscaping, fences, structures (including, without limitation, pavers), or other additions or activities by Owners or Occupants, then the maintenance and repair or replacement of such drainage systems or drainage facilities, and the cost of the same, shall be the responsibility of the Owner of each Unit containing all or a part of such drainage system and/or facilities. If an Owner fails to correct, repair, or maintain the drainage system and/or facilities that it is required to maintain or repair within the boundary of his Unit as set forth in this Section 4.6, after giving such Owner at least twenty four (24) hours’ notice, the Association shall have the right, but not the obligation to undertake the correction, repair or maintenance at the Owner’s expense. Each Owner, by accepting title to his Unit, grants the Association an easement over his or her Unit for the purpose of entry and monitoring compliance with the requirements of this Section 4.6, and such entry shall not constitute a trespass. The cost and expense of any correction, maintenance or repairs provided by or under the direction of the Association pursuant to this Section 4.6, plus an administrative and overhead fee equal to the greater of \$35.00 or twenty five (25%) percent of the cost of such correction, repair or maintenance (or such other amount determined by the Board of Directors in its sole discretion, subject to limitations contained in applicable law), shall be charged to the non-complying Owner as a Specific Assessment, secured by a lien against the Unit as provided in Article 5 of this Declaration. Association shall have the right to enforce the provisions in this Section 4.6 by all necessary legal action. By acceptance of a deed, each Owner of a Unit acknowledges that drainage systems and/or facilities serving COASTAL CLUB OF THE CAROLINAS shall be located within certain easement areas described in on any Plat of the Property or in the Declaration.

ARTICLE 5

COVENANTS FOR ASSESSMENTS

5.1 Creation of the Lien and Personal Obligation of Assessments.

Each Owner, by acceptance of a deed or other conveyance for a Unit, covenants and agrees to pay to the Association all assessments and charges which are levied by the Association against the Unit(s) owned by such Person in accordance with the terms and provisions of the Act and/or the Governing Documents as applicable. All assessments and charges shall be established and collected as hereinafter provided. All assessments and charges remaining unpaid for a period of thirty (30) days or longer, together with the costs of collection thereof, including reasonable attorneys' fees, shall constitute a lien on the Unit against which they are assessed or charged from the time of the filing of a lien in the office of the Clerk of Superior Court of Brunswick County, North Carolina, and shall be the personal and continuing obligation of the Person who was the Owner of such Unit at the time when the assessment or other charge first became due and payable. An Owner's personal obligation for payment of such assessments and other charges shall not become the personal obligation of a subsequent Owner unless expressly assumed by the subsequent Owner, although the lien shall continue against the Unit until the amounts due are paid, as the covenant to pay assessments herein stated is and shall be a covenant running with land. Note that for avoidance of doubt if not otherwise, and in any event in order to obviously comply with the terms and provisions of Sec. 47F-3-116(h) of the Act, the Association may charge, and the assessments and charges described in this Section 1 include (but are not limited to), all reasonable service, collection, consulting and/or administrative fees charged by the Association in any amount that does not exceed any amount allowable by law, provided, however, that if required under Sec. 47F-3-116(h) of the Act any lien securing a debt consisting solely of these types of fees (meaning not including any liens for other fees or assessments) may only be enforced by judicial foreclosure.

5.2 Purposes of Assessments.

The Assessments levied by the Association shall be used to operate the Association, maintain, repair, operate, insure and replace the Common Areas, and to promote the recreation, health, safety and welfare of the Owners of the Property and, in particular, for: (i) improvement and maintenance of Improvements to the Common Areas and the provision of personal property, services and facilities, the establishment of operating reserves and capital reserve accounts related to the use and enjoyment of the Common Areas; (ii) maintenance, repair, replacement and reconstruction of Improvements on, the Common Areas, including, without limitation, the cost of labor, equipment, materials, management, inspection and supervision thereof; (iii) payment of taxes and public assessments levied against the Common Areas owned by the Association; (iv) procurement and maintenance of insurance; (v) employment of attorneys, accountants, consultants and other persons or firms to represent the Association when necessary; (vi) payment of principal and interest on funds borrowed for Association purposes; (vii) such other needs and reserves as may arise; (viii) payment for the maintenance and operation of street lights; (ix) any expenses necessary or desirable to carry out the duties of the Association under the Governing Documents or at law; (x) costs of services under bulk services contracts entered into by the Board; (xi) any other Common Expenses of the Association; and (xi) other charges imposed under authority contained in the Act (specifically including all fees allowed under Section 47F-3-102 of the Act) or Governing Documents (architectural review fees, fines, penalties, interest and other fees and charges all being referred to herein collectively as "other charges"), and, in addition to such assessments and other charges, to pay all costs, fees and expenses, including reasonable attorneys' fees, incurred by the Association in enforcing or collecting any of the foregoing assessments or other charges against such Owner or the Unit of such Owner.

5.3 Annual Assessments.

(a) Establishment of Annual Assessment.

For the fiscal year beginning on such date as the Board shall determine in its sole discretion and for subsequent fiscal years, the Board shall adopt for each fiscal year a proposed "annual operating budget", also referred to herein as the "budget", containing an estimate of the total amount believed to be necessary to pay all of the Common Expenses for that fiscal year (including, at the Board's discretion, estimated amounts for unexpected contingency items). Based on such proposed budget, the Board shall determine the amount to be assessed against each Unit for that fiscal year to fully fund the proposed budget, such amount being referred to herein as the "annual assessment". In adopting a proposed budget and annual assessment, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the applicable fiscal year. In the Board's discretion, a proposed budget may include a provision that allows the Board to assess and collect from the Owners during the applicable fiscal year, without the necessity of revising the budget and holding a meeting of the membership of the Association to vote on ratification of the revised budget, one or more additional annual assessments, not to exceed a total amount as specified by the Board, as necessary to pay for Common Expenses that exceed the budgeted amount and/or new or unexpected additional Common Expenses incurred during the applicable fiscal year.

Within thirty (30) days after adoption of the proposed budget, the Board shall provide a copy or summary of the proposed budget and annual assessment to all Members (a copy or summary provided to any one (1) of multiple Owners of a Unit is deemed to be provided to all Owners of such Unit), together with a notice of the annual or special meeting of the Association at which ratification of such proposed budget will be considered, including a statement that the proposed budget may be ratified without a quorum for the meeting. The annual or special meeting at which ratification of the proposed budget is to be considered shall be held not less than ten (10) days nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting at which ratification of the proposed budget is to be considered (although if other matters are to be considered at such meeting applicable quorum requirements are in effect with respect to those other matters). The budget is ratified unless rejected at that meeting as follows: (i) if the proposed annual assessment does not exceed the annual assessment for the immediately preceding fiscal year by more than fifty percent (50%), the budget is ratified unless Members possessing ninety percent (90%) or more of the total number of votes in the Association reject it; (ii) if the proposed annual assessment per Unit exceeds the actual annual assessment per Unit for the immediately preceding fiscal year by more than fifty percent (50%), the budget is ratified unless Members possessing sixty-seven percent (67%) or more of the total number of votes in the Association reject it. In the event that the proposed budget is rejected, the budget last ratified by the Members shall be continued until such time as the Members ratify a subsequent budget proposed by the Board Of adopted by the Members.

Beginning with the annual assessment for the first fiscal year as the Board shall determine in its sole discretion, the Association shall send written notice of each annual assessment to the Members of the Association (for purposes of notice of all assessments under the Declaration, notice sent to any one (1) of multiple Owners of a Unit is deemed to be notice sent to all of such Owners) not less than thirty (30) days in advance of the payment due date specified in the notice (which shall not be earlier than the first day of the applicable fiscal year), which written notice may be in the form of an invoice for the annual assessment, or which written notice may be included in the notice of the meeting to vote on the proposed budget. The failure of the Board to establish the amount of any annual assessment or send timely notice as required herein shall not constitute a violation, waiver or modification of the provisions of the Declaration, or a waiver of the Board's right to establish and collect the annual assessment at any time during the fiscal year to which it is applicable, or a release of any Member from the obligation to pay the

assessment or any installment thereof for that or any subsequent fiscal year. Until the Board has established an annual assessment for a fiscal year, the annual assessment for the immediately preceding fiscal year shall continue in effect, but when the new annual assessment is established, it shall be retroactive to the first day of the applicable fiscal year, and notice of same shall be sent to the Members not less than thirty (30) days in advance of the payment due date specified in the notice. If the annual assessment for any fiscal year has not been established by the last day of the immediately preceding fiscal year, the Board may send a notice of assessment to the Members for the amount of the immediately preceding fiscal year's annual assessment, together with notice that a new assessment may be established for that fiscal year that may require an additional payment. Once the new annual assessment is established, any additional amount owed is due and payable by the payment due date specified in a supplemental notice to the Members sent not less than thirty (30) days in advance of the payment due date specified in the supplemental notice.

During any fiscal year, the Board may revise the budget and adjust the annual assessment (including the maximum amount of any additional annual assessment), subject to the same notice and ratification requirements as those applicable to the initial budget for that fiscal year. Upon ratification of a revised budget, it shall replace all previously ratified budgets for the applicable fiscal year. All Assessments charged by the Association may be rounded off to the nearest dollar.

5.4 Special Assessments.

In addition to other authorized assessments, the Association may levy "special assessments" during any fiscal year to pay for any or all of the following: (i) unbudgeted Common Expenses; (ii) Common Expenses in excess of those budgeted; or (iii) the costs of any capital Improvements or capital repairs. No special assessment shall be imposed unless approved by the affirmative vote of fifty percent (50%) or more of the votes cast by the Members present at a meeting of the Association and, during the Development Period, the written consent of the Declarant. Notices for all meetings of the Association at which there is to be a vote on a special assessment shall include notice of the purpose and amount of the proposed special assessment. A special assessment is effective on the later of the date it is approved by the Members or Declarant (if such approval is required), or such later date adopted by the Members in the vote approving the special assessment, and is due and payable as established by the vote of the Members approving the special assessment, or, if not established by such vote of the Members, as established by the Board. Each Unit shall be liable for the payment of an equal share of every special assessment which shall be levied by the Association pursuant to the provisions of this section.

5.5 Assessment Rate; Collection Period.

Except as expressly provided herein (such as in Section 5.6), the annual and special assessments shall be fixed at a uniform rate for all Units of the same type (meaning to which the same level of services are provided by the Association). Assessments may be collected on a yearly, semi-annually, quarterly or monthly basis, as determined by the Board of Directors.

5.6 Declarant and Builders; Assessments for Units Owned.

(a) Assessment for Builder's Units.

During the Declarant's Development Period, the Declarant may exempt a Builder from the payment of all or certain types of Assessments on such terms and conditions as the Declarant shall provide in a written certificate. Such certificate may also provide alternative rules and exemption provisions applicable the grantee of a Unit from a designated Builder. A certificate by the Declarant and applicable to a designated Builder may or may not be filed Of Record as Declarant may, in its sole discretion, decide.

(b) Declarant's Assessment Rights.

Notwithstanding any provision that may be contained to the contrary in the Governing Documents, during the Development Period, there shall be no Assessments of any kind assessed against Units owned by Declarant. That said, Declarant may, in its sole discretion, but need not, (1) pay Assessments on the Units it owns, or (2) fund any Association "shortfall." The "shortfall" if applicable under option (2), above, would be some or all of the difference between (i) actual operating expenses of the Association (exclusive of capital improvement costs, reserves and management fees), and (ii) the sum of all monies receivable by the Association (including, without limitation, Assessments, interest, late charges, fines, rents and incidental income) from Owners other than the Declarant and any surplus carried forward from the preceding year(s). Shortfall would not include expenses incurred by the Association as a result of a natural disaster, casualty or an act of God which are not covered by the proceeds of insurance. The Declarant may from time to time change its approach if any under this Section with or without notice to the Association.

(i) Shortfall Funding by Declarant.

Any payment of the shortfall, if any, will be characterized, in the Declarant's sole and absolute discretion and election, as (a) a contribution to the Association, (b) an advance against future assessments due from the Declarant, if any, (c) in-kind services, or (d) a loan to the Association. The amount and character (contribution, advance, in-kind services or loan) of such payment by the Declarant will be conspicuously disclosed in the financial records of the Association. The payment of the shortfall in any year will under no circumstances obligate the Declarant to continue payment of such shortfall in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

5.7 Notice for any Action Authorized Under Section 5.3 and Section 5.4.

After the expiration of the Declarant Control Period, written notice of any meeting of the Board of Directors called for the purpose of taking any action authorized under Section 5.3 or Section 5.4 shall be sent to all Members not less than fourteen (14) days nor more than sixty (60) days prior to the meeting.

5.8 Date of Commencement of Annual Assessments; Certificate of Amounts Due.

Unless a different commencement date is set by the Board of Directors, the annual assessments provided for herein shall commence as to a Unit on the earlier of the date of the first conveyance of said Unit to an Owner other than the Declarant, an Affiliate of the Declarant, or Approved Builder or other Builder, or the date the Unit is occupied.

Within fifteen (15) days after written request by an Owner or mortgagee of a Unit and payment of a reasonable charge determined by the Board of Directors, the Association shall provide a certificate stating all Assessments and other moneys owed to the Association by the Owner with respect to the Unit. Any person other than the Owner who relies upon such certificate shall be protected thereby.

5.9 Specific Assessments.

The Board may levy specific assessments against individual Owners (i) for the purpose of paying for the costs of any construction, reconstruction, repair or replacement of any damaged component of the Common Area, or of any monument, landscaping, detention pond or other thing maintained by the Association, which is occasioned by the acts of individual Owners(s) and not the result of ordinary wear and tear; or (ii) for the payment of fines, penalties or other charges imposed against an individual Owner

relative to such Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws, or any rules or regulations promulgated hereunder; provided, that Declarant shall not be obligated to pay any specific assessments; or (iii) for payment of expenses associated with Limited Common Areas benefitting some but not all Units and Owners (if such expenses are not otherwise assessed against only such Owners). Failure of the Board to exercise its authority under this section shall not be grounds for any action against the Association or the Board of Directors and shall not constitute a waiver of the Board's right to exercise its authority under this section in the future with respect to any expenses.

Upon the establishment of a specific assessment under this section, the Board shall send written notice of the amount and due date of such specific assessment to the affected Owner (s) at least thirty (30) days prior to the date such specific assessment is due.

Neither Declarant nor Approved Builder shall in any event be subject to specific assessments; both are expressly exempt from any of the same.

5.10 Effect of Nonpayment of Assessments; Remedies.

No Owner shall be exempt from liability for any assessment provided for herein by reason of non-use of the Common Area or such Owner's Unit, or abandonment of a Unit, or temporary unavailability of the use or enjoyment of the Common Area; provided, however that Declarant shall be exempted from paying assessments as herein provided. No Owner shall be relieved of, or released from, the obligation to pay assessments and other charges under the Governing Documents because of any resignation or attempted resignation by such Owner of membership in the Association while such Owner owns a Unit, or because of any suspension of such Owner's membership or membership rights in the Association as allowed under the Governing Documents.

If necessary to establish the right to collect reasonable attorneys' fees under the Declaration, any obligation of an Owner to pay assessments or other charges or monetary obligations under the Declaration shall constitute evidence of indebtedness for the purpose of establishing under Section 6-21.2 of the North Carolina General Statutes (or any successor statute) the right to collect reasonable attorneys' fees in any action or proceeding to enforce or collect payment of such obligation. Provided, however, the foregoing sentence specifically is intended to supplement, and not to interfere, limit, invalidate or be in conflict with, any provisions of the Act with respect to reasonable attorneys' fees, and in fact this entire Section 1 supplements all provisions of the Act relative to establishment and enforcement of assessment liens, all of which apply as if repeated herein.

The assessments and other charges provided for herein shall be the personal and individual debt of each Person who, at the time of the assessment or other charge, is an Owner of the Unit against which they are assessed or charged. Any assessment or other charge not paid on or before the payment due date and remaining unpaid for a period of thirty (30) days or longer, together with the fines, penalty and interest charges as provided in the Declaration, plus the costs of collection (including reasonable attorneys' fees), shall be a charge and continuing lien on the Unit against which they are assessed or charged from and after the date on which a claim of lien is filed by the Association in the office of the Clerk of Court of the County in which the Unit is located. Except as otherwise provided in the Declaration or by law, such lien shall be superior to all other liens and charges against the Unit. The Board shall have the power, in its sole discretion, to subordinate the Association's lien to any other lien. The claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time the claim of lien is filed, a description of the Unit, and the amount of the lien claimed. In addition to the claim of lien, the Association may execute, issue or record such other evidence of the lien as the Board deems necessary. The Association may foreclose the claim of lien in like manner as a mortgage on real estate under a power of sale or in any other manner allowed or required by law, and/or the Association may institute suit against

the Owner personally obligated to pay the assessment or charge, and/or the Association may seek any other available remedy or relief. In any foreclosure proceeding, the Association shall have the right to appoint a trustee or commissioner (or other appropriately named Person) to implement the foreclosure, and the defaulting Owner shall be required to pay the costs, expenses, trustee's (or commissioner or other) fees, and reasonable attorneys' fees incurred by the Association. The Association shall have the power to bid on and purchase the Unit at foreclosure and to acquire, hold, lease, mortgage, convey or otherwise deal therewith. The remedies against a defaulting Owner and such Owner's Unit are cumulative and not mutually exclusive, and the Association may seek none, or any one or more of such remedies, separately or simultaneously, as deemed appropriate by the Board.

5.11 Subordination of the Lien to Taxes and First Mortgage.

The liens provided for herein shall be subordinate only to liens for unpaid taxes and any first mortgage on a Unit recorded prior to the date the Association's claim of lien attached, being the date the Assessment became due and payable. Sale or transfer of a Unit shall not affect any Assessment lien; however, the sale or transfer of a Unit pursuant to foreclosure of a first mortgage, or any deed in lieu of foreclosure thereof, shall extinguish the lien of any Assessment which became due prior to the date of such conveyance. No such sale or transfer shall relieve such Unit from liability for any Assessment thereafter becoming due or from the lien thereof. When the holder of the first mortgage of record or other purchaser of such a Unit obtains title pursuant to judicial or non-judicial foreclosure of the first mortgage or a deed in lieu of foreclosure, it shall not be liable for the Assessments chargeable to such Unit which became due prior to the acquisition of title to such Unit. Such unpaid Assessments shall become a Common Expense divided among, payable by and assessed against all Units, including the Unit as to which the foreclosure (or deed in lieu of foreclosure) took place.

5.12 Working Capital Contribution.

Upon the closing of any sale of any Unit by Declarant or by Approved Builder, to a homeowner, and only upon such initial sale, the Owner of each Unit containing a detached Dwelling shall pay to the Association a one-time initial capital contribution in the one-time minimum amount of Two Thousand and No/100 dollars (\$2,000.00). This contribution shall be collected at the applicable closing and shall be part of the general operating funds of the Association and Declarant may unilaterally increase the amount(s) of this Contribution but not more frequently than once annually. It shall be the obligation of every purchaser to verify with the Association the amount of the working capital amount due at the Unit closing. Such sum is and will remain distinct from the annual assessment and will not be considered advance payment of the annual assessment. The working capital receipts may be used by the Association in covering operating expenses or any operating shortfall, as well as any other expense or capital outlay incurred by the Association pursuant to this Declaration and the Bylaws. It is expressly understood that working capital receipts may be used by the Association to reimburse Declarant for any previous deficit funding of capital expenses otherwise. For avoidance of doubt and in any event, Approved Builder shall be exempt from payment of any working capital amount under this Declaration, upon the condition that the working capital amount shall be collected from the buyer at the closing of the sale of the Unit by such exempt Approved Builder.

ARTICLE 6

Rights Of Eligible Mortgagees

6.1 Books and Records.

Any Eligible Mortgagee shall have the right, during normal business hours, to examine copies of the Governing Documents, and the books and records of the Association and, upon written request to the Association, to receive a copy of the financial statement for the immediately preceding fiscal year.

6.2 Notice to Eligible Mortgagees.

(a) Eligible Mortgagees shall, upon specific written request to the Association for any of the matters set forth below, be entitled to timely written notice of:

(b) Any sixty (60) day delinquency in the payment of Assessments or charges owed by the Owner of the Unit securing its loan.

(c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) Any proposed action that requires the consent of a specified percentage of Eligible Mortgagees.

6.3 Approval of Eligible Mortgagees.

After the expiration of the Declarant Control Period, unless at least a majority of the Eligible Mortgagees based on the original principal amount of their first mortgages encumbering Units have given their prior written approval, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, sell or transfer any real estate or Improvements thereon which are owned, directly or indirectly, by the Association. The granting of easements for utilities or other purposes shall not be deemed a transfer within the meaning of this subsection. Nothing herein shall be deemed to prohibit the Association from exchanging Common Area for other real property of like utility and value as provided in Section 4.1 of this Declaration, or to require the approval of such exchange by the holders of first mortgages on the Units;

(b) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against a Unit;

(c) Fail to maintain hazard insurance on insurable Improvements on the Common Area on a current replacement cost basis in an amount not less than one hundred (100%) percent of the insurable value; or

(d) Use the proceeds of any hazard insurance policy covering losses to any part of the Common Area for other than the repair, replacement or reconstruction of the damaged Improvements.

6.4 Payment of Taxes and Insurance Premiums.

After not less than fifteen (15) days prior notice to the Association, Eligible Mortgagees, jointly or singularly, may pay taxes or other charges which are in default and which have or may become a charge or lien against any of the Common Areas and may pay overdue premiums on hazard insurance

policies or secure new hazard insurance coverage upon the lapse of a policy covering property owned by the Association. The persons, firms or corporations making such payments shall be owed immediate reimbursement therefor by the Association.

ARTICLE 7

Easements

7.1 Access and Utility Easements.

Easements for the installation and maintenance of driveways, walkways, water, gas, telecommunications, cable television and electric power transmission lines, sanitary sewer and storm water drainage facilities and for other utility or service facilities are reserved as shown on any Plat of the Property. The Association may reserve or grant easements over the Common Areas as provided in Section 4.1 of this Declaration. Within any such easement herein provided, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation, maintenance, repair or replacement of the utilities or services installed thereon, or which may change the direction of flow or drainage of water through drainage pipes or channels constructed in such easements.

During the Development Period, Declarant reserves, for itself and its employees, agents, successors and assigns, and for Approved Builder (as applicable but without obligating Approved Builder to undertake any work), an easement upon and a right of access, ingress and egress on, over and under the Property for the purposes of constructing, maintaining, repairing, replacing or relocating water, sewer, gas, storm water drainage and retention, telecommunications, cable television, and electric, and other utility or service facilities to the extent required by any applicable governmental entity or deemed by the Declarant to be necessary or convenient for the development, use and enjoyment of the Property and the Common Areas and for the conduct of construction, sales, leasing, resales and marketing activities. Such right expressly includes the right to cut any trees, bushes or shrubbery, grade the soil or take any other similar action that it deems reasonably necessary or appropriate. After such action has been completed, Declarant shall grade and seed the affected property and otherwise restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant shall give reasonable notice of its intent to take such action to each Owner whose Unit is affected.

7.2 Easements for Governmental Access.

An easement is hereby established over the Common Areas and every Unit within the Property for the benefit of applicable governmental agencies or public or private utilities or service providers for installing, reading water and electric meters, maintaining, repairing, inspecting, testing, removing and replacing electric, water or sewer facilities, accessing, identifying, delivering and picking up mail to and from the gang/cluster mailboxes and mailbox shelters within the Common Areas, and acting for other purposes consistent with public safety and welfare, including, without limitation, law enforcement, fire protection, emergency medical, garbage collection and the delivery of mail.

7.3 Easement and Right of Entry for Utilities and Maintenance.

There is hereby reserved for the benefit of the Declarant, its Affiliates, any Builder, the Association, and the employees, agents, contractors and subcontractors and invitees of each the alienable, transferable, and perpetual right and blanket easements upon, across, above and under all property within the Property, including all Units, for (i) access, ingress, egress, installing, repairing, maintaining, relocating and replacing all utilities and services serving the Property or any portion thereof, including, but not limited

to, gas, water, sanitary sewer, telecommunications and electricity, as well as storm drainage and any other service such as, but not limited to, a cable television system, broadband internet or monitoring system, which Declarant or the Association might decide to have installed to serve the Property, and (ii) undertaking any responsibilities of the Association listed in Section 9.1 of this Declaration, which easements may be for the individual benefit of individual Owners. It shall be expressly permissible for the Declarant, the Association, and/or the employees, agents, contractors and subcontractors, invitees, or designees of either, as the case may be, to install, repair, replace, maintain and relocate or to authorize the installation, repair, replacement, maintenance or relocation of such wires, conduits, cables and other equipment related to the providing of such utility or service, and all other matters necessary to undertake the responsibilities of the Association listed in Section 9.1 of this Declaration. Should any party furnishing any such utility or service request a specific license or easement by separate recordable document, the Board of Directors shall have the right to grant such license or easement. Any such maintenance shall be performed with a minimum of interference to the quiet enjoyment of the Units. The easements shall be used only for such period of time as is reasonably necessary in order to complete the needed maintenance or repair.

7.4 Easement Over Common Areas.

A perpetual, non-exclusive easement over the Common Areas is hereby granted to each Unit, and the Owners and Occupants of such Unit, for the purpose of providing pedestrian and vehicular access, ingress and egress to and from streets, parking areas and walkways serving the Property.

7.5 Drainage Easement.

The Declarant hereby reserves for the benefit of the Declarant during the Development Period, and for Approved Builder for so long as it owns any portion of the Property, and the Association thereafter, a perpetual, non-exclusive easement over any drainage easements identified on the Plat as a private drainage easement, as may be reasonably necessary for accessing, operating, maintaining, repairing and replacing the drainage facilities and systems therein. The Owners and Occupants of any Units encumbered by a public or private drainage easement shall not obstruct access thereto or install or remove any Improvement or installation placed therein by the Declarant or the Association, except as provided herein. No walls, fences or screened enclosures shall be erected or installed in a public drainage easement or, without the prior written consent of the ARC and compliance with Article 8, in any private drainage easement. In the event a wall, fence or screened enclosure is installed within a private drainage easement area, with prior ARC approval, the Owner will be solely responsible for the repair or replacement of such wall, fence or screened enclosure if the Declarant or the Association, as applicable, requires access to the private drainage easement or as otherwise provided in Section 4.6 of this Declaration.

7.6 Encroachments; Easements.

If (1) any Improvement on the Common Areas encroaches upon any other portion of the Property or a Unit; (2) any Improvement on any Unit encroaches upon the Common Areas; or (3) any encroachment shall hereafter occur as a result of (a) construction of any Improvements; (b) settling or shifting of any Improvement; (c) any alteration or repair to an Improvement on the Common Areas after damage by fire or other casualty or any taking by condemnation or eminent domain proceedings of all or any portion of any Improvement, then, in such event, a valid easement is granted and shall exist for such encroachment and for the maintenance of the same so long as the Improvements causing the encroachment shall stand. This provision shall not entitle any Owner to intentionally construct Improvements which encroach upon any other portion of the Property and no easement for encroachment shall exist if such encroachment occurred due to the willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, Occupant or the Association.

7.7 General Maintenance Easement.

There is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement to enter upon any Property subject to this Declaration for the purpose of providing insect, rodent and reptile control, mowing, removing, clearing, cutting, or pruning underbrush, weeds, stumps, or other unsightly growth and removing trash, so as to maintain reasonable standards of health, fire safety, and appearance within the Property, provided that such easements will not impose any duty or obligation upon the Declarant or the Association to perform any such actions, or to provide garbage or trash removal services. The costs thereof incurred as a result of the action or inaction of any Owner shall be a Specific Assessment to be paid by such Owner, and until paid shall be a continuing lien upon the Owner's Unit.

7.8 Bulk Services and Related Easements.

If Exhibit "C" – Bulk Services, is attached to this Declaration, then all terms, provisions, and easements described therein are incorporated herein, and shall apply, and are hereby highlighted and reserved for avoidance of doubt.

ARTICLE 8

Architectural Control

8.1 Purpose.

In order to preserve the natural setting and beauty of the Community, to establish and preserve a harmonious and aesthetically pleasing design therefor, and to protect and promote values in the Community, the Units and all improvements located therein or thereon, including landscaping, grading, excavation, or filling of any nature whatsoever, outside lighting, driveways, mail boxes, decks, patios, courtyards, swimming pools, playhouses, awnings, walls, fences, garages, , or other outbuildings will be subject to the prior review and approval of an Architectural Review Board ("ARC") and in accordance with design and development guidelines, as well as the form of application and review procedures therefor (collectively, the "Design Guidelines") for such improvements or construction or development work which is published, from time to time, by the ARC, and no such improvements of any nature whatsoever will be undertaken or maintained upon any part of the Property, except in accordance with such Design Guidelines and approval of the ARC. The ARC will be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Property consistent with this Declaration, and to administer the architectural and aesthetic processes of review and approval of house plans (to include elevations, building materials, colors, etc.), landscape plans and all design and graphics for permitted signage (collectively, "plans and specifications"). No site work will be undertaken upon a Unit (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) nor any structures placed, erected, or installed upon any Unit or adjacent to any Unit where the purpose of the structure is to service the Unit, except in accordance with this Article 8 and upon approval as herein provided unless specifically exempted from the application and approval requirements hereof by specific terms and conditions hereof pursuant to this Declaration or pursuant to a written approval of plans and specifications by the Declarant pursuant to contract prior to the Owner's acquisition of title.

Notwithstanding the foregoing neither Declarant nor Approved Builder shall be subject to the terms and provisions in this Article 8 and no improvements or construction activities by either need be reviewed or approved by the ARC.

8.2 Architectural Review and Approval Process.

(a) ARC During Declarant's Development Period.

Until expiration of the Development Period, the Declarant shall constitute the ARC, and may approve plans and submissions or take other actions on behalf of the ARC in the Declarant's own name or in the name of the ARC. The Declarant shall have the sole and absolute right to determine the style and appearance of the residential dwellings, and any other Improvements initially constructed or placed on the Property, including, but not limited to, fences, walls, buildings, outbuildings, garages, storage sheds, mailboxes, lawn decorations, yard art, structures of any type or color thereof, grading, landscaping, patio covers and trellises, plans for off-street parking of vehicles and utility layout. Prior to commencement of any land disturbance or other work on an unimproved Unit, the Owner shall submit to Declarant for its written approval copies of house plans (to include elevations, building materials, colors, etc.), landscape plans and all design and graphics for permitted signage (collectively, "plans and specifications").

(b) ARC Following Declarant's Right to Act as ARC.

After the termination of the Declarant's right to function alone as the ARC, the ARC under this Declaration will consist of not more than five (5) nor less than three (3) members, who need not be Unit Owners, appointed by the Board. The terms of office for each member and other matters of governance to be applicable to the ARC, will be established by the Board prior to the time any review and approval process hereunder would otherwise have to take place by the ARC to be established by the Board.

(c) ARC Procedures: Submission, Review and Approval.

No Unit, fence, wall or other Improvement (including, but not limited to, landscaping, basketball hoops, birdhouses, pet house, paving or other improvements or changes thereto of any kind) shall be commenced, altered, removed, renovated, painted, erected, constructed or reconstructed on the Property, nor shall any addition, removal, renovation, construction, reconstruction, change or alteration (including paint or exterior finishing) visible from the exterior of any Unit be made, nor shall any awning, canopy or shutter be attached to or placed upon outside walls or roofs of Units or other Improvements, until the plans and specifications showing the nature, color, kind, shape, height, materials and location of the same have been submitted to, and approved in writing by the ARC. The ARC may condition its approval of proposals and plans and specifications as it deems appropriate, and may require submission of additional plans and specifications or other information prior to approving or disapproving the material submitted. The ARC may also issue rules or guidelines setting forth procedures for the submission of plans for approval. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior materials and colors. Until receipt by the ARC of any required plans and specifications, the ARC may postpone review of any plans submitted for approval.

(i) ARC Fees and Charges.

The Association shall have the right to charge a reasonable fee, determined by the Board of Directors from time to time, for receiving and processing each application. The ARC may require, at its sole discretion, a structural engineer, architect, or other professional to review the proposed additions, alterations and Improvements, with such review to be at the Owner's sole expense. Without limiting the generality of the foregoing, the Association's review of any plans shall not be deemed approval of, any plans from the standpoint of structural safety, soundness, workmanship, materials, usefulness, conformity with building or other codes or industry standards, or compliance with governmental requirements.

8.3 Architectural Guidelines.

During the Development Period, the Declarant shall have the right to prepare and make available the initial written architectural standards and construction specifications (hereinafter the "Architectural Guidelines") which may establish, define and expressly limit the standards and specifications which will be approved, including, but not limited to, architectural style, exterior color or finish, roofing material, siding material, driveway material, landscape design and construction technique. The Declarant shall have the sole and absolute authority to amend the Architectural Guidelines during the Development Period. When the Declarant no longer owns any Unit within the Property, the Board of Directors shall have the right to promulgate and/or amend the Architectural Guidelines. The ARC shall not approve any Improvements which it determines, in its sole discretion, not to be in harmony of external design, construction and/or location in relation to the surrounding structures, topography or the general plan of development of the Property. All additions, alterations and Improvements shall also be subject to all applicable permit requirements and all applicable governmental laws, statutes, ordinances, rules, regulations, orders and decrees.

(a) Interior Improvements.

Generally speaking, the Design Guidelines will not cover interior improvements, which will, generally, not be subject to review and approval by the ARC, unless the review and approval may otherwise be required because the interior improvements are made within an area plainly within view of adjacent properties. In particular, any sign or object posted inside a residence and viewable from outside the residence is subject to the prior written approval of the ARC, which it may grant or deny in its sole discretion; provided, however, the ARC will not, under any circumstances, approve any such sign that disparages or is intended to disparage any person or entity.

(b) Drainage.

The Design Guidelines may provide that, in connection with the ARC's approval and to prevent excessive drainage or surface water runoff, the ARC may have the right to establish a maximum percentage of property which may be covered by buildings, structures, or other improvements, which guidelines may be promulgated on the basis of topography, percolation rates of the soil, soil types and conditions, vegetation cover, and other environmental factors, or to impose guidelines for the installation of storm water management facilities deemed appropriate to limit or control runoff.

(c) Other Guidelines.

The Design Guidelines may, in the sole discretion of the Declarant, and, following the Declarant's Control Period, the ARC may also provide applicable guidelines (i) prohibiting or restricting the erection and use of temporary structures; (ii) setting permissible times of construction and requirements concerning construction debris; (iii) covering the allowance of and, where allowed, the content, size, style and placement location for, signage; (iv) requiring or encouraging visually screened service yards; (v) establishing exterior lighting design and location criteria; (vi) prohibiting or limiting installation and use of wells; (vii) and setting conditions for property subdivision or consolidation, and for subjecting Development property to further covenants, conditions, restrictions and easements; provided, however, the Declarant's activities may be excepted or exempted from any and all such guidelines. The within listing of possible guidelines is not an exhaustive listing and is intended merely to provide an example of the diversity of guidelines as may be incorporated in the Design Guidelines, and will not act as a limitation upon guidelines and guidelines as may or may not be implemented.

(d) Guidance; Final Authority of ARC.

The Design Guidelines are intended to provide guidance, and will not be the exclusive basis for decisions of the ARC, and compliance with the Design Guidelines may not guarantee approval of any application. The ARC will have the sole discretion to determine whether plans and specifications submitted for approvals are acceptable to it, and the refusal of approval of any plans and specifications may be based by the ARC upon any ground which is consistent with the objects and purposes of this Declaration, as may be supplemented by the Design Guidelines, including purely aesthetic considerations.

(e) Inspections and Permit and Certificate Issuance.

The Design Guidelines may also provide procedures for ARC inspection of work, for the issuance of a permit to commence work and for the issuance of a certificate following completion thereof, in addition to any such permits and certificates as may be issued by governmental authority with jurisdiction thereof, which may constitute conditions precedent to use or occupancy.

(f) Additional Fees, Deposits, Charges and Fines.

In addition to application fees and charges pursuant to Section 8.2(c)(i) above, the Design Guidelines may provide a schedule of fees, charges, required damage or other deposits, fines for noncompliance, and other amounts due and payable by an Owner as part of the application, review and approval processes, which schedule the ARC may increase, modify and amend at any time. All fees, charges and fines provided herein will constitute specific assessments and a lien upon the Unit to which the fees and charges relate.

8.4 Approval Not a Guarantee.

No approval of plans and specifications and no publication of Design Guidelines and architectural guidelines thereunder will be construed as representing or implying that the plans, specifications, or guidelines will, if followed, result in properly designed improvements. Such approvals and guidelines will in no event be construed as representing or guaranteeing that any dwelling or other improvement built in accordance therewith will be built in a good and workmanlike manner. Neither the Declarant, nor the Association, nor the ARC is responsible or liable for any defects in any plans or specifications submitted, revised, or approved pursuant to the terms of this Article 8, or any defects in construction undertaken pursuant to the plans and specifications.

8.5 No Waiver of Future Approvals.

The approval of the ARC of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval of the ARC shall not be deemed to constitute a waiver of any right to withhold approval as to any similar proposals, plans and specifications, drawings or matters whatever subsequently or additionally submitted for approval.

8.6 Non-Liability of Board Members.

Neither the Board nor any member thereof, nor any member of its designated ARC shall be liable to the Association or to any Owner or any other person for any loss, damage or injury arising out of or in any way connected with the performance or non-performance of their duties hereunder. The ARC shall review and approve, approve with conditions or disapprove all plans submitted to it for any proposed Improvement, alteration or addition solely on the basis of aesthetic considerations and benefit or detriment which would result to the immediate vicinity and to COASTAL CLUB OF THE CAROLINAS. The ARC



shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials.

(a) Indemnification.

Until termination of the Declarant's right to function alone as the ARC, the Declarant will, to the full extent permitted by law, indemnify all persons designated from time to time by the Declarant to serve as members of the ARC from and against any liability, including attorney fees, as may be incurred by the members contrary to the provisions of this Section 8.6. After the termination of the Declarant's right to function alone as the ARC, members of the ARC are indemnified by the Association.

8.7 Restrictions on Contractors, Workers.

The Association shall have the right to adopt restrictions and conditions relating the terms on which construction, restoration or maintenance of a Unit can be performed, including without limitation, the review and approval of plans, design, structural integrity, aesthetic appeal, construction details, lien protection, Association oversight, contractor's access, deliveries, and storage of materials and hours of construction and other matters relating to such work. The Association shall have the right to approve the contractor performing the work, to require that the work be performed only during certain specified hours or only on certain days so as to minimize the disruption and inconvenience to the other Owners, and to require that the contractor fulfill such bonding and insurance requirements as the Board may reasonably require. Any contractor, worker or other person who does not comply with the Association's regulations and requirements regarding construction in and about a Unit shall be denied access to the Property and shall not be permitted to perform further work at the Property.

8.8 Exemptions.

The Declarant and any Affiliate of Declarant and Approved Builder shall be exempt from the provisions of this Article 8 with respect to Improvements, alterations and additions and removals desired to be affected by any of them and shall not be obligated to submit plans and specifications to or obtain Association or Board of Directors approval for any construction or changes which any of them may elect to make at any time. It is specifically contemplated that Declarant may, from time to time, exempt Owners from all or some of the provisions of this Article and all or some of the procedures set forth herein.

8.9 Variances.

The ARC may recommend to the Board of Directors, and the Board of Directors may, by the vote or written consent of a majority of the members thereof, allow reasonable variances as to the covenants, conditions or restrictions contained in this Declaration, on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the general plan for the improvement and development of the Property. Variances contained in plans that are inadvertently approved by the ARC as part of the proposed Improvements shall not be considered as having been approved unless specifically identified in the application and approved by the Board in accordance with the provisions of this Section 8.9. All variances shall be in writing and maintained in the books and records of the Association.

By way of emphasis and as set forth in Section 8.1, and without limiting the above, neither Declarant nor Approved Builder shall be subject to the terms and provisions in this Article 8 and no improvements or construction activities by either need be reviewed or approved by the ARC.

8.10 Enforcement.

There is specifically reserved unto the ARC the right of entry and inspection upon any Unit or other portion of the Property for the purpose of determining whether there exists any unapproved improvement or whether any improvement violates the terms of any approval by the ARC or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the ARC hereunder should be made only upon reasonable notice given to the Owner at least twenty-four (24) hours in advance of such entry. The Association, by acting upon the recommendation of the ARC, is specifically empowered to enforce the provisions of this Article 8 by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any improvement, or to remove any unapproved improvements, the prevailing party in such litigation shall be entitled to recover all legal fees and costs incurred in connection therewith.

ARTICLE 9

Rights And Responsibilities Of The Association

9.1 Responsibilities for Common Areas.

(a) General.

The Association, subject to the rights of the Owner set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and shall keep the Common Areas in good, clean and proper condition, order and repair, which responsibility will include the maintenance, repair, and replacement of (i) the portions of the Storm Water Management System which are not maintained by a governmental entity, located within the Common Areas including, without limitation, any private drainage easement shown on a Plat, (ii) all roads, streets, swales, berms, sidewalks within or abutting Common Areas of the Property which are not maintained by a governmental entity, (iii) all walks, paths, landscaped areas, and other Improvements situated within the Common Areas or easements, (iv) utility lines, pipes, plumbing, wires, conduits, and related systems which are a part of the Property and which are not maintained by a governmental entity, public service district, public or private utility, or other person, (v) all lawns, trees, shrubs, hedges, grass, and other landscaping situated within or upon the Common Areas or easement areas, (vi) any Common Area Pond, and (vii) any mail kiosk originally installed by Declarant and any comparable replacement thereof, whether on a Unit or in the Common Areas. The Association will not be liable for injury or damage to any person or property (i) caused by the elements or by any Owner or any other person, (ii) resulting from any rain or other surface water which may leak or flow from any portion of the Common Areas or any other portion of the Property, or (iii) caused by any pipe, plumbing, drain, conduit, appliance, equipment, security system, or utility line or facility, or other equipment or action the responsibility for the maintenance of which is that of the Association, becoming out of repair. Nor will the Association be liable to any Owner for loss or damage, by theft or otherwise, of any property of such Owner which may be stored in or upon any portion of the Common Areas or any other portion of the Property. No diminution or abatement of Assessments can be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments being a separate and independent covenant of each Owner. The Association shall be responsible for the payment of all costs, charges and expenses incurred in connection with the operation, administration, maintenance, management, insurance, repair and replacement of the Common Areas and the performance of its other obligations hereunder. The Association shall operate, maintain, insure, repair and replace at the Association's sole cost and expense, areas designated by the Declarant or Approved Builder as Common Areas, whether or not title to such areas

has been formally conveyed to the Association. The Association shall also be responsible for enforcement of the covenants and restrictions contained in this Declaration.

(b) Storm Water Management System.

The Association shall be responsible for (1) maintaining, repairing and replacing those portions of the Storm Water Management System which are located within the Common Areas including, without limitation, any drainage easement shown on a Plat of the Property, (2) maintaining the water quality and quantity standards of the approved plans, to the extent required by law, and (3) complying with any applicable current or future governmental laws, rules or regulations (or any agreements entered into by Declarant or Approved Builder or the Board under/pursuant to the same) with respect to such portions of the Storm Water Management System. The Association is hereby granted an easement over the Property for the purpose of maintaining, repairing and replacing those portions of the Storm Water Management System not maintained by the County. The Association or its agent shall have a right of access over each Unit to maintain, repair and replace drainage facilities, and to remove any improvements interfering with or impairing such facilities or easements reserved herein. Such right of access, except in the event of an emergency, shall not unreasonably interfere with the Owner's use of the Unit as a single family residence. Except in the event of an emergency (which shall not require prior notice), entry shall be made on not less than one (1) days' notice (which notice shall not, however, be required if the Owner is absent when the giving of such notice is attempted).

(c) Owner Prohibitions.

No Owner shall do anything within or outside his or her Unit that interferes with or impairs, or may interfere with or impair, the Storm Water Management System or the provision of drainage facilities for the Property.

9.2 Manager and Contractors.

The Association may employ and pay for the services of a Person, including the Declarant or Approved Builder to assist the Association in managing its affairs and carrying out its responsibilities hereunder (the "Manager") and such other Persons, including attorneys, accountants and other consultants, as the Association deems necessary or advisable, whether such Persons are engaged, furnished or employed by the Manager or directly by the Association. The Association may enter into a management agreement for such management services upon such terms as the Board of Directors may deem appropriate. The management fees and fees of the consultants shall be a Common Expense paid from the annual assessments provided in Article 5 of this Declaration. The payment of any management fees due to the Declarant may, at Declarant's option, be deferred until such later date as Declarant, in its sole discretion, deems appropriate. Furthermore, any management fees due to Declarant may, at Declarant's option, be credited against any Assessments or other amounts due or to be coming due from the Declarant, if any.

Furthermore, the Association may employ and pay for the services of a Person, including the Declarant or Approved Builder, to assist the Association in undertaking the maintenance and repair responsibilities of the Association provided in Section 9.1 of this Declaration (the "Contractor"), and such other Persons, as the Association deems necessary or advisable, whether such Persons are engaged, furnished or employed by the Contractor or directly by the Association. The Association may enter into maintenance service agreements for such maintenance and repair responsibilities of the Association provided in Section 9.1 of this Declaration, upon such terms as the Board of Directors may deem appropriate. Such fees shall be a Common Expense paid from the Assessments provided in Article 5 of this Declaration. The payment of any such fees due to the Declarant may, at Declarant's option, be deferred until such later date as Declarant, in its sole discretion, deems appropriate. Furthermore, any such fees due

to Declarant may, at Declarant's option, be credited against any Assessments or other amounts due or to be coming due from the Declarant, if any.

9.3 Personal Property for Common Use.

The Association may acquire and hold tangible and intangible personal property and may dispose of the same by sale or otherwise, subject to such restrictions, if any, as may from time to time be provided in the Articles or Bylaws of the Association.

9.4 Insurance; Bonds.

The Association shall procure and maintain adequate commercial general liability insurance covering the Association and the Common Areas. The Association shall also procure and maintain full insurable replacement value hazard insurance on the Common Areas and other real or personal property owned by the Association (subject to reasonable deductibles), and shall procure and maintain officers' and directors' and the ARC liability insurance and errors and omissions liability insurance, and shall also procure such other insurance as it deems necessary or advisable, including, without limitation, workers' compensation insurance. The premiums for such insurance shall be a Common Expense paid from the Assessments provided in Article 5 of this Declaration. The Association may cause any or all persons responsible for collecting and disbursing monies of the Association to be bonded and the premium for such bonds shall be a Common Expense. All insurance policies described herein purchased by the Association shall be issued by an insurance company authorized to do business in North Carolina or by reputable surplus lines carriers offering policies for property in North Carolina and rated, at minimum, A-VII by A.M. Best, if available. If not, then the next highest rating available.

9.5 Implied Rights.

The Association may exercise any other right or privilege and take any action authorized by this Declaration, the Association's Articles or Bylaws, or the Nonprofit Corporation Act, as from time to time amended, and every other right or privilege reasonably necessary to effectuate the exercise of any right or privilege or the taking of any action authorized herein or therein.

ARTICLE 10

Owners Maintenance Obligations

10.1 Detached Unit / Townhome Units. The terms and provisions of this Article 10 shall apply to all Lots and Units, EXCEPT THAT, to the extent that the terms and provision in this Article are inconsistent with those in the Supplemental Article on Exhibit "B" then relative to Townhome Units and Townhome Buildings only, the terms and provisions of that Exhibit "B" shall control over any inconsistent terms and provisions in this Article 10.

10.2 Lawn Maintenance Standards.

All lawns, landscaping and any Improvements not maintained by Association shall be well maintained and kept in first class, good, safe, clean, neat and attractive condition consistent with the general appearance of COASTAL CLUB OF THE CAROLINAS by the Owner of each Unit. All improved Units must have grass lawns; no gravel or similar type lawns are permitted. Each Owner is specifically responsible for maintaining all grass, exposed dirt, landscaping and Improvements within any portion of the yard of a Unit in accordance with the following standards (the "Lawn Maintenance Standards").

(a) Landscaping.

No Owner shall plant landscaping of any kind including, without limitation, trees, bushes, flowers, and plants which encroach upon any Common Area easement portion of a Unit. Each Owner shall be responsible to remove any landscaping, not including grass or sod, planted by such Owner in any such Common Area easement portion of a Unit upon ten (10) days' notice by the Declarant during the Development Period, and thereafter by the Association. If Owner does not remove such landscaping installed by such Owner within such area within ten (10) days of receipt of notice, the Declarant or the Association may, but are not obligated to, remove such landscaping and assess Owner the cost thereof, plus the reasonable administrative expenses of the Declarant or the Association in the form of a Specific Assessment.

(i) Trees. Trees are to be pruned as needed.

(ii) Shrubs. All shrubs are to be trimmed as needed.

(iii) Grass.

(A) Cutting Schedule. Grass shall be maintained in a neat and appropriate manner. In no event shall the grass on an Owner's lawn exceed four inches (4") in height.

(B) Edging. Edging of all streets, curbs, beds and borders shall be performed as needed. Chemical edging shall not be permitted.

(C) Dead Grass. Each Owner shall be responsible to replace dead grass. Neither Declarant nor Association shall be responsible to replace dead grass.

(D) Landscape Replacement. Each Owner shall be responsible for replacing any dead, dying, diseased or removed landscaping within such Owner's Unit at least two (2) times a year, during Spring and Fall, at such Owner's sole cost and expense.

(iv) Mulch. Mulch shall be replenished as needed.

(v) Insect Control and Disease. Disease and insect control shall be performed on an as needed basis.

(vi) Fertilization. Fertilization of all turf, trees and shrubs shall be performed approximately two (2) times a year, during Spring and Fall.

(vii) Irrigation. Owners shall be responsible for irrigating grass as needed and maintaining sprinkler heads if applicable.

(viii) Weeding. All beds are to be weeded upon every cut. Weeds growing in joints in curbs, driveways, and expansion joints shall be removed as needed. Chemical treatment for weed removal is permitted.

(ix) Trash Removal. Dirt, trash, plant and tree cuttings and debris resulting from all landscaping maintenance operations shall be removed and all areas left in clean condition before the end of the day.

10.3 Driveway Repair.

Each Owner shall be responsible for the timely repair, maintenance and/or replacement of the driveway comprising part of the Unit and the driveways in the Common Areas between the lot line of each Unit and the roadways within COASTAL CLUB OF THE CAROLINAS. Each Owner shall repair or replace all damage to such driveway whether caused by the Declarant, Association or holder of any easement over which such driveway is constructed or otherwise.

10.4 Roofs; Windows.

Each Owner shall be obligated to maintain, repair, replace, reconstruct or restore all roofs, exterior walls, interior walls, party walls, party fences, windows, doors, structural elements, mechanical, electrical, plumbing and life safety systems of his or her Unit, including without limitation, all mortar, tie beams, roof trusses, joists, decking, roof tiles, shingles, fascia, soffits, cementitious siding (e.g. Hardboard siding), framing, insulation, cleaning or painting of exterior paintable surfaces of exterior walls and doors of a Unit, all of which shall be solely the Owner's responsibility. In addition, each Owner shall be obligated to maintain, repair, replace, reconstruct any fence, decorative wall, spa, pool, fountain, patio, courtyard paving, hot tub, barbecue, outdoor furnishings, additional landscaping, screening or other Improvements installed or constructed on a Unit by its Owner or Occupant, all of which shall be solely the Owner's responsibility. This provision shall not be construed as allowing for the construction or installation of any such Improvements without the prior written consent of the ARC.

10.5 Painting.

Each Owner shall be obligated to periodically paint and caulk the exterior paintable surfaces of exterior walls and entry doors of his or her Unit, at his or her sole cost and expense. If the ARC determines in its sole discretion that a Unit needs to be repainted, Owner shall repaint his or her Unit within forty-five (45) days' written notice by the ARC.

10.6 Enclosed Common Area Adjacent to a Unit.

If an Owner, with ARC approval, has enclosed the yard of a Unit, or any portion thereof or has blocked access to any portion of the yard of a Unit, then such Owner must maintain any portion of the Common Areas that is no longer readily accessible to Association from such Unit yard. The foregoing shall not be deemed to permit the making of any such enclosure.

10.7 Owner's Landscape Maintenance between Lot Line and Adjacent Paving.

Each Owner will be responsible for maintaining on a regular basis the landscaping, if any, and ground cover along the right-of-way roadside or sidewalk, or located between the paving and sidewalk, bordering an Owner's Unit, whether or not such area is a part of the Owner's Unit. Each Owner will perform such maintenance within the unpaved area of right-of-way immediately adjacent to a Unit's lot line, and will be of such quality of maintenance as is required to maintain a consistency in appearance and cleanliness throughout the Property. An Owner's responsibility under this Section 10.7 to provide regular maintenance will be fulfilled regardless of whether or not an Owner has constructed improvements upon his unimproved Unit or whether or not the Owner permanently resides in the Development.

10.8 Owner's Failure to Maintain.

If an Owner fails to maintain or repair the Unit or the Improvements thereon in accordance with this Article 10, including, without limitation, such Owner's compliance with the Lawn Maintenance Standards in Section 10.2 and the driveway maintenance provisions in Section 10.3, the Association, after

giving such Owner at least ten (10) days' written notice, shall have the right, but not the obligation, to undertake such maintenance at the Owner's expense. Each Owner, by accepting title to his Unit, grants Association an easement over his or her Unit for the purpose of verifying compliance with the requirements of this Article 10 and such entry shall not constitute a trespass. The cost and expense of any maintenance or repairs provided by or under the direction of the Association pursuant to this Section 10.8 plus an administrative and overhead fee equal to the greater of \$35.00 or twenty five (25%) percent of the cost of such maintenance or repairs (or such other amount determined by the Board of Directors in its sole discretion, subject to limitations contained in applicable law), shall be charged to the non-complying Owner as a Specific Assessment, secured by a lien against the Unit as provided in Article 5 of this Declaration. Association shall have the right to enforce the provisions in this Article 10 by all necessary legal action. Notwithstanding the foregoing, no provisions in this Section shall apply to govern or restrict the activities of Declarant or Approved Builder, or require maintenance by Declarant or the Approved Builder, during such time as Declarant or Approved Builder owns any portion of the Property and is engaged in development, construction, sales, and/or marketing activities on any portion of the Property.

ARTICLE 11

Use Restrictions.

11.1 Residential Use Only.

Use and occupancy of the Units is restricted to residential uses only and for single-family occupancy. Notwithstanding the foregoing, and subject to applicable statutes and ordinances, an Owner may maintain a home business office within a Unit for such Owner's personal use; provided, however, business invitees, customers and clients shall not be permitted to meet with an Owner or Occupant in a Unit unless the Board provides otherwise in the rules and regulations. Notwithstanding the foregoing, the Declarant, an Affiliate of Declarant, a Builder shall be permitted to use Units which the Declarant owns or leases as model homes, and for offices for sales, leasing, construction, management or related services.

(a) Single-family Occupancy.

When used herein, "single-family occupancy" shall mean occupancy by (i) an individual and the individual's children and/or parents, or (ii) two or more persons related by blood, marriage, adoption, guardianship, or duly-authorized custodial relationship and their children and/or parents, or (iii) any two unrelated persons and the children and/or parents related to either of them, or (iv) a group of no more unrelated persons than the number of bedrooms in the residence located on the Unit, living together as a single housekeeping unit. A group of unrelated persons will be deemed to be living together as a "single housekeeping unit" when the occupants have a family-like structure, and/or a sharing of responsibility associated with the household such as equitable rent, use of space, etc. This definition is intended to exclude (A) any group whose association is temporary or seasonal in nature, such as a group of college students sharing a house, and (B) any group providing a framework for transients or transient living.

11.2 Nuisances.

No noxious or offensive trade or activity shall be carried on upon any Unit or the Common Area, nor shall anything be done thereon which may be or become an annoyance or nuisance to other Owners and Occupants of COASTAL CLUB OF THE CAROLINAS.

11.3 Building Setback Requirements.

All setback requirements for Units within the Property, as indicated on the recorded Plat(s) for the Property, shall be the same as those imposed by governmental authority having jurisdiction over the Property.

11.4 Improvements and Lawns.

Unless specifically identified and provided for in this Declaration as the responsibility of the Association, all maintenance and repair of Units, together with all other Improvements thereon or therein and all lawns, landscaping, grounds and irrigation on and within a Unit will be the responsibility of the Owner thereof. Each Owner will be responsible for maintaining his Unit in a neat, clean, and sanitary condition, and such responsibility will include the maintenance and care of all exterior surfaces of all dwellings, buildings, and other structures on the Unit and all lawns, trees, shrubs, hedges, grass, and other landscaping in accordance with the Lawn Maintenance Standards set forth in Section 10.2(a). Each Unit on which there is a completed residential dwelling shall be maintained in a neat condition by the Owner thereof. In this context, the word "Unit" shall include that portion of the property from the outside of the residential dwelling on the applicable lot to the adjacent paved road surface.

11.5 Walls, Fences and Screened Enclosures.

No walls, fences, screened porches or other screened enclosures, decks or patios shall be erected or installed within a Unit without the prior written consent of the ARC. In the event any approved wall, fence screened porch or other screened enclosure, deck or patio is installed within a drainage easement area with prior ARC approval, the Owner will be solely responsible for the repair or replacement of such wall, fence or screened enclosure as provided in Section 4.6 of this Declaration.

11.6 Animals.

No animals, livestock or poultry of any kind may be raised, bred, kept or permitted on any Lot, with the exception of dogs, cats or other usual and common household pets in a reasonable number as determined by the Board from time to time. All animals shall be registered, licensed and inoculated if and as required by law. Animal control authorities shall be permitted to enter the Property to patrol and remove unlicensed animals. No animals shall be kept, bred or maintained for any commercial purpose. No person owning or having custody of a permitted animal shall allow the animal to stray or go upon another Owner's Unit without the consent of such other Owner. No animals shall be permitted on or in the Common Areas at any time except as permitted by the rules and regulations of the Association or by applicable law. The Board may establish reasonable rules to limit the number of allowed pets. Pets shall be kept on a leash at all times when outside the dwelling, and the Owner shall clean up after his or her pet. No animal shall interfere with, intimidate, threaten or have a reasonable likelihood of interfering with, intimidating or threatening any Owner, Occupant, other person, other pet, or the peaceful and quiet enjoyment of any other Owner or Occupant, person or other pet. At any time and in its sole and absolute discretion, the Board may require the owner of any prohibited animal or any permitted animal which interferes with, intimidates or threatens any person or other pet at the Property or which causes or results in an unreasonable disturbance, to permanently remove such animal from the Property promptly after notice by the Association. In the event that the Owner fails to remove an animal as provided herein, the Association shall have the right to institute legal action to have the animal removed and all costs associated therewith, including, without limitation, reasonable attorneys' fees actually incurred, shall be a specific assessment against the Lot of such Owner. Neither the Declarant, the Board nor the Association shall be liable for any personal injury, death or property damage resulting from a violation of the foregoing and any Owner or Occupant of a Unit

committing such a violation shall fully indemnify and hold harmless the Board of Directors, the Declarant, each Owner and the Association in such regard.

11.7 Vehicles, Trailers, Campers and Boats.

(a) Parking and Storage.

No commercial vehicles, all-terrain vehicles, campers, mobile homes, motor homes, boats, house trailers, boat trailers, or trailers of any other description shall be permitted to be parked or to be stored at any place on any Unit, except (a) during the periods of approved construction on a Unit if used in connection with the approved construction, or (b) when parked out of view in an enclosed garage on such Unit. The term "commercial vehicle" shall include all equipment, automobiles, trucks, vehicles, including station wagons or SUVs, which bear a sign, lettering, graphics, logo or equipment or have printed on same some reference to any commercial undertaking or enterprise. This restriction on parking shall not apply to temporary parking of commercial vehicles, such as for pick-up, delivery, and other commercial services, during the period reasonably necessary to load, unload or perform the commercial service, as applicable. Nor shall this restriction apply to the temporary parking of public service vehicles, including, without limitation, law enforcement vehicles, for purposes consistent with public safety and welfare, including, without limitation, law enforcement, fire protection, emergency medical, garbage collection and the delivery of mail, or to the permanent parking of passenger type public service vehicles of an Owner or Occupant of a Unit. No vehicle which is unlicensed or inoperable may be kept or stored on the Property except out of view in an enclosed garage on a Unit. No repair work to any type of motor vehicle, boat or trailer shall be conducted on any Unit other than minor repairs, cleaning or waxing which is completed in less than 24 hours.

(b) Operating Vehicles.

Operating any all-terrain vehicles (ATVs) upon the roadways or pathways within the Community is prohibited. Furthermore, although not expressly prohibited hereby, the Board of Directors may at any time prohibit or write specific restrictions with respect to the operating of mobile homes, motor homes, campers, trailers of any kind, motorcycles, motorized bicycles, motorized go-carts and other vehicles, or any of them, upon any portion of the Property if in the opinion of the Board of Directors such prohibition or restriction will be in the best interests of the Property. Such policies may change from time to time with changing technology. The storage of any such vehicles within a garage will be permitted, even if operating the same is prohibited.

(c) Association Self Help.

Subject to applicable laws and ordinances, any vehicle parked in violation of these or other restrictions contained herein or in the rules and regulations now or hereafter adopted may be towed, booted or immobilized by the Association at the sole expense of the owner of such vehicle if such vehicle remains in violation for a period of two or more hours from the time a notice of violation is placed on the vehicle. The Association shall not be liable to the owner of such vehicle for trespass, conversion or otherwise, nor guilty of any criminal act, by reason of such towing, booting or immobilizing and once the notice is posted, neither its removal, nor failure of the owner to receive it for any other reason, shall be grounds for relief of any kind. An affidavit of the person posting the aforesaid notice stating that it was properly posted shall be conclusive evidence of proper posting.

(d) Waiver of Restrictions.

Notwithstanding anything contained herein to the contrary, the Board of Directors shall have the authority to waive any of the provisions of this Section 11.7 on a case-by-case basis due to hardship.

11.8 Operating Recreational Vehicles.

There shall be no driving of any all-terrain vehicles (ATVs), gas-powered go-carts upon the roadways or pathways within the Property. Furthermore, although not expressly prohibited hereby, the Board of Directors may at any time prohibit or write specific restrictions with respect to the operating of mobile homes, motor homes, campers, trailers of any kind, motorcycles, motorized bicycles and other vehicles, or any of them, upon any portion of the Development if in the opinion of the Board of Directors such prohibition or restriction will be in the best interests of the Development. Such policies may change from time to time with changing technology. The storage of any such vehicles within a garage will be permitted, even if operating the same is prohibited.

11.9 Units Adjacent to Storm Water Management System.

Each Owner of a Unit which borders any portion of the Storm Water Management System shall maintain any portion of that Owner's Unit lying within such portion of the Storm Water Management System free of debris but shall not remove any wetlands species or do anything that would affect adversely water quality within the Storm Water Management System. Swimming, bathing, fishing and boating in the Storm Water Management System is prohibited. All other uses of Storm Water Management System shall be subject to the prior written approval of the Association and such rules and regulations as the Association may adopt from time to time.

11.10 Substances.

No flammable, combustible or explosive fuel, fluid, chemical, hazardous waste, or substance shall be kept on any portion of Property or within any Unit, except those which are required for normal household use. All propane tanks and bottled gas for household and/or pool purposes (excluding barbecue grill tanks) must be installed underground or in a manner to be screened from view by landscaping or other materials approved by the ARC and in accordance with all applicable federal, state, and local laws, rules, and regulations.

11.11 Exclusion of Above Ground Utilities.

All electrical service, telecommunications, cable television and broadband internet lines shall be placed underground; provided, however, that the normal service pedestals, etc., used in conjunction with such underground utilities shall be permitted within the Property. Overhead utilities shall be permitted during the construction period and until utility companies can place them underground.

11.12 Drainage.

No Owner shall channel or direct drainage water onto a neighboring Unit or Common Areas except in accordance with a drainage plan approved by the Declarant. No Owner shall make any change to or modification of the originally established grades, swales and slopes on a Unit in any way that changes or impedes the originally established flow of storm water drainage.

11.13 Signs and Flags.

No sign (including brokerage or for sale/lease signs), flag, banner, sculpture, fountain, outdoor play equipment, solar equipment, artificial vegetation, sports equipment, advertisement, notice or other lettering shall be exhibited, displayed, inscribed, painted or affixed in, or upon any part of the Property that is visible from the outside of a Unit without the without obtaining the prior approval of the Board; provided however, signs required by governmental agencies and approved by the Declarant or the Board, as applicable, may be displayed (e.g. permit boards). No sign may be placed in the window of a Unit or vehicle parked within the Property. Declarant shall be exempt from this Section. No in-ground flag poles (except as Declarant may use) shall be permitted within the Project. Notwithstanding the foregoing, flags which are no larger than 24" x 36" attached to a Unit and displayed for the purpose of a holiday or sporting event, and United States of America flags shall be permitted without Declarant or Board approval. Any such flag may be installed up to seventy-two (72) hours prior to and must be removed no later than forty-eight (48) hours following such holiday or sporting event, or as the Board of Directors may determine otherwise. Notwithstanding the foregoing, no Declarant or Board approval is necessary for the installation of an American flag, up to two feet (2') by four feet (4') in size, posted on a three-foot (3') pole and attached at a forty-five degree (45°) angle from the Unit.

11.14 Trees.

No Owner, other than the Declarant, an Affiliate of Declarant or Builder, shall be entitled to cut, remove, or mutilate any trees that are part of the Property's street tree plan or mitigation plan approved by Brunswick County; nor shall there be any cutting, removing or mutilation of any Unit's trees, shrubs, bushes, or other vegetation having a trunk diameter of six (6) inches or more at a point of four and one-half (4-1/2') feet above the ground level, or other significant vegetation as designated, from time to time, by the ARC, without obtaining the prior approval of the Declarant during the Development Period and the ARC thereafter, provided that dead or diseased trees which are inspected and certified as dead or diseased by the Declarant or ARC (as applicable), as well as other dead or diseased shrubs, bushes, or other vegetation, shall be cut and removed promptly from any Unit by the Owner thereof. Nothing herein shall be construed so as to limit any applicable law or ordinance.

11.15 Garbage Disposal.

Each Owner shall maintain all trash receptacles, racks or similar facilities in a sanitary condition, and in accordance with such reasonable standards as established by the Declarant during the Development Period and thereafter by the ARC. Except when placed curbside on the day of or the night before regularly scheduled garbage and trash pick-up days, all garbage and trash containers and bags and the like shall be kept in a closed garage or other approved building within the Unit or placed inside of or behind opaque walls, fences or hedges attached to and made part of the Unit or any garage or other building or otherwise in conformity with applicable provisions of the Architectural Guidelines, if any. Garbage and trash containers and bags and the like shall in no event be visible from any adjacent or neighboring Unit, Common Area or street. No garbage or trash incinerator shall be permitted upon the Property. No burning, burying or other disposal of garbage on any Unit or within the Property shall be permitted (except licensed contractors may burn construction debris if, and only if, permitted to do so by the Declarant during the Development Period and thereafter by the ARC alone and such is permitted by federal, state, and local laws, rules and regulations, but only during the period of construction of Improvements on the Unit); provided, however, the Declarant shall be permitted to modify the requirements of this Section 11.15 where necessary to comply with orders of governmental bodies.

11.16 Games and Play Structures.

No play or game structures, including basketball hoops, soccer goals or tennis courts, shall be located on any Unit or Common Areas without the prior written consent of the ARC and compliance with Article 8. Portable basketball poles are permitted provided they are put away each night no later than sunset in such a manner that they are not left in any driveway or visible from any street (e.g., by placement in the garage of a Unit or by laying the pole down in a rear yard of the Unit). Except as permitted in this Section 11.16, there shall be no permanent athletic equipment (e.g., hockey or soccer nets or goals; skateboard, bicycle or rollerblade ramps, etc.) placed on any portion of a Unit that is visible from any adjacent or neighboring Unit, Common Area or street. Temporary skateboard, bicycle and rollerblade ramps may not cause the user to be propelled onto any street or sidewalk. All portable athletic equipment shall be removed from driveways and placed in a home, garage or rear yard of the Unit each night.

11.17 Clothes Hanging.

No laundry or clothes-drying lines or areas shall be permitted outside of any building on any Unit unless the same shall be placed inside of walls, fences, landscaping screens or similar type enclosures in conformity with applicable provisions of the Architectural Guidelines, if any, or rules and regulations adopted and promulgated by the Association with respect thereto. In no event shall any laundry or clothes-drying lines or areas be permitted if visible from any adjacent or neighboring Unit, Common Area or street.

11.18 Auxiliary Structures Prohibited.

No platform, doghouse, dog-run, playhouse, storage shed or auxiliary structure of any kind or nature shall be constructed without prior ARC approval.

11.19 Antenna Devices.

An antenna device that is (a) designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one meter or less in diameter; or (b) designed to receive video programming services via multipoint distribution services, including multichannel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, that is 18-inches or less in diameter or diagonal measurement; or (c) designed to receive television broadcast signals (hereinafter, "antenna device") should be placed on the rear of a dwelling or other location that minimizes visibility from the street fronting the Unit, or from the front yard of the Unit. It is also recommended that any such antenna device be screened from street view where applicable, though screening may not be a requirement unless otherwise determined by the ARC after final installation. No Owner or Occupant shall operate any antenna device which will interfere with the radio or television reception of others. All antenna devices not permitted by the Federal Communications Commission ("FCC") rules are prohibited. Installation, maintenance, and use of all antenna devices shall comply with the then current rules of the FCC. Notwithstanding the foregoing, the Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other antenna device for a master antenna, cable, or other communication system for the benefit of all or a portion of COASTAL CLUB OF THE CAROLINAS, should any antenna device, or other master system or systems be utilized by the Association and require such antenna device.

11.20 Holiday Lights.

A reasonable number of holiday and religious lights and decorations may be displayed on any Unit for up to thirty (30) days prior to a publicly observed holiday or religious observance and up to fourteen (14) days thereafter without prior approval, subject to the right of the Association or the Declarant

to require removal of any such decorations which it deems to (i) be excessive in number, size, or brightness, relative to other Units in the area; (ii) draw excessive attention or traffic; (iii) unreasonably interfere with the use and enjoyment of neighboring properties; or (iv) cause a dangerous condition to exist. The Association shall have the right, upon fifteen (15) days prior written notice, to enter upon any Unit and summarily remove exterior lights or decorations displayed in violation of this Section 11.20. The Association, and the individuals removing the lights and decorations, shall not be liable to the Owner for trespass, conversion, or damage of any kind except intentional misdeeds and gross negligence.

11.21 Community, Sales and Construction Activities.

Notwithstanding any provisions or restrictions contained in this Declaration to the contrary, the Declarant and its Affiliates agents, employees, successors, and assigns, and Approved Builder, and any Builder to which the Declarant assigns the rights hereunder and as may be further restricted by the Declarant under any such assignment, are permitted to maintain and carry on such facilities and activities as may be reasonably required, convenient, or incidental to the development, completion, improvement, sale, lease or resale of the whole or any portion of the Property, including, without limitation, the installation and operation of development, sales, leasing, resales and construction trailers and offices, signs and models, provided that the location of any such trailers of any assignees of Declarant's rights under this Section 11.21 are subject to the Declarant's prior written approval. The rights under this Section 11.21 to maintain and carry on such facilities and activities will include specifically the right to use a Unit's dwelling as a model and as offices for sales, leasing, construction, management or related activities.

11.22 Window Coverings; Storm Shutters.

Unless the Board of Directors otherwise agrees, the only acceptable window coverings that may be affixed to the interior of any windows visible from any street, adjacent Unit, or from the Common Areas are drapes, blinds, shades, shutters and curtains. The side of such window coverings that is visible from the exterior of any Improvements must be white, off-white or, if blinds or shutters, a natural wood color, unless otherwise approved by the ARC and in compliance with Article 8. Only clear glass is permitted in any window and no window tinting or reflective coating may be affixed to any window that is visible from any street, adjacent Unit, or from the Common Areas, unless otherwise approved by the ARC and in compliance with Article 8. Installation of storm shutters is permitted. Any storm shutters installed on a Unit shall be attached to the residence to cover windows and sliding glass doors and shall be removable. The color of the storm shutters must be as close to the color of the residence as possible. Storm shutters may be put up forty-eight (48) hours prior to a predicted landfall of a named storm and must be removed within forty-eight (48) hours after a named storm passes, or, in the event access to the Unit is blocked by storm debris or other storm damage, within forty-eight (48) hours after access to the Unit is open. Color, size, style and all other specifications of storm shutters installed in COASTAL CLUB OF THE CAROLINAS shall be subject to review and approval of the ARC and compliance with Article 8.

11.23 Time Sharing and Vacation Multiple Ownership Plans.

No part of the Property subject to this Declaration, including any Improvements thereon or to be built thereon, will be used for or subject to any type of Time Share Program or Time Share Project as defined by the North Carolina Time Share Act, North Carolina General Statutes 93A-41 (1983), or any subsequent laws of this State dealing with that or similar type of ownership by a Unit Owner, or which is used for, in conjunction with and/or as an advertised part of any time share exchange program which makes available as accommodations the Unit and which is not otherwise registered as a Time Share Program or Time Share Project or which utilizes the Lot as accommodations for time share sale prospects of any person. No part of the Property subject to this Declaration, including any Improvements thereon or to be built

thereon, will be used for or subject to any type of short-term rental (less than 6 months) or vacation rental purposes.

11.24 Additional Use Restrictions: Record Deed Restrictions.

The Board of Directors may adopt such additional use restrictions, rules or regulations, applicable to all or any portion of the Property as permitted by applicable law. The Association may waive or modify application of those use restrictions which it has authority to enforce with respect to Unit(s) as the Board deems appropriate.

11.25 Declarant's / Approved Builder's Improvements.

The provisions of this Article 11 shall apply to all of the Property and the use thereof but shall not apply to the Declarant, and its Affiliates, or to Approved Builder, or to any Units they own, or in limitation thereof, during any period where any of the same are engaged in any development, construction, performance of warranty work, sales and marketing on the Property.

11.26 Other Rights and Reservations.

THE OMISSION OF ANY RIGHT OR RESERVATION IN THIS ARTICLE WILL NOT LIMIT ANY OTHER RIGHT OR RESERVATION BY THE DECLARANT OR APPROVED BUILDER WHICH IS EXPRESSLY STATED IN OR IMPLIED FROM ANY OTHER PROVISIONS IN THIS DECLARATION.

ARTICLE 12

Sale, lease or occupancy of units.

No Owner other than the Declarant may sell, occupy or lease a Unit unless the Owner complies with the following provisions:

12.1 Notice of Sale or Lease.

In the event an Owner sells or leases or otherwise transfers or disposes of any Unit, the Owner must furnish to the Association in writing the name and address of such purchaser, Tenant, or transferee at least fifteen (15) days prior to such sale, lease or transfer.

12.2 Leased Units.

All Units in the Community may be leased subject to the restrictions described in this Declaration, and no amendment to any portion of this Article 12 increasing the restrictions on leasing shall be enforceable against any Unit or Owner thereof, to adversely affect any such Unit or Owner thereof, except if said Owner consents to the same in writing or except if otherwise expressly allowed herein. No leases for commercial purposes are allowed (for example, no Unit shall be leased for office purposes). Only entire Units may be leased. In no event shall occupancy of a leased Unit (except for temporary occupancy by visiting guests) exceed two (2) persons per bedroom. No subleasing or assignments of leases of a Unit are allowed. All leases shall be in writing and shall contain the following provisions:

(a) Each Tenant shall comply with, and all leases shall require the Tenant to comply with the covenants, terms, conditions and restrictions of the Governing Documents. A violation of any of the terms of any of the Governing Documents shall constitute a material breach of the lease and shall constitute grounds for damages, termination of the lease and eviction by the Owner.

This Declaration and the rules and regulations then in effect must be provided to the Tenant by or on behalf of the Owner at or before the commencement of the lease term; provided, however, that such Tenant's obligations under this Section 12.2 shall not be affected by the failure to receive such notice. All leases are hereby subordinated to any lien filed by the Association, whether prior or subsequent to such lease.

If an Owner fails to include the foregoing provisions in any lease, the provisions shall be deemed to be included and part of the lease. An Owner shall furnish the Association with a copy of each lease of his Unit prior to the date the Tenant takes possession of the Unit, as set forth in Section 12.3 below.

12.3 Lease Applications, Screenings and Approvals.

Each lease, together with an application signed by both the Owner and prospective Tenant, in a form approved by Association, shall be submitted to Association at least fifteen (15) days prior to commencement of the lease term. The Association shall have the right to charge the Owner a nonrefundable lease administration fee in the amount of One Hundred Dollars (\$100.00), as adjusted for CPI-U. Such lease administration fee may also be increased from time to time by the Board of Directors.

12.4 Owner Responsible for Conduct of Tenants and Occupants.

The Owner of a Unit is responsible for all conduct of each Occupant of the Unit, including without limitation, any claim for injury or damage to persons or property caused by the acts or omissions of the Owner's Occupants. Regardless of whether or not expressed in the lease, each Owner shall be jointly and severally liable with the Tenant to the Association for any amount incurred by the Association to repair any damage to any Common Area resulting from acts or omissions of the Tenant or its family, Occupants, guests or invitees, or for the acts and omissions of the Tenant or its family, Occupants, guests or invitees which constitute a violation of, or non-compliance with, the provisions of this Declaration or any other Governing Documents or any rules and regulations adopted by the Association from time to time (before or after the execution of the lease) and for payment of any claim for injury or damage to property caused by the negligence of the Tenant or its family, Occupants, guests or invitees, and the Association may levy an Specific Assessment against the Unit therefor.

12.5 Use of Common Areas.

When a Unit is leased, the Tenant shall have all use rights in Common Areas otherwise readily available for use generally by Owners, and the Owner of the leased Unit shall not have such rights, except as a guest of another Owner or the Tenant. Nothing herein shall interfere with the access and eviction rights of the Owner as a landlord pursuant to North Carolina law.

12.6 Declarant's / Approved Builder's Exemptions.

The provisions of this Article 12 shall apply to all of the Property and the use thereof but shall not apply to the Declarant, and its Affiliates, or to Approved Builder, during any period where any of the same are engaged in any development, construction, performance of warranty work, sales and marketing on the Property.



This Declaration and the rules and regulations then in effect must be provided to the Tenant by or on behalf of the Owner at or before the commencement of the lease term; provided, however, that such Tenant's obligations under this Section 12.2 shall not be affected by the failure to receive such notice. All leases are hereby subordinated to any lien filed by the Association, whether prior or subsequent to such lease.

If an Owner fails to include the foregoing provisions in any lease, the provisions shall be deemed to be included and part of the lease. An Owner shall furnish the Association with a copy of each lease of his Unit prior to the date the Tenant takes possession of the Unit, as set forth in Section 12.3 below.

12.3 Lease Applications, Screenings and Approvals.

Each lease, together with an application signed by both the Owner and prospective Tenant, in a form approved by Association, shall be submitted to Association at least fifteen (15) days prior to commencement of the lease term. The Association shall have the right to charge the Owner a nonrefundable lease administration fee in the amount of One Hundred Dollars (\$100.00), as adjusted for CPI-U. Such lease administration fee may also be increased from time to time by the Board of Directors.

12.4 Owner Responsible for Conduct of Tenants and Occupants.

The Owner of a Unit is responsible for all conduct of each Occupant of the Unit, including without limitation, any claim for injury or damage to persons or property caused by the acts or omissions of the Owner's Occupants. Regardless of whether or not expressed in the lease, each Owner shall be jointly and severally liable with the Tenant to the Association for any amount incurred by the Association to repair any damage to any Common Area resulting from acts or omissions of the Tenant or its family, Occupants, guests or invitees, or for the acts and omissions of the Tenant or its family, Occupants, guests or invitees which constitute a violation of, or non-compliance with, the provisions of this Declaration or any other Governing Documents or any rules and regulations adopted by the Association from time to time (before or after the execution of the lease) and for payment of any claim for injury or damage to property caused by the negligence of the Tenant or its family, Occupants, guests or invitees, and the Association may levy an Specific Assessment against the Unit therefor.

12.5 Use of Common Areas.

When a Unit is leased, the Tenant shall have all use rights in Common Areas otherwise readily available for use generally by Owners, and the Owner of the leased Unit shall not have such rights, except as a guest of another Owner or the Tenant. Nothing herein shall interfere with the access and eviction rights of the Owner as a landlord pursuant to North Carolina law.

12.6 Declarant's / Approved Builder's Exemptions.

The provisions of this Article 12 shall apply to all of the Property and the use thereof but shall not apply to the Declarant, and its Affiliates, or to Approved Builder, during any period where any of the same are engaged in any development, construction, performance of warranty work, sales and marketing on the Property.

ARTICLE 13

Amendments

13.1 Amendment by Declarant.

During the Declarant Control Period, this Declaration and the other Governing Documents may be amended or supplemented by the Declarant alone without the consent or joinder of any other Owner, the Association or any mortgagee; except that all amendments to the Governing Documents shall require the written consent of Approved Builder for so long as Approved Builder owns any portion of the Property. Following the Declarant Control Period and prior to expiration of the Declarant's Development Period, this Declaration and the other Governing Documents may be amended solely by the Declarant (subject to Approved Builder's above-described approval rights) if such amendment is necessary, in the reasonable determination of the Declarant, (1) to bring any provision hereof or thereof into compliance or conformity with the provisions of any applicable governmental statute, rule, or regulation or any judicial determination which will be in conflict therewith, (2) to enable any reputable title insurance company to issue title insurance coverage with respect to any properties subject to this Declaration, (3) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any properties subject to this Declaration, or (4) to enable any governmental agency or reputable private insurance company to insure Mortgages on the properties or other improvements subject to this Declaration. Each Owner by acceptance of a deed or other conveyance of a Unit agrees to be bound by amendments permitted by this Section 13.1, and each Owner (other than Approved Builder) further agrees, if requested by the Declarant, such Owner will consent in writing to such amendment.

13.2 Amendments After the Declarant Control Period.

After the Declarant Control Period and the expiration of the Declarant's Development Period, the Declaration may be amended by not less than two-thirds of the Voting Interests. No amendment shall be permitted which changes the rights, privileges and obligations of the Declarant, a Builder or any Affiliate of the Declarant respectively without the prior written consent of whichever of them is affected.

13.3 Corrective Amendments.

Amendments for correction of scrivener's errors or other nonmaterial changes may be made by the Declarant alone during the Development Period and thereafter by the Board of Directors without the need for approval of the Owners.

13.4 Amendments Required by Secondary Mortgage Market: Conflict.

The Declarant shall have an absolute right (with approval by Approved Builder if above-required) to make any amendments to the Declaration and other Governing Documents (without any other party's consent or joinder including without limitation the Association or any Owners) that are requested or required by Fannie Mae, Freddie Mac, HUD, FHA, USDA, and/or VA, or any other governmental, quasi-governmental or government-chartered entity which owns, guarantees, services or securitizes, or expects to own, guarantee, service or securitize one or more Mortgages on Units or other portions of the Property or to insure the payment of one or more such mortgages or that are requested or required or necessitated by a change in the guidelines or requirements of any Institutional Mortgagee to enhance the salability of its mortgages on Units or other portions of the Property to one or more of the foregoing.

Furthermore, without limiting the above amendment rights, but applying notwithstanding any inconsistent or contrary provision in this Declaration, if there are any Fannie Mae, Freddie Mac, HUD, FHA, VA and/or USDA insured loans affecting a Unit, and only for so long as any such loans affect the Unit, any restrictions in this Declaration on renting, subleasing, or reconveyance, or any processes or advertising related to the same, that violate any Fannie Mae, Freddie Mac, HUD, FHA, VA and/or USDA requirements shall not apply to such Unit or its Owner or to a transfer or purchase by an Institutional Mortgagee. Amendment Limitation in Favor of Eligible Mortgagees.

No amendment may be adopted which changes the rights of an Eligible Mortgagee set forth in Article 6, or which would eliminate, modify, prejudice, abridge or otherwise materially adversely affect any rights, benefits or priorities granted or reserved to mortgagees of Units or make any materially adverse change in the insurance provisions of this Declaration unless a majority of the Eligible Mortgagees (based on the original principal amount of their first mortgages) approve the amendment.

Except as specifically provided herein, the consent or approval of any lien or mortgage holder on a Unit shall not be required for the adoption of any amendment to this Declaration, and whenever the consent or joinder of the holder of any lien or mortgage is required, such consent or approval shall not be unreasonably withheld or delayed. Whenever the consent or approval of an Eligible Mortgagee or a mortgagee is required by this Declaration, any other Governing Documents, or any applicable statute or law to any action of the Association or to any other matter relating to the Property, the Association, the Board, this Declaration or any other Governing Documents, the Association shall request such consent or approval of such Eligible Mortgagee or other mortgagee by written request addressed to the Eligible Mortgagee or other mortgagee at the most recent address provided in writing by such mortgagee. In the event a mortgagee whose consent is required has not provided an address to the Association, the Association shall be entitled to rely on the identity and address of the holder of the mortgage set forth in the mortgage or assignment thereof filed Of Record in the County. Any Eligible Mortgagee or other mortgagee receiving such request shall be required to consent to or disapprove the matter for which the consent or approval is requested in writing, by certified mail, return receipt requested (or equivalent delivery evidencing such request was delivered to and received by the Association), which response must be received by the Association within sixty (60) days after the Eligible Mortgagee or other mortgagee receives such request. If the Association does not receive the response in a timely manner, the Eligible Mortgagee or other mortgagee shall be deemed to have consented to and approved the matter for which such approval or consent was requested. Such consent or approval given or deemed to have been given, where required, may be evidenced by an affidavit signed by a majority of the Members of the Board of Directors or by the President and Secretary of the Association, which affidavit, where necessary, may be filed Of Record in the County. Such affidavit shall be conclusive evidence that the applicable consent or approval was given as to the matters therein contained.

13.5 Execution and Recording.

An amendment, other than amendments made by the Declarant alone pursuant to this Declaration, shall be evidenced by a certificate of the Association, executed either by the President or Vice President of the Association or a majority of the members of the Board of Directors which shall include recording data identifying the Declaration and shall be executed with the same formalities required for the execution of a deed. An amendment of the Declaration is effective when the applicable certificate is filed Of Record.

ARTICLE 14

Additional Rights Of The Declarant

14.1 General.

Notwithstanding any other provision in the Declaration or other Governing Documents to the contrary, until such time as Declarant, an Affiliate of Declarant, or a Builder have completed all of the contemplated Improvements in the Property and have sold all of the Units within the Property, the Declarant and each Affiliate of the Declarant shall have, in addition to its other rights, and without limiting the same, the rights described below; provided, however, that any of the below-described rights must be approved in writing by Approved Builder so long as Approved Builder owns any portion of the Property, if the exercise of the same will adversely affect Approved Builder or its homebuyers or any Units owned by the same:

(a) Effectuation of Development.

The right to modify the master plan, execute all documents and take all actions affecting any portion of the Property owned or controlled by it which, in its sole discretion, are desirable or necessary to effectuate or facilitate its development of COASTAL CLUB OF THE CAROLINAS.

(b) Platting.

The right to plat, re-plat, subdivide and re-subdivide any portion or portions of the Property owned or controlled by it.

(c) Development Planning.

The right to determine, in its sole discretion, the type of Improvements, if any, to be constructed on any portion of the Property owned or controlled by it and the Common Areas and the right to revise its plans concerning such Improvement.

(d) Declarant's Right to Change Development.

With the approval of the appropriate governmental authority, and subject only to such terms and conditions as such authority may impose, Declarant shall have the right, without consent or approval of the Owners or the Association, to create Units, add, eliminate or alter Common Areas, and change, combine, eliminate, increase, reconfigure or reallocate Units within the Property.

(e) Construction.

The right to construct and maintain, on any portion of the Property owned or controlled by it or the Common Areas, any Improvements it considers desirable; the right to construct walks, drives, ramps and parking facilities flush against and as a continuance of similar Improvements located on portions of the Property not owned or controlled by it even if doing so entails an encroachment upon the latter property; and the right to construct and maintain temporary sales, resales and leasing offices, temporary construction offices, storage facilities and general business offices. The rights shall include but not be limited to a right of ingress and egress by any and all types of vehicles and equipment to, through, over and about the Common Areas during whatever period of time the Declarant, its Affiliates or any Builder is engaged in any development, construction or improvement work on or within the Property as well as an easement over the Common Areas for the parking and storage of materials, vehicles, tools, equipment and the like which are being utilized in such work.

(f) Marketing.

The right to sell, lease, resell, market, promote, operate, and manage existing and planned Units (and portions thereof), which right shall include (though not be limited to) the right to construct and maintain marketing, sales, resales, leasing and management offices and models and to be open for business seven (7) days per week on any portion of the Property owned or controlled by it and the Common Areas, to solicit and receive the visits of unlimited numbers of prospective purchasers and Tenants (all of whom shall have the right while visiting to use parking spaces on the Common Areas), and to place signs, lighting, flags, banners and other promotional devices on any portion or portions of the Property owned or controlled by it or the Common Areas without regard to the size or aesthetic appeal of such signs or devices.

(g) Alteration of Common Areas.

The right, without the vote or consent of the Association or Owners, to expand, alter, modify or add to all or any part of the Common Areas or any Improvements thereon. Declarant shall also have the right to alter the boundaries of the Common Areas, whether or not they have been previously deeded to the Association, provided that such alteration does not substantially, materially and adversely affect the function and use of the Common Areas. The Association and each Owner hereby irrevocably appoints the Declarant as his attorney-in-fact to execute and/or deliver any documents, plats, deeds, or other written matters necessary or convenient to expand, reduce, alter, modify or add to the Common Areas or Property, or both, to create easements as deemed necessary by Declarant, and to alter the boundary or boundaries of the Common Areas.

(h) Use of Common Areas.

The Declarant, its Affiliates and (to the extent authorized in writing by Declarant) or any Builder shall have the right to non-exclusive use of the Common Areas, without charge, for sales, resales and leasing activities, promotions, special events, signage, display, access, ingress, egress, construction and exhibit purposes during the period of construction, development, sale and leasing of any of the land or Units owned by Declarant and its Affiliates within the Property. Further, the Declarant shall have the right to permit Persons other than Owners to use certain portions of the Common Areas under such terms as Declarant, its successors and assigns, may from time to time desire without interference from the Association. Without limiting the generality of the foregoing, the Declarant may grant employees of the Declarant and their families the right to use all Common Areas. Without limiting the foregoing, Declarant shall have the right to maintain or permit any Affiliate or Builder or others to maintain marketing, sales, leasing and management offices, Unit models, administrative offices, and construction offices (which may be trailers or temporary or permanent buildings), or any or all of same, on Units or the Common Areas. Declarant shall also have the right to grant the right to use the Common Areas to a prospective purchasers, in Declarant's sole discretion, and to conduct any and all other marketing, sales, leasing and management activities deemed appropriate by the Declarant, and to permit Affiliates of Declarant and Builders and others to exercise such rights in conjunction with or separate from the Declarant.

(i) Corrective Rights.

The right for itself, and others it may designate, but not the obligation, to inspect, monitor, test, redesign, and/or correct, any structure, Improvement, or condition (including any retaining wall, swale or lack thereof) which may exist on any portion of the Property (including on any Unit), and a perpetual, nonexclusive easement of access throughout said Property, all to the extent reasonably necessary to exercise the rights described in this subsection (i). Except in an emergency, entry onto a Unit for a purpose under this subsection (i) shall be only after reasonable notice to the Owner and no entry into a



house shall be permitted without the consent of the Owner. The person exercising the rights under this subsection (i) shall promptly repair, at such person’s own expense, any damage resulting from such exercise.

(j) Loans to Association.

Subject to the provisions of Section 5.6 of this Declaration, Declarant shall have the right, but not the obligation, to lend money to the Association in such amounts and upon such terms and conditions as to which the Declarant and Association may agree. Payments due to the Declarant under any such loans may, at Declarant’s option, be credited against any Assessments or other amounts coming due at any time from the Declarant.

(k) Limit on Modification of Common Areas.

In exercising any of the rights provided or granted under this Article 14, neither Declarant, nor the Association shall revoke, modify or amend this Declaration in a manner that reduces the size of the Common Areas to less than the area required by the appropriate governmental authority as of the date of this Declaration.

(l) Bulk Services.

Declarant shall have the authority to enter into binding bulk services contracts for the kinds of services that may typically be provided and billed through a single or multi-family residential owners association, and may pass the costs of the same through to Owners via assessments against those owners benefitted by the same. If **Exhibit “C” – Bulk Services**, is attached to this Declaration, then all terms, provisions, and easements described therein are incorporated herein, and shall apply, and are hereby highlighted and reserved for avoidance of doubt.

14.2 Assignment.

Without limiting the generality of Section 14.1 hereof, the Declarant shall have the right to assign the rights reserved to Declarant in this Declaration or other Governing Documents, in whole or in part, to any one or more Declarants, Affiliates or Builders.

14.3 Association’s Obligation of Cooperation.

The Association shall accept conveyance of any Common Areas conveyed to it, in fee or by easement, by Declarant, an Affiliate of Declarant or a Builder, or, at the request of Declarant or an Affiliate of Declarant, by an owner of any property within or to be annexed into the Property and, upon request of Declarant and without further consideration, shall execute any document necessary to evidence such acceptance. Neither the Association nor its Members, nor the use of the Common Areas by the Association and its Members, shall interfere with or impede the construction or completion of the Improvements or the marketing, sale, resale or leasing of Units by the Declarant, Affiliates of Declarant, or a Builder of Units.

14.4 Any Amendment Applicable to Declarant or Declarant Affiliate.

In addition to all other rights of the Declarant, no amendment shall be made to this Declaration, and no rule or regulation shall be adopted, interpreted or enforced by the Association, so as to modify the Assessments or other charges applicable to the Declarant or an Affiliate of Declarant or assessed against the Units owned by either, or which shall restrict, impair, or, in Declarant’s sole judgment, materially adversely affect the rights and activities of the Declarant or an Affiliate of Declarant with regard

to construction, use of Common Areas, where permitted hereunder, and delegation of the right to use the Common Areas, or the use, construction, marketing, sale, resale, leasing or management of Units by the Declarant, an Affiliate of Declarant or a Builder, whether or not such activities are enumerated in the preceding paragraphs, without the express prior written consent of Declarant.

14.5 Assignment of Declarant's Rights to the Association.

The Declarant reserves the right to assign to the Association, at its sole discretion, all or a portion of its rights reserved in this Declaration. The Association hereby agrees to accept any and all assignments of rights hereunder, and no further action will be required by the Association.

14.6 Easement.

There is hereby created and reserved a blanket easement for the Declarant and each Affiliate of the Declarant to enable each of them and, to the extent authorized in writing by Declarant, or any Builder to exercise the rights set forth in the Governing Documents free of any interference by the Association or by any Owner. Furthermore, and without limiting the foregoing of any other reserved easement rights or granting rights reserved herein, Declarant reserves the right, exercisable/assignable during the Development Period, to grant/reserve easements over Common Areas (including streets) to of for the benefit of any third parties (including adjacent property owners not part of the Property) and the public, including for utility and road access through streets and other Common Areas of the property.

14.7 Control of Declarant.

Notwithstanding any other provision to the contrary in this Declaration or the other Governing Documents, the Declarant hereby retains for the duration of the Declarant Control Period the right to appoint and remove any member or members of the Board of Directors and any officer or officers of the Association. Every grantee of any interest in the Property, by acceptance of a deed or other conveyance of such interest, agrees that the Declarant will have the authority to appoint and remove directors and officers of the Association in accordance with the foregoing provisions of this Section 14.7. The provisions of this Section 14.7 are supplemental to, and not in substitution of, other rights retained by the Declarant pursuant to this Declaration.

14.8 Injunctive Relief for Interference.

The Declarant and each Affiliate or assignee of the Declarant shall be entitled to injunctive relief for any actual or threatened interference with its or their rights under this Article, in addition to whatever remedies at law it or they might be entitled to.

ARTICLE 15

Alternative Dispute Resolution & Litigation

15.1 Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes.

The Declarant, Association, and Owners (collectively, the "Parties" and singularly, a "Party"), agree that any dispute, controversy or claim among them, including counterclaims and crossclaims, whether based upon contract, tort, statute, common law or otherwise (collectively, a "Dispute"), arising from or relating directly or indirectly to the Declaration or the Development, including, without limitation, the interpretation, application or enforcement of the Declaration, the Association's Articles of Incorporation or Bylaws, except for "Exempt Claims" under Section 15.2, are subject to



arbitration, as defined under the Federal Arbitration Act, in lieu of civil proceedings and governed by the procedures set forth in Section 15.3.

15.2 Exempt Claims.

The following Claims (“Exempt Claims”) are exempt from the provisions of Section 15.3:

(a) any suit by the Association against a Party to enforce any Assessments or other charges hereunder; and

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and other relief the court may deem necessary in order to maintain the status quo and preserve any enforcement power of the Association hereunder until the matter may be resolved on the merits pursuant to Section 15.3 below; or

(c) any suit between Owners which does not include the Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Declaration and the Development; or

(d) any suit which otherwise would be barred by any applicable statute of limitation;
or

(e) any suit in which an indispensable party is not a Party, as defined in Section 15.1 above; or

(f) any suit involving a matter that is not an Exempt Claim under sub-Sections (a) through (e) above, but as to which matter the Party against whom the Claim is made waives the mandatory provisions of Section 15.3 below.

Any Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 15.3, but there is no obligation to do so.

15.3 Mandatory Procedures for Non-Exempt Claims.

Any Party having a Claim (“Claimant”) against another Party involving this Declaration or the Community, or all or any combination of them (“Respondent”), other than an Exempt Claim under Section 15.2 above, will not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of the Claim until it has complied with these alternative dispute provisions, and then only to enforce the results hereof:

(a) Parties to be Joined.

The Parties agree to arbitrate all Disputes with each other and with any other person or entity to the extent any or all such other persons and entities have agreed to participate in and be subject to arbitration of all Disputes.

(b) Mediation.

Prior to arbitration, if the Dispute cannot be settled through direct discussions, the Parties shall endeavor to resolve the Dispute between themselves, by participating in mediation before a mediator mutually agreed upon by the Parties.

(c) Arbitration.

Any Dispute that cannot be settled by negotiation or mediation shall be settled by binding arbitration. If the amount claimed by the Claimant, or by the Respondent in a counterclaim, exceeds \$250,000, as adjusted by CPI-U, the Claim shall be heard and determined by three arbitrators. Otherwise, unless the Parties otherwise agree, the Claim shall be heard and determined by one arbitrator mutually agreed upon by the Parties. The arbitrator(s) shall have expertise in the areas of the Claim, which may include legal expertise if legal issues are involved. Arbitration will be governed by the commercial or construction arbitration rules of the American Arbitration Association (AAA), whichever is applicable, but will not be administered by the AAA unless the Parties so agree.

(d) The Arbitrator.

If the Parties cannot agree on a single arbitrator, or if the claimed amount exceeds \$250,000, as provided above and as adjusted, each Party will pick an arbitrator with expertise in the subject matter of the Dispute. Those two arbitrators will then pick a third arbitrator with expertise in the subject matter of the Dispute, and the panel of three (3) arbitrators will decide the arbitration. If there is an impasse in the selection of arbitrators, any Party may make a motion to compel arbitration with the court of competent jurisdiction for Brunswick County, North Carolina and ask the court to resolve the selection of arbitrators.

(e) Arbitrability.

The issue of whether or not a Dispute is within the scope of this arbitration requirement (or "arbitrability") will be decided by an arbitrator or arbitrators selected pursuant to the terms of this Article 15.

(f) Situs of Mediation and Arbitration.

All mediation and arbitration proceedings will be conducted in Brunswick County, North Carolina. The participating Parties shall share the costs and expenses of mediation and arbitration, other than the Parties' respective legal fees, equally.

(g) Judgment on the Award.

Judgment on the award rendered by the arbitrator(s) shall be final and binding, shall not be appealable, and may be entered in any court having jurisdiction, as provided in the applicable state and federal statutes.

15.4 Litigation.

No judicial or administrative proceeding with an amount in controversy exceeding \$100,000.00, adjusted for CPI-U, will be commenced or prosecuted by the Association unless approved by 75% or more of the Voting Interests of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required for any such meeting. This Section will not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitations, the foreclosure of liens); (b) the imposition and collection of Assessments; (c) proceedings involving challenges to ad valorem taxation; (d) counterclaims brought by the Association in proceedings instituted against it; or (e) actions brought by the Association to enforce written contracts with its suppliers and service providers. This Section will not be amended unless the amendment is approved by the requisite percentage of votes of Members,

and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision will apply in addition to the alternative dispute resolution provisions of this Article 15, if applicable.

15.5 Miscellaneous Alternative Dispute Resolution Provisions.

(a) Conflicting Provisions.

Any conflict or discrepancy between the terms and conditions set forth in this Article 15 and any term, condition or procedure of the American Arbitration Association, or any remedy allowed at law or in equity, the terms, conditions, procedures and remedies set forth herein will control.

15.6 TIME IS OF ESSENCE.

All periods of time set forth herein or calculated pursuant to provisions of this Article 15 will be strictly adhered to, TIME BEING OF THE ESSENCE hereof.

15.7 Amendment of Article 15.

Notwithstanding any other provision of this Declaration, this Article 15 may not be amended prior to the expiration of thirty (30) years from the date this Declaration is filed Of Record without the prior written consent of the Declarant.

ARTICLE 16

General Provisions

16.1 Unit Deeds.

In accepting a deed to any Unit, the grantee will be deemed to have accepted and agreed to all terms and conditions contained in this Declaration and the Exhibits, as amended, and further agrees to execute any and all documents reasonably requested by the Declarant or the Association from time to time to expressly evidence the foregoing.

16.2 Enforcement.

The Declarant, Association or any Owner shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Declarant, Association or an Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. Further, the Board of Directors shall have the right to file Of Record a notice of violation of this Declaration or the Bylaws of the Association, or any rules, regulations, use restrictions, or design guidelines promulgated by the Association and to assess the cost of recording and removing such notice against the Owner in violation of the Declaration.

16.3 Severability.

Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property will be prohibited or held invalid, such prohibition or invalidity will not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

16.4 Termination; Dissolution.

Unless sooner terminated as required by law, the Declaration shall run with and bind the Property and each Owner, and shall inure to the benefit of the Association, and each other Owner of any portion of the Property, and their respective heirs, successors, and assigns, from and after the recording of the Declaration Of Record and in perpetuity or until such time as it is terminated by a written termination agreement, executed or ratified in the same manner as a deed, by those Members who hold eighty percent (80%) or more of the total number of votes in the Association, and also with the written consent of Declarant during the Development Period. Execution or ratification by any one of multiple Owners of a Unit is sufficient for that Unit unless, prior to the time the termination agreement is recorded Of Record, any other Owner of that Unit files with the Association a written objection to the termination of the Declaration (in which event the vote allocated to that Unit shall be considered as not having been exercised). The termination agreement shall specify a date after which it will be void unless it is recorded Of Record before that date. The termination agreement may not be recorded Of Record unless and until the requisite number of signatures have been obtained as provided herein, and it shall be effective only upon recording. If, pursuant to the termination agreement, any real estate in the Property is to be sold following termination of the Declaration, the minimum terms of the sale shall be set forth therein.

The Association shall be dissolved upon the termination of the Declaration. Provided, however, until any sale of the Common Area authorized by the termination agreement or approved by the Owners in the same manner as required for approval of the termination agreement is completed and the sale proceeds distributed, the Association shall continue in existence with all of the powers it had before termination. The Association, on behalf of the Owners, may contract for the sale of the Common Area, but the contract is not binding unless such sale has been authorized in the termination agreement or it has been approved by the Owners in the same manner as required for approval of the termination agreement. Proceeds of the sale of Common Area shall be distributed to the Owners and lienholders as their interests may appear, as provided in the termination agreement or other agreement approved by the Owners in the same manner as required for approval of the termination agreement. If the Common Area is not to be sold following termination of the Declaration, title to the Common Area vests in the Owners upon termination, as tenants in common in proportion to their respective interests as provided in the termination agreement.

Upon dissolution of the Association or upon loss of ownership of all of the Common Area by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Area as allowed by the Declaration, or by reason of merger and/or consolidation with any other association as allowed by the Declaration), except as otherwise provided in the termination agreement, other agreement approved by the Owners in the same manner as required for approval of the termination agreement, or Legal Requirements (in particular, Section 47F-2-118 of the Act, or any successor Section of the Act), any portion of the Common Area not under the jurisdiction of and being maintained by another association substantially similar to the Association, together with all other assets of the Association, first shall be offered to the County (or, if the County refuses such offer, then to some other appropriate governmental authority or public agency as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Area and such assets were required to be devoted by the Association. If the County or such other appropriate governmental authority or public agency accepts the offer of dedication, such portion of the Common Area and assets shall be conveyed by the Association to the County or such other appropriate governmental authority or public agency, subject to the superior right of an Owner to an easement (if necessary) for reasonable ingress and egress to and from such Owners Unit and the public or private street(s) on which that Unit is located, subject to all other applicable rights of way and easements, and subject to ad valorem property taxes subsequent to the date of such conveyance.

If the County or such other appropriate governmental authority or public agency refuses the offer of dedication and conveyance, the Association may transfer and convey such Common Area and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Area was required to be devoted by the Declaration, such transfer and conveyance to be made subject to the rights of Owners and the other matters set forth in the immediately preceding paragraph of this Section. If there is no nonprofit corporation, association, trust or other entity who will accept such transfer and conveyance of the Common Area and assets of the Association, then such Common Area and assets shall be distributed as provided in the plan of termination/dissolution adopted by the Association.

16.5 Interpretation.

In all cases, the provisions set forth or provided for in this Declaration will be construed together and given that interpretation or construction which, in the opinion of the Declarant, or Approved Builder, or the Board of Directors will best affect the intent of the general plan of development. The provisions hereof will be liberally interpreted and, if necessary, they will be so extended or enlarged by implication as to make them fully effective. The provisions of this Declaration will be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive. The effective date of this Declaration will be the date of its filing Of Record. The captions of each Article and Section hereof as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer. This Declaration will be construed under and in accordance with the laws of the State of North Carolina. Unless the context otherwise requires, the use herein of the singular shall include the plural and vice versa; the use of one gender shall include all genders; and the use of the word "including" means "including, without limitation".

16.6 Subdivision of Units.

No Unit within the Property may be subdivided by sale or otherwise so as to reduce the Unit's total Unit area shown on the recorded plat, except by or with the consent of the Declarant and, if required, by the appropriate governmental authority; provided, however, that Approved Builder may unilaterally reconfigure or subdivide its Units of any other Property it owns without need for consent of Declarant.

16.7 Rules and Regulations: Adoption and Publication.

The Board of Directors shall have the authority to adopt, amend, modify and expand rules and regulations governing the use of the Common Areas, or any portions thereof, and shall furnish a written copy of said rules and regulations to the Owners of each Unit at least thirty (30) days before such rules and regulations become effective; provided, however, that no rules or regulations may be so adopted without the written consent of Approved Builder if the adoption and enforcement of the same would adversely affect Approved Builder or the Property owned by Approved Builder.

16.8 Enforcement.

Subject to the provisions of Section 16.8(a) hereof, and in any event subject to any limitations and requirements contained in the Act, upon the violation of this Declaration, the Bylaws, or any rules and Regulations duly adopted hereunder, including, without limitation, the failure to timely pay any Assessments, the Board will have the power (A) to impose reasonable monetary fines which will constitute an equitable charge and a continuing lien as a Specific Assessment, (B) to suspend an Owner-Member's right to vote in the Association, (C) to suspend an Owner's right, or the right of any occupant of

Owner's Unit, to use any of the Limited Common Areas, or (D), in the case of a default in payment of any Assessment due, to suspend an Owner's or applicable occupant's cable TV service if such is provided by the Association or by a service provider under contract with the Association and for which payment thereunder is a Common Expense of the Association. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property over the roadways and streets that may be maintained by the Association in the manner of Limited Common Areas until dedicated to governmental authority will not be terminated hereunder. An Owner or applicable occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.

(a) Procedure.

Except with respect to the failure to pay Assessments, including late charges and interest, the Board will not suspend voting rights, or infringe upon or suspend any other rights of an Owner or other occupant for violations of the Declaration, By-Laws, or any rules and Regulations of the Association, or impose a fine in excess of \$100 per occurrence of the event or condition giving rise to the imposition of a fine for each day more than five (5) days after a decision is rendered following the hearing provided in Section 16.8(a)(iii), unless and until the following procedure is followed:

(i) Demand to Cease and Desist.

Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

(A) The alleged violation;

(B) The action required to abate the violation; and

(C) A time period of not less than five (5) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the By-Laws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(ii) Notice of Hearing.

Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice, in accordance with Section 16.19 of this Declaration, of a hearing to be held by the Board in executive session. The notice will contain:

(A) The nature of the alleged violation;

(B) The action required to abate the violation; and;

(C) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the

By-Laws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(iii) Hearing.

The hearing will be held in executive session by an adjudicatory panel appointed by the Board, or if no adjudicatory panel is appointed by the Board, the hearing will be before the Board itself sitting as the adjudicatory panel. The party charged will be afforded an opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if the officer, director, or other individual who delivered such notice enters a copy of the notice together with a statement of the date and matter of delivery. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any. The decision shall be final.

(b) Self Help.

The Association may exercise self-help to cure violations (specifically including, but not limited to, the towing, booting or immobilization of Owner and Tenant vehicles that are in violation of parking rules pertaining to the Units, the Common Areas and any private sidewalks, roads and rights-of-way within the Common Areas, and sidewalks, roads and rights-of-way prior to their turnover to and acceptance by a public authority for ownership and maintenance) and may suspend the right of an Owner to use any Common Areas (except legal access to the Owner's Unit) within the Property if the Owner is more than thirty (30) days delinquent in paying any Assessment or other charge due to the Association.

(i) Easement in Support of Self Help.

The Association shall at all times have the right and easement to go upon any Unit for the purposes of exercising its rights hereunder, including, but not limited to, enforcement of the Architectural Guidelines applicable to the Property. Any entry onto any Unit for purposes of exercising this power of self-help shall not be deemed as trespass. All remedies set forth in this Declaration and the Bylaws shall be cumulative of any remedies available at law or in equity.

(c) Association's Discretion.

The Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement actions, or in any case in which the Board reasonably determines that it is not in the best interest of the Association to pursue its remedies at law or in equity. Any such determination shall not be construed as a waiver of the right to enforce such provisions under other circumstances or to estop the Association from enforcing any other covenant, restriction or rule.

16.9 Creation of New Board.

Upon the expiration of the Declarant Control Period, control of the Board will pass to the Owners as provided in the Bylaws. Following election of a new Board of Directors, the Declarant will deliver all property, books, accounts, records and accounts or funds, which the Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period and which the Declarant has in its possession or control.

16.10 CPI-U.

Whenever a specific dollar amount is recited in this Declaration or the other Governing Documents, unless limited by law or by the specific text hereof or unless held to be unconscionable, such amounts shall be increased from time to time by application of a nationally recognized consumer price index using the date of recordation of the Declaration as the base month and year. The index used shall be that published by the United States Department of Labor, Bureau of Labor Statistics, designated as "Consumer Price Index, all urban consumers, United States, 1982-84 = 100, all items". If the Bureau of Labor Statistics shall change the method for determining the consumer price index or in the event the Bureau of Labor Statistics shall cease to publish said statistical information and it is not available from any other source, public or private, then the Board shall choose a reasonable alternative to compute such increases.

16.11 Attorneys' Fees; Enforcement Costs.

Except as otherwise provided in the Declaration, if any legal action or other proceeding is brought for the enforcement of the Governing Documents, including without limitation, because of any Assessments, fines, or any alleged dispute, breach, default or misrepresentation in connection with any provisions of the Governing Documents, the successful or prevailing party shall be entitled to recover reasonable attorney's fees, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, costs and expenses incident to appeals), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

16.12 No Implied Liabilities or Duties; Declarant Liability.

ANY RESERVATION OR RIGHT OF THE DECLARANT OR APPROVED BUILDER WHICH IS STATED IN OR IMPLIED FROM THIS DECLARATION WILL NOT GIVE RISE TO ANY AFFIRMATIVE OBLIGATION OR DUTY ON THE PART OF THE DECLARANT OR APPROVED BUILDER UNLESS EXPRESSLY STATED IN THIS DECLARATION. IN RECOGNITION THAT DECLARANT RIGHTS MAY BE SPLIT/SHARED FROM TIME TO TIME, BY ACCEPTANCE OF A DEED FOR ANY UNIT THE OWNER ACKNOWLEDGES AND AGREES THAT ANY DECLARANT LIABILITY, IF ANY, WOULD RUN IF AT ALL ONLY WITH THE PARTY HAVING THE ABILITY TO THEN EXERCISE THE DECLARANT RIGHT NECESSARY TO UNDERTAKE AND SATISFY THE APPLICABLE DECLARANT OBLIGATION.

16.13 Rights of Third Parties.

This Declaration will be filed Of Record for the benefit of the Declarant, the Owners, and their mortgagees as herein provided, and by such recording, no adjoining property owner or third party will have any right, title or interest whatsoever in the Property, except as expressly provided herein, or in the operation or continuation thereof or in the enforcement of any of the provisions hereof. Subject to the rights of the Declarant and mortgagees as herein provided, the Owners will have the right to extend, modify, amend, or otherwise change the provisions of this Declaration without the consent, permission, or approval of any adjoining owner or third party.

16.14 Notice of Sale, Lease, or Mortgage.

In the event an Owner (other than Approved Builder) sells, leases, or otherwise disposes of any Unit, the Owner must promptly furnish to the Association in writing the name and address of such purchaser, lessee, Tenant or transferee prior to such sale, lease or transfer.

16.15 No Trespass.

Whenever the Association, the Declarant, Affiliate of Declarant, Builder or ARC is permitted by this Declaration to enter upon, correct, repair, clean, maintain, preserve, or do any other action within any portion of the Property, the entering thereon and the taking of such action will not deem to be trespass.

16.16 Notices and Disclaimers as to Water Bodies.

NEITHER DECLARANT, APPROVED BUILDER, THE ASSOCIATION, NOR ANY OF THEIR OFFICERS, DIRECTORS, COMMITTEE MEMBERS, EMPLOYEES, MANAGEMENT AGENTS, CONTRACTORS OR SUB-CONTRACTORS (COLLECTIVELY, THE "LISTED PARTIES") SHALL BE LIABLE OR RESPONSIBLE FOR MAINTAINING OR ASSURING THE WATER QUALITY OR LEVEL IN ANY STORMWATER MANAGEMENT SYSTEMS, PONDS OR WATER BODIES WITHIN COASTAL CLUB OF THE CAROLINAS, EXCEPT AS SUCH RESPONSIBILITY MAY BE SPECIFICALLY IMPOSED BY OR CONTRACTED FOR WITH AN APPLICABLE GOVERNMENTAL OR QUASI-GOVERNMENTAL AGENCY OR AUTHORITY. ALL PERSONS ARE HEREBY NOTIFIED THAT FROM TIME TO TIME WILDLIFE MAY INHABIT OR ENTER INTO STORMWATER MANAGEMENT SYSTEMS, PONDS AND WATER BODIES WITHIN COASTAL CLUB OF THE CAROLINAS AND MAY POSE A THREAT TO PERSONS, PETS AND PROPERTY, BUT THAT THE LISTED PARTIES ARE UNDER NO DUTY TO PROTECT AGAINST, AND DO NOT IN ANY MANNER WARRANT AGAINST, ANY DEATH, INJURY OR DAMAGE CAUSED BY SUCH WILDLIFE.

16.17 COVENANTS RUNNING WITH THE LAND.

IT IS THE INTENTION OF ALL PARTIES AFFECTED HEREBY (AND THEIR RESPECTIVE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS) THAT THE COVENANTS IN THE GOVERNING DOCUMENTS SHALL RUN WITH THE LAND AND WITH TITLE TO THE PROPERTY. IF ANY PROVISION OR APPLICATION OF THE COVENANTS IN THE GOVERNING DOCUMENTS WOULD PREVENT THE COVENANTS FROM RUNNING WITH THE LAND AS AFORESAID, SUCH PROVISION OR APPLICATION SHALL BE JUDICIALLY MODIFIED, IF AT ALL POSSIBLE, TO COME AS CLOSE AS POSSIBLE TO THE INTENT OF SUCH PROVISION OR APPLICATION AND THEN BE ENFORCED IN A MANNER WHICH WILL ALLOW THE COVENANTS IN THE GOVERNING DOCUMENTS TO SO RUN WITH THE LAND; BUT IF SUCH PROVISION OR APPLICATION CANNOT BE SO MODIFIED, SUCH PROVISION OR APPLICATION SHALL BE UNENFORCEABLE AND CONSIDERED NULL AND VOID IN ORDER THAT THE PARAMOUNT GOAL OF THE PARTIES AFFECTED HEREBY (THAT THE OTHER COVENANTS IN THE GOVERNING DOCUMENTS RUN WITH THE LAND) BE ACHIEVED.

16.18 CONSTRUCTION AND OTHER ACTIVITIES.

ALL OWNERS AND THEIR FAMILY MEMBERS, TENANTS AND OCCUPANTS ARE HEREBY PLACED ON NOTICE THAT DECLARANT OR ITS AGENTS, CONTRACTORS, SUBCONTRACTORS, LICENSEES AND OTHER DESIGNEES MAY BE FROM TIME TO TIME, CONDUCTING EXCAVATION, CONSTRUCTION AND OTHER ACTIVITIES WITHIN OR IN PROXIMITY TO COASTAL CLUB OF THE CAROLINAS. BY THE ACCEPTANCE OF THEIR DEED OR OTHER CONVEYANCE OR MORTGAGE, LEASEHOLD, LICENSE OR OTHER INTEREST, AND BY USING ANY PORTION OF COASTAL CLUB OF THE CAROLINAS, EACH SUCH OWNER AND THEIR FAMILY MEMBERS, TENANTS AND OCCUPANTS

AUTOMATICALLY ACKNOWLEDGE, STIPULATE AND AGREE (1) THAT NONE OF THE AFORESAID ACTIVITIES SHALL BE DEEMED NUISANCES OR NOXIOUS OR OFFENSIVE ACTIVITIES, HEREUNDER OR AT LAW GENERALLY, (2) NOT TO ENTER UPON, OR ALLOW THEIR CHILDREN OR OTHER PERSONS UNDER THEIR CONTROL OR DIRECTION TO ENTER UPON (REGARDLESS OF WHETHER SUCH ENTRY IS A TRESPASS OR OTHERWISE) ANY PROPERTY WITHIN OR IN PROXIMITY TO COASTAL CLUB OF THE CAROLINAS WHERE SUCH ACTIVITY IS BEING CONDUCTED (EVEN IF NOT BEING ACTIVELY CONDUCTED AT THE TIME OF ENTRY, SUCH AS AT NIGHT OR OTHERWISE DURING NON-WORKING HOURS), (3) THAT DECLARANT AND THE OTHER AFORESAID PARTIES WILL NOT BE LIABLE BUT, RATHER, SHALL BE HELD HARMLESS, FOR ANY AND ALL LOSSES, DAMAGES (COMPENSATORY, CONSEQUENTIAL, PUNITIVE OR OTHERWISE), INJURIES OR DEATHS ARISING FROM OR RELATING TO THE AFORESAID ACTIVITIES, (4) THAT ANY PURCHASE OR USE OF ANY PORTION OF COASTAL CLUB OF THE CAROLINAS HAS BEEN AND WILL BE MADE WITH FULL KNOWLEDGE OF THE FOREGOING, AND (5) THAT THIS ACKNOWLEDGMENT AND AGREEMENT IS A MATERIAL INDUCEMENT TO DECLARANT TO SELL, CONVEY, LEASE OR ALLOW THE USE OF THE APPLICABLE PORTION OF COASTAL CLUB OF THE CAROLINAS.

16.19 Notices.

Notices required hereunder will be in writing and will be delivered by hand or sent by United States Mail, postage prepaid or delivered by a nationally recognized delivery service. All notices to Owners will be delivered or sent to such addresses as have been designated in writing to the Association, or if no address has been so designated, at the address of such Owner's respective Unit. All notices to the Association will be delivered or sent to the Association in care of the Declarant at the Declarant's main office, 448 Viking Drive, Suite 220, Virginia Beach, VA 23452, Attention: Coastal Club NC SC, LLC, or to such other address as the Association may from time to time notify the Owners. All notices to the Declarant will be delivered or sent to the Declarant's main office, 448 Viking Drive, Suite 220, Virginia Beach, VA 23452, Attention: Coastal Club NC SC, LLC, or to such other address as the Declarant may from time to time notify the Association. Notices to Eligible Mortgagees will be delivered or sent to such Eligible Mortgagees as provided in Section 6.2. Notices to any other person or persons entitled to same hereunder will be delivered or sent to such address or addresses as such person or persons specify, from time to time, in writing to the sender, or, in the absence thereof, to such address or addresses as will, in the exercise of reasonable judgment by the sender, reasonably expected to be received by such person or persons.

[Signatures and Exhibits to Follow]



IN WITNESS WHEREOF, the undersigned Declarant has hereby caused this instrument to be signed, sealed, and delivered as of day and year first above written.

Consenting Owner:

COASTAL CLUB PROPERTY OWNERS ASSOCIATION, INC., a North Carolina nonprofit corporation

By: Brittney Willis (SEAL)

Name: Brittney Willis

Title: President

Date Executed: 5/17/2024

COMMONWEALTH OF VIRGINIA)
CITY OF VIRGINIA BEACH)

I, Cynthia G. Shank, a Notary Public for Virginia, do hereby certify that Brittney Willis, the President of COASTAL CLUB PROPERTY OWNERS ASSOCIATION, INC., a North Carolina nonprofit corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 17 day of May, 2024

Cynthia G. Shank (SEAL)
Cynthia G. Shank
Print Name of Notary

Cynthia G. Shank
Notary Public
REG. # 213972
Commonwealth of Virginia
MY COMMISSION EXPIRES OCTOBER 31, 2024

Notary Public for Virginia

My commission expires: 10/31/2024



EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

ALL AND SINGULAR, those certain pieces, parcels or tracts of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being more particularly shown and depicted as **LOT 46R** and **Wagon Wheel Trail (variable Width Private R/W)** on that certain plat entitled "*Subdivision of The Estate Lots of Coastal Club of the Carolinas, Section 1 for Crossroads Lake Front Development, Inc. from Remainder Parcel 1, Map Cabinet 118, Page 76, Parcel ID: 22500129 - Parcel PIN: 101615533434, Shallotte Township, Brunswick County, North Carolina*" prepared by ESP Associates, Inc., dated October 11, 2022, and recorded November 2, 2022, in Map Cabinet 141 at Page 77, in the Office of the Register of Deeds for Brunswick County, North Carolina.

AND

ALL AND SINGULAR, those certain pieces, parcels or tracts of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being more particularly shown and depicted as **LOTS 56, 63, 64, 65, 66, 67, 68, 69 and 70, and Dune Myrtle Drive (50' Private R/W), Beachside Circle (60' Private R/W), Anemone Court (50' Private R/W) and Mountain Mint Circle (50' Private R/W), Common Area 1 2,170 Sq Ft 0.05 Acres, Common Area 2 5,244 Sq. Ft. 0.12 Acres, and Common Area 3 48,998 Sq Ft 1.12 Acres** on that certain plat entitled "*Subdivision/Combination Map of Coastal Club of the Carolinas, Phase One, Model Home Lots 53-87*" prepared by ESP Associates, Inc., dated January 5, 2024, last revised March 15, 2024 and recorded March 15, 2024, in Map Cabinet 154 at Pages 49 and 50, in the Office of the Register of Deeds for Brunswick County, North Carolina.

EXHIBIT "A-1"**LEGAL DESCRIPTION OF the ADDITIONAL PROPERTY****SOUTH CAROLINA NON-GOLF COURSE PROPERTY**

All those certain pieces, parcels or tracts of land situate, lying and being in Little River Township, Horry County, South Carolina, being 126.59 acres more or less, and designated as "REMAINDER PARCEL 1" (containing 72.22 acres, 3,145,978 sq. ft.), "REMAINDER PARCEL 1-A" (containing 11.24 acres, 489,665 sq. ft.), "REMAINDER PARCEL 1-B" (containing 13.81 acres, 601,635 sq. ft.), "REMAINDER PARCEL 1-C" (containing 27.59 acres, 1,201,634 sq. ft.), and "PARCEL 2" (containing 1.73 acres, 75,348 sq. ft.), all as shown and delineated on a plat entitled "SUBDIVISION SURVEY OF FARMSTEAD GOLF LINKS," prepared for Olde Georgetowne Land Investors, LLC and Chicago Title Insurance Corporation by ESP Associates, Inc., dated June 21, 2019, and recorded June 25, 2019 in Plat Book 287, at Page 127, in the Office of the Register of Deeds for Horry County, South Carolina, reference to which is hereby made for a more particular description.

Derivation: The above property being the same property conveyed to Crossroads Lake Front Development, Inc. by Limited Warranty Deed of Olde Georgetowne Land Investors, LLC dated February 18, 2022, and recorded February 18, 2022, in Deed Book 4518 at Page 766, as corrected by that certain Corrective Limited Warranty Deed (Deed Book 4518 at Page 766) dated November 7, 2023, and recorded February 6, 2024, in Deed Book 4772 at Page 456, in the office of the Register of Deeds for Horry County, South Carolina.

AND

NORTH CAROLINA NON-GOLF COURSE PROPERTY

All that certain piece, parcel or tract of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being 162.80 acres more or less, and designated as "REMAINDER PARCEL 1" as shown and delineated on a plat entitled "SUBDIVISION SURVEY OF FARMSTEAD GOLF LINKS," prepared for Olde Georgetowne Land Investors, LLC and Chicago Title Insurance Corporation by ESP Associates, Inc., dated January 9, 2020, and recorded January 21, 2020, in Map Cabinet 118, at Pages 76-81, in the Office of the Register of Deeds for Brunswick County, North Carolina, reference to which is hereby made for a more particular description.

Derivation: The above property being the same property conveyed to Crossroads Lake Front Development, Inc. by Limited Warranty Deed of Olde Georgetowne Land Investors, LLC dated February 18, 2022, and recorded February 18, 2022, in Book 4800 at Page 825, as corrected by that certain Corrective Limited Warranty Deed (Deed Book 4800 at Page 825) dated November 7, 2023, and recorded February 6, 2024, in Book 5133 at Page 135, in the office of the Register of Deeds for Brunswick County, North Carolina.

LESS AND EXCEPT:

ALL AND SINGULAR, those certain pieces, parcels or tracts of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being more particularly shown and depicted as **LOT 46R and Wagon Wheel Trail (variable Width Private R/W)** on that certain plat entitled "*Subdivision of The Estate Lots of Coastal Club of the Carolinas, Section 1 for Crossroads Lake Front Development, Inc. from Remainder Parcel 1, Map Cabinet 118, Page 76, Parcel ID: 22500129 - Parcel PIN: 101615533434, Shallotte Township, Brunswick County, North Carolina*" prepared by ESP Associates, Inc., dated October 11, 2022, and recorded November 2, 2022, in Map Cabinet 141 at Page 77, in the Office of the Register of Deeds for Brunswick County, North Carolina.

AND



ALL AND SINGULAR, those certain pieces, parcels or tracts of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being more particularly shown and depicted as **LOTS 56, 63, 64, 65, 66, 67, 68, 69 and 70, and Dune Myrtle Drive (50' Private R/W), Beachside Circle (60' Private R/W), Anemone Court (50' Private R/W) and Mountain Mint Circle (50' Private R/W), Common Area 1 2,170 Sq Ft 0.05 Acres, Common Area 2 5,244 Sq. Ft. 0.12 Acres, and Common Area 3 48,998 Sq Ft 1.12 Acres** on that certain plat entitled "*Subdivision/Combination Map of Coastal Club of the Carolinas, Phase One, Model Home Lots 53-87*" prepared by ESP Associates, Inc., dated January 5, 2024, last revised March 15, 2024 and recorded March 15, 2024, in Map Cabinet 154 at Pages 49 and 50, in the Office of the Register of Deeds for Brunswick County, North Carolina.

AND

SC Golf Course Parcel:

All that certain piece, parcel or tract of land situate, lying and being in Little River Township, Horry County, South Carolina, being designated as "**GOLF COURSE, CONTAINING 54.35 ACRES (2,367,511 SQ. FT.)**", as shown and delineated on a plat entitled "**SUBDIVISION SURVEY OF FARMSTEAD GOLF LINKS**," prepared for Olde Georgetowne Land Investors, LLC & Chicago Title Insurance Corporation by ESP Associates, Inc., dated June 21, 2019, and recorded June 25, 2019 in Plat Book 287, at Page 127, in the Office of the Register of Deeds for Horry County, South Carolina, reference to which is hereby made for a more particular description.

Derivation: This being the same property conveyed to Crossroads Lake Front Development, Inc. by deed of Farmstead Development Corporation dated August 26, 2021, and recorded August 26, 2021, in Deed Book 4457 at Page 1696, in the office of the Register of Deeds for Horry County, South Carolina.

AND

NC Golf Course Parcels:

All those certain pieces, parcels or tracts of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being 150.01 acres more or less, and designated as "**PARCEL A,**" "**PARCEL B,**" "**PARCEL C,**" "**PARCEL D,**" "**PARCEL E**" and "**PARCEL F,**" as shown and delineated on a plat entitled "**SUBDIVISION SURVEY AND EASEMENT DEDICATIONS FOR: FARMSTEAD GOLF LINKS**," prepared for Olde Georgetowne Land Investors, LLC and Chicago Title Insurance Corporation by ESP Associates, Inc., dated January 9, 2020, and recorded January 21, 2020, in Map Cabinet 118, at Pages 76-81, in the Office of the Register of Deeds for Brunswick County, North Carolina, reference to which is hereby made for a more particular description.

LESS AND EXCEPT FROM PARCEL E:

All that certain piece, parcel or tract of land situate, lying and being in Shallotte Township, Brunswick County, North Carolina, being 1.675 acres more or less, and designated as "**TRACT A**" as shown and delineated on a plat entitled "**SUBDIVISION MAP FOR FARMSTEAD DEVELOPMENT COMPANY OF TRACT A, CUT FROM PARCEL E, MAP BOOK 117, PAGE 76**" prepared for Farmstead Development Company by ESP Associates, Inc., dated August 4, 2021, and recorded August 25, 2021, in Map Cabinet 131, at Page 20, in the Office of the Register of Deeds for Brunswick County, North Carolina, reference to which is hereby made for a more particular description.

Derivation: This being the same property conveyed to Crossroads Lake Front Development, Inc. by deed of Farmstead Development Corporation dated August 26, 2021, and recorded August 26, 2021, in Book 4691 at Page 291, in the office of the Register of Deeds for Horry County, South Carolina.



EXHIBIT "B"

Supplementary Article 17

ARTICLE 17- TOWNHOMES

In recognition that the Community shall be developed to contain a mix of attached and detached Units, the terms and provisions in this Article 17 shall apply relative to attached (townhome or duplex) Units only and shall apply in addition to all other provisions in this Declaration and in lieu of any inconsistent provisions therein.

17.1 ADDITIONAL DEFINITIONS.

The following additional terms apply:

1. "Townhome" or "Townhome Unit" means an individual Unit (including a duplex Unit) that is attached by Party Wall(s) (as defined in Below) to one or more other Units; for avoidance of doubt, all references to Townhomes shall include duplexes for purposes hereof).
2. "Townhome Building" shall mean each building containing two or more attached Units, including all structural and exterior (including roofs and facades) portions thereof.
3. "Townhome Unit" or "Lot" means any lot portion of any Unit on which a Townhome is constructed.
4. "Townhome Services" means that level of services, items or benefits provided by the Association for the benefit of the Townhomes and Owners thereof pursuant to this Article 17, which are in addition to the level of services otherwise provided by the Association in the Community and which therefor result in payment of additional General or Specific Assessments by Owners of Townhomes.

17.2 TOWNHOME SERVICES.

In furtherance of maintaining the Townhome Buildings, Townhome Lots and Townhome Units as a first class townhome community, the Association shall provide exterior building and Lot maintenance for the Townhome Units, Townhome Units and Townhome Buildings, all to be performed in manner and frequency as determined by the Board of Directors in its discretion as follows: (i) paint, stain, repair, replace and maintain of the exterior surfaces of the Townhome Units and Townhome Buildings (including the repair of siding, but expressly excluding the painting, repair and replacement of entry doors and garage doors and their appurtenant hardware, and excluding the repair of wall sheathing, and further excluding all exterior glass including windows and patio doors, each of which shall be the Owners' responsibility); (ii) repair, replace, and maintain roof shingles (excluding maintenance, repair and replacement of other portions of the roof beneath the shingles); and (iii) repair and replace gutters and downspouts. The Association shall likewise maintain and provide irrigation for all yards, lawn areas and grassy areas, and landscaped features and areas (including but not limited to plants, flowers, trees and bushes if originally installed by Declarant or by the Association,

but excluding additional landscaping installed by an Owner) located on the Townhome Lots and the same within all adjacent Common Areas and without limitation within the street rights of way. The required maintenance shall include grass mowing, removal of weeds and grass clippings, fertilization and aeration, and watering, all to be performed in manner and frequency as determined by the Board of Directors. The yards and landscaping on all improved Townhome Lots shall be neatly and attractively maintained and shall be cultivated and planted to the extent required to maintain an appearance in harmony with other improved Townhome Lots in the Property, all in the discretion of the Board.

17.3 OWNER'S RESPONSIBILITY.

Except as maintained and repaired by the Association in accordance with this Article 17 and otherwise as provided in this Declaration, each Owner shall maintain his Townhome Lot and Townhome Unit in good repair. If any sidewalk is partially or completely located on an Owner's Townhome Lot and third parties have an easement to use such sidewalk, then the Association (and not the Owner) shall be responsible for the maintenance and repair of such sidewalk; provided, however that Owners and not the Association shall maintain and repair and pay to maintain and repair internal walkways leading to Units within the Townhome Lots. In the event a Townhome Lot Owner fails to fulfill his maintenance and repair obligations under this Article, the ARC may undertake required repairs, replacement and maintenance and charge the cost thereof to the Owner as a Specific Assessment. An Owner shall not allow a condition to exist on his Townhome Lot which will adversely affect any other Lots and Units or other Owners. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Townhome Lot and the Owner as Specific Assessments. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation. Entry by the Association or its designee under this Section shall not constitute a trespass.

17.4 INSURANCE.

17.4.1 Mandatory Owner's Casualty Insurance for the Townhome Units. Each Owner (and not the Association) shall be obligated to procure and maintain, at its own expense, "all risks" casualty insurance covering the entire Townhome Unit in an amount equal to the full replacement value of the Townhome Unit (exclusive of the cost of excavation and foundations and a reasonable and customary deductible), including without limitation, the following: the Party Walls, all structural, mechanical, electrical and plumbing components of the Townhome Unit, the exterior and interior walls, floors, roof, windows, doors, drywall; all mechanical, electrical, and plumbing systems and fixtures; all floor, wall, and ceiling coverings, all appliances, water heaters, water filters, built-in cabinets and countertops; all other interior portions of the Townhome Unit; and all alterations, additions and betterments to the Townhome Unit. The Owner shall also be responsible for insuring the personal property located within his or her Townhome Unit.

Such policies shall name as insureds, the Owner and Mortgagees of the Townhome Lot and Unit, as their interest may appear.

Each Owner's casualty policy or certificate of insurance required by the Declaration shall have attached thereto (a) an endorsement that such policy shall not be cancelled nor materially changed without at least thirty (30) days prior written notice to the Association and the holder of any Mortgage encumbering the Townhome Unit, and (b) an endorsement to the effect, that the insurance as to any one insured shall not be invalidated by any act or neglect of any other insured; and (c) an endorsement, if obtainable at reasonable cost, pursuant to which the insurance carrier waives all rights of subrogation against the named insureds.

Duplicate originals of a Owner's casualty insurance policy and of all renewals of such insurance, together with proof of payment of premiums, shall be delivered to the Association within five (5) days after the Owner acquires title to the Townhome Unit and annually not less than ten (10) days prior to the expiration of the then current policies.

No Owner shall do or permit any act or thing to be done in or to the Party Wall which is contrary to law or which invalidates or is in conflict with the Owner's casualty insurance policy.

17.4.2 Owners' Liability for Risks. Each Owner (and not the Association) shall be solely responsible for the following risks: (1) all loss, damage or theft to the Townhome Unit and any other Improvements or furniture, fixtures, or equipment on the Owner's Lot, including, but not limited to, the Townhome Unit as originally constructed and all additions, alterations, betterments or improvements installed by any Owner, or predecessor in interest; (2) all loss, damage or theft to any personal property of the Owner or any Permitted User; (3) liability, including, without limitation, for claims for bodily injury, death or property damage against an Owner occurring within a Lot or Townhome Unit, (4) living or occupancy expenses, loss of use, loss of rents, or business interruption, and (5) any other risks not otherwise insured by the Owner. Each Owner shall be solely responsible for obtaining the insurance policies and paying the premiums for the insurance coverage on his Townhome Unit and Lot. The Association shall not be liable for any such losses or for any Owner's failure to carry insurance against such risks.

17.4.3 Indemnity. Each Owner agrees to indemnify the Declarant, the Association and the other Owners (and any contractors, employees, or licensees of the same) for injury or personal or property damage, when such injury or damage shall result from, arise out of, or be attributable to its failure to perform or comply with its duties and obligations under this Article 17.

17.7.4 Insurance Proceeds. Proceeds of casualty insurance policies for Common Areas received by the Association shall be used to Restore the Common Areas as determined by the Board of Directors.

17.4.5 Benefit of Mortgagees. The Mortgagee provisions in this Section 17.4 are for the benefit of Mortgagees of Townhome Units and may be enforced by such Mortgagee.

17.5 RECONSTRUCTION OR REPAIR AFTER FIRE OR OTHER CASUALTY.

17.5.1 Duty to Restore Damaged Townhome Unit. The terms "Restore," "Restoration," "Restoring" or any similar term used in this Declaration includes any one or more of the following, as the context requires: debris removal, alteration, reconstruction, installation, inspection, examination, repair, replacement, repainting, restoration of an improvement lost or damaged by fire or other casualty, deterioration or obsolescence, or any taking by condemnation or eminent domain proceedings. In the event of damage to or destruction of a Townhome Unit from any cause, the Owner of such Townhome Unit shall promptly proceed to Restore the Townhome Unit on the same location, on the same lines, of the same size, of the same or similar material as nearly as reasonably possible to its value, condition and character which existed immediately prior to such damage or destruction, subject to such changes or alterations as are approved by the Board in conformity with the provisions of the Declaration and modern construction techniques and methods.

Each Owner of a damaged or destroyed Townhome Unit shall be responsible for all Restoration Costs for his Townhome Unit (other than for damage to the Party Wall which shall be shared between the Party Wall Co-Owners) unless the damage or destruction was caused by the negligence or intentional acts or omissions of another Owner, or the Owner's family members, tenants, occupants or invitees (collectively, "Culpable Party"), in which event such Culpable Party shall bear all Restoration Costs. "Restoration Costs" means the cost of repairing, replacing, restoring or reconstructing all loss, damage or destruction affecting a Townhome Unit (including the deductible under the applicable insurance policies) or any part thereof, including without limitation all construction costs, architects' and engineers' fees, inspection and permit fees, and the Association's fees and costs for reviewing the plans for the Restoration.

There shall be no subrogation or contribution between such Owners for the negligence or intentional acts or omissions of a Culpable Party where such damage is fully covered by insurance to the extent of such insurance coverage. To the extent that Restoration Costs are not covered by insurance, the Culpable Party shall bear the uninsured portion of all such Restoration Costs.

17.5.2 Plans for Restoration. The plans and specifications for any Restoration shall be prepared by an architect licensed in the State of North Carolina. All plans and specifications required in connection with any Restoration shall be subject to review and approval by the Board and the Association's independent engineer. Unless the Association shall otherwise agree, plans and specifications for any Restoration shall be consistent with the then existing building plans. The Owner shall retain a responsible contractor, acceptable to the Association, to perform the Restoration. The contractor shall work under the administration of the Association and the Owner responsible for the Restoration.

17.5.3 Application of Insurance Proceeds and Other Funds to Restoration. All insurance proceeds in connection with a casualty loss to a Townhome Unit shall be paid to the Owner and/or any Mortgagee and shall be used to their full

extent to fund Restoration Costs. Upon completion of the Restoration of all damage to a Townhome Unit the amount by which the insurance proceeds exceed the actual Restoration Costs shall be paid to the Owner and Mortgagee, as their interests may appear. No Mortgagee shall have any right to have any insurance proceeds applied to the reduction of its mortgage debt, except for any insurance proceeds remaining after the Restoration of a Townhome Unit is complete and the Restoration Costs have been paid in full.

17.5.4 Self Help. If at any time any Owner (hereinafter in this Section the "Non Performing Owner") shall not be proceeding diligently with any Restoration required of it hereby, then the Association shall give written notice to the Non Performing Owner specifying the respect in which such Restoration is not proceeding diligently. If, upon expiration of thirty (30) days after the giving of notice, the Restoration Work is not proceeding diligently, then the Association shall have the right but not the obligation to perform such Restoration in accordance with the then existing building plans and may take all appropriate steps to carry out the same, including, without limitation, entry onto the Lot of any Owner to the extent necessary to perform the Restoration. All costs associated with the Restoration Work performed by the Association shall be an Individual Assessment secured by a lien against the Lot of the Non Performing Owner. The Association may authorize a delay up to ninety (90) days in commencement of the Restoration Work for any Owner who is diligently negotiating in good faith the settlement of any insurance claim, which is required to fund Restoration of a casualty loss insured by the policy in question. The Association's right to perform the Restoration Work is not the Association's sole remedy; the Association shall be entitled to pursue all other remedies at law or in equity in the event the an Owner fails to diligently proceed with and complete the Restoration Work.

17.5.5 Indemnity. Each Owner agrees to indemnify the Declarant, the Association, other Owners and the other Party Wall Co-Owner for injury or personal or property damage, when such injury or damage shall result from, arise out of, or be attributable to its failure to perform or comply with its duties and obligations under this Section 17.5 of the Declaration.

17.5.6 Inspection of Restoration Work. Inspection of the Restoration work and correction of any defects therein shall proceed as follows:

(a) Upon the completion of any Restoration work for which approved plans are required under this Section 17.5, the Owner shall give written notice of completion to the Board.

(b) Within sixty (60) days thereafter, the Board or its duly authorized representative may inspect such Improvement. If the Board finds that such Restoration work was not affected in substantial compliance with the approved plans. it shall notify the Owner in writing of such non-complying work within such sixty (60) day period, specifying the particulars of non-complying work, and shall require the Owner to remedy them.

(c) If the Owner fails to correct such non-complying work within thirty (30) days from the date of notice, the Board shall notify the Owner in writing of such failure. The Board shall then determine whether there is non-complying work and, if so, the nature thereof and the estimated cost of correcting or removing the same. If non-complying work exists, the Owner shall correct or remove the same within a period of not more than forty-five (45) days from the date of the Board's determination. If the Owner does not comply with the Board's determination within such period, the Board, at its option, may either remove or correct the non-complying work. The Owner shall reimburse the Association upon demand for all expenses incurred in connection therewith, plus an administrative charge to be determined by the Association (to cover the Association's administrative expenses in connection with the foregoing and to discourage the Owner from failing to comply). If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy Individual Assessments against the Owner and his Lot for reimbursement.

(d) If for any reason the Board fails to notify the Owner of any non-complying work within sixty (60) days after receipt of written notice of completion from the Owner the Improvement shall be deemed to have been made in accordance with the approved plans.

17.5.7 Interest. Any amounts due and unpaid under this Section 17.8 shall bear interest at the lesser of the maximum lawful rate or eighteen percent (18%) per annum from the date due until paid in full.

17.5.8 Dispute Resolution. In the event of a dispute concerning a Party Wall, Restoration insurance or the other provisions of this Section 17.5, such dispute shall be resolved pursuant to the provisions of Article 15 of the Declaration.

17.6 PARTY WALLS.

17.6.1 Repair and Maintenance Obligations. Wherever one Townhome Unit is separated from another Townhome Unit by a common, shared or party wall ("Party Wall"), the obligations of each Owner with respect to its Party Walls shall be governed by this Section 17.6. Each Party Wall shall be the joint obligation of each of the Owners of the adjoining Townhome Units ("Party Wall Co-Owners"). Each Party Wall Co-Owner shall be responsible for the maintenance, and Restoration of the surface portion of the Party Wall which is contained within its Townhome Unit. Any maintenance and Restoration, including repairs to the paint, plaster, drywall or gypsum wall board, on the surface portion of the Party Wall which is contained within a Townhome Unit shall be the obligation of that Owner. Each Party Wall Co-Owner shall have the right to use the side of the Party Wall within the Owner's, Townhome Unit in any lawful manner, including attaching structural or finishing materials to it; however, an Owner shall not create windows, doors or other apertures or place heating or air conditioning equipment in the Party Wall without the prior written consent of the other Party Wall Co-Owner. Any consent given to a Party Wall Co-Owner to create openings in the Party Wall shall be subject to the right of the other Party Wall Co-

Owner to revoke its consent on sixty (60) days prior written notice and to close such openings and/or remove such heating or air conditioning equipment. The Party Wall Co-Owners shall be jointly responsible for the structure of the Party Wall (*i.e.*, maintenance, repair and replacement of framing, gypsum, insulation, and all other structural and non-structural elements of the Party Wall).

17.6.2 Easement Each Party Wall Co-Owner hereby grants to the other Party Wall Co-Owner, its successors and assigns, a perpetual non-exclusive easement and right of entry over and across its respective , Townhome Unit for the purposes of performing maintenance and Restoration to the Party Wall, provided that any such easement is exercised after prior notice and during reasonable hours.

17.6.3 Notice of Party Wall Damage. A Party Wall Co-Owner shall perform Restoration of its Party Wall whenever a condition exists which may result in damage or injury to person or property if the Restoration work is not undertaken. Upon discovering the possibility of damage or destruction, a Party Wall Co-Owner shall notify the other Party Wall Co- Owner and the Association in writing of the nature of the damage, the work required to remedy the situation, and the estimated cost of the Restoration work (the "Party Wall Repair Notice"). The other Party Wall Co-Owner shall then have twenty (20) days from the receipt of the Party Wall Repair Notice either to object to the Restoration work or to pay the Party Wall Co-Owner's share of the cost of the Restoration work. However, in the event of an emergency (*i.e.*, a condition that is immediately threatening to the safety of persons or property), the Party Wall Repair Notice shall specify that an emergency exists and the other Party Wall Co-Owner shall then have five (5) days from receipt of the Party Wall Repair Notice to either object to the Restoration work or to pay its share of the cost of the Restoration work.

All maintenance and Restoration of a Party Wall shall be performed in strict conformity with the specifications for the original Underwriters Laboratory ("UL") certifications or standards for assemblage of the demising walls, as modified from time to time by the applicable local building code and UL certifications or standards and Insurance Services Office requirements.

17.6.4 Interest. Any amounts due and unpaid under this Section 17.6 shall bear interest at the lesser of the maximum lawful rate of eighteen percent (18%) per annum from the date due until paid in full.

17.6.5 Self Help. If at any time any Owner (hereinafter in this Section, the "Non Performing Party Wall Co-Owner") shall not be proceeding diligently with any Restoration required of it under this Declaration, then the other Party Wall Co-Owners shall give written notice to the Association specifying the respect in which such Restoration work is not proceeding diligently. If, upon expiration of thirty (30) days after the giving of notice, the Restoration work is not proceeding diligently then the Association or other Party Wall Co-Owner has the right but not the obligation to perform such Restoration in accordance with the then existing building plans and may take all appropriate steps to carry out the same, including, without limitation, entry onto the Lot of any Owner to the extent necessary to perform the Restoration work. The Association shall be entitled to impose an Individual

Assessment secured by a lien against the Lot of the Non-Performing Party Wall Co-Owner responsible for the cost of such Restoration.

17.6.6 Indemnity. Each Owner agrees to indemnify the Declarant, the Association, and the other Party Wall Co-Owner for injury or personal or property damage, when such injury or damage shall result from, arise out of, or be attributable to its failure to perform or comply with its duties and obligations under this Section 17.6 of the Declaration.

17.6.7 Transfer of Title. In any transfer of title to a Townhome Unit, the Owner of such Townhome Unit ("Grantor") and the purchaser ("Grantee") of such Townhome Unit shall be jointly and severally liable for all unpaid amounts pertaining to the Party Walls accrued up to the date of the conveyance without prejudice to the rights of the Grantee against the Grantor, but the Grantee shall be exclusively liable for those accruing after the conveyance. The lien rights of any Owner against another Townhome Unit for amounts due under this Section 17.6 shall be subordinate to the lien of any First Mortgage and Assessment by the Association. If the holder of a First Mortgage or other purchaser acquires title as a result of a foreclosure or deed in lieu of foreclosure of the First Mortgage, the purchaser and any successors and assigns shall not be liable for the amounts which became due prior to the acquisition of title in the foreclosure action. Any unpaid amounts which cannot be collected as a lien against any Townhome Unit and Lot by reason of the provisions of this Section 17.6.7 shall be divided between Party Wall Co-Owners, payable by and a lien against both Lot sharing the Party Wall, including the Lot as to which the foreclosure (or conveyance in lieu of foreclosure) took place."

17.6.8 Dispute Resolution. In the event of a dispute concerning a Party Wall, Restoration insurance or the other provisions of this Section 17.6, such dispute shall be resolved pursuant to the provisions of Article 15 of the Declaration.

17.7 LANDSCAPING; FENCING.

For avoidance of doubt, no landscaping improvements shall be installed or removed on Townhome Lots by the Owners thereof except with the written approval of the ARC and no landscaping improvements that are not comprised of native vegetation shall be allowed whatsoever. This Section 17.7 shall not apply to landscaping installation or removal by Declarant, Builder or by the Association. No fence (except as installed by Declarant, Builder or the Association) shall be allowed on any Townhome Lot except with the approval of the ARC.

EXHIBIT "C"**Bulk Services**

All of the following are part of this Declaration and shall apply in addition to all other terms and provisions herein:

Section 1. Bulk Service Arrangement; Bulk Services Fees as Common Expenses. Declarant, or the Board, acting for and binding the Association (and only with approval of Declarant during the Development Period), as the case may be, has entered into, or is hereby authorized to unilaterally enter into/assign/assume, one or more agreements with one or more service provider companies, including but not only with any affiliate(s) of Declarant, for the installation of communications, internet and video, lines, equipment, wires, conduits, cables, modems, routers, and all other related improvements, facilities and systems (all together, the "Facilities") and for the provision of communications and internet services (the "Services") in the Community. The Facilities and Services may include or facilitate among other things internet, video, and telephone services, as well as other communications technologies now existing or later developed.

The Services may be delivered by one or more communications providers (each a "Provider") to Owners on a bulk basis, whereby the Services are delivered to the Units in the Community (the "Bulk Services") and the Provider bills the Association for the provision of Services each month for the Bulk Services delivered to all Dwellings in the Community, and the Association assesses a monthly Bulk Services fee to all individual Owners; such fees shall be part of and payable and enforceable as assessments for Common Expenses. The terms of any Bulk Services arrangement shall be set forth in a Bulk Services Agreement executed between Declarant and the Association.

To the extent any Bulk Services are delivered to the Community, each Owner by acceptance of the deed for its Lot in the Community, acknowledges and agrees that he or she must agree to and execute a Provider's services subscriber agreement terms and acceptable use policy with the Provider in order to receive the Bulk Services, and, except as provided by applicable law, the failure of an Owner to agree to the Provider's services subscriber agreement and acceptable use policy with the Provider will not relieve an Owner from the obligation to pay the Bulk Services fee attributable to said Owner's Dwelling. For any Services not delivered on a bulk basis at the Community, each Owner must individually subscribe with Provider for any Services that the Owner desires for Provider to deliver to Owner's Dwelling.

Furthermore, and in any event, all Owners, by acceptance of the deed for their Lot in the Community, agree to be bound by all such easements, agreements, costs and assessments as are contemplated in this Exhibit "D".

Section 2. Easements. Any/all Facilities may be installed, maintained, repaired, operated, replaced and/or relocated, as/if applicable, by Declarant, the Association or by a Provider, on Lots, on or inside Units and on Common Area, all as the case may be. That being the case, Declarant hereby grants and reserves, and the Board (on behalf of the Association) may likewise grant and reserve, all such blanket easements in favor of Declarant, the Association, and each Provider, over all Lots, Units, and Common Area, as are reasonably required for purposes of installation, maintenance, repairs, operation, replacement, and relocation, of all Facilities and Services (including Bulk Services), including as required to connect Units to said Services (including Bulk Services). Notwithstanding the foregoing, any of Declarant, the Association or any Provider shall make reasonable attempt to advise a Lot owner prior to coming on its Lot or if access into a Unit is required.

Section 3. Pedestal Utilities. Notwithstanding any other terms, restrictions or prohibitions in the Declaration, pedestal utility Facilities as typically used by any Provider providing Bulk Services in the Community, shall be allowed without need for any approvals by the Board or the Architectural Review Committee or otherwise by any Owner or the Association.

Section 4. Existing Agreement. More specifically, and in addition to but without limiting the generality of the other terms and provisions in this Exhibit "C" or in this Declaration, the Association has entered into an Agreement to Obtain Communications Services with Coastal Club Services NC, LLC, dated on or about May 31, 2024, which is intended to be recorded in the Office of the Register of Deeds for Brunswick County prior hereto. Such Agreement, as the same may be modified or amended, is hereinafter referred to as the "Communications Services Agreement". Declarant has also simultaneously granted private easements for the exclusive provision of communications services for the Community. For so long as the Communications Services Agreement remains in effect, the assessments owed by every Homeowner (as defined within the Communications Services Agreement) within the Association will include, without limitation, provision for the payment of the "Basic Services" as defined in the Communications Services Agreement, which payment will be required regardless of whether a Homeowner uses such Basic Services. The Communications Services Agreement requires that every Homeowner sign and deliver to the Association, the Homeowner Agreement in the form attached to the Communications Services Agreement on or before settlement of such Homeowner's purchase of a Lot or Unit or acquisition of record title to a Lot or Unit, whichever first occurs. The Communications Services Agreement contains additional provisions describing the services to be provided and the rights, obligations, and restrictions applicable to Homeowners and their Lots or Units. Notwithstanding anything herein to the contrary, any parties who are exempt by this Declaration, or by assignment of certain Declarant rights under this Declaration, from paying Assessments shall also be exempt from paying in fees or other costs under the Communications Services Agreement or from having to execute a Homeowner Agreement.



EXHIBIT "D"
BYLAWS
OF
COASTAL CLUB OF THE CAROLINAS PROPERTY OWNERS ASSOCIATION, INC.

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COASTAL CLUB OF THE CAROLINAS PROPERTY OWNERS
ASSOCIATION, INC.

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Article 1
Name And Location

1.1 Name and Location.

The name of the corporation is COASTAL CLUB OF THE CAROLINAS PROPERTY OWNERS ASSOCIATION, INC. hereinafter referred to as the "Association." The principal office of the Association shall initially be located at 448 Viking Drive, Suite 220, Virginia Beach, VA 23452, or at such other place as may be designated, from time to time, by the Board of Directors of the Association (the "Board of Directors" or the "Board").

Article 2
Definitions

2.1 Definitions.

For convenience, these Bylaws shall be referred to as the "Bylaws" and the Articles of Incorporation of the Association as the "Articles". The terms used in these Bylaws shall have the same definitions and meanings as those set forth in the Declaration of Covenants, Restrictions and Easements for COASTAL CLUB OF THE CAROLINAS (the "Declaration"), to be recorded in the Office of the Register of Deeds for Brunswick County, North Carolina, unless herein provided to the contrary, or unless the context otherwise requires. The term "Governing Documents" means the Declaration, any Supplemental Declaration, the Articles, Bylaws, and the rules and regulations of the Association and all exhibits to any of the foregoing, all as they may be amended from time to time. References to the "Nonprofit Corporation Act" mean the North Carolina Nonprofit Corporation Act Chapter 55A, North Carolina General Statutes, in effect as of the date these Bylaws are adopted by the Board, and as it may be amended from time to time. References to the "Act" mean the North Carolina Planned Community Act, as set forth in Chapter 47F of the North Carolina General Statutes, as the same may be amended by from to time

2.2 Applicability.

The provisions of these Bylaws are applicable to the Association which operates the common areas of a development known as COASTAL CLUB OF THE CAROLINAS, located in Brunswick County, North Carolina.

Article 3
Meeting Of Members And Voting

3.1 Annual Meeting.

The first meeting of the Members, whether an annual or a special meeting, shall be held on such day and at such time as the Board, by majority vote, shall determine and which meeting shall occur not more than twelve (12) months following the date of closing of the sale of the first Unit in the Property. Subsequent annual meetings of the Members shall be held on a date and time set by the Board, but not more than thirteen (13) months after the date of the previous annual meeting.

3.2 Special Meetings.

Special meetings of the Members shall be promptly scheduled at any time by the Board upon vote of a majority of the Board of Directors or upon written request of the President. A special meeting of the Members shall be called upon written demand delivered to the Secretary by the Members representing

five percent (5%) of the total Voting Interests of the Association, notice of which shall be by written notice to all Members within thirty (30) days of the Secretary's receipt of the demand. For purposes of determining the five percent (5%), the record date shall be thirty (30) days before delivery of the written demand. Upon the failure of the Association to send notice of a special meeting within thirty (30) days following delivery of written demand as aforesaid, any Member signing the demand may set the time and place of the special meeting and give notice thereof to all Members in accordance with the Act and/or the Nonprofit Corporation Act.

3.3 Notice and Place of Meetings.

Unless otherwise provided in the Governing Documents or in the Act and/or the Nonprofit Corporation Act, written notice of each meeting of the Members, annual or special, shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, at least ten (10) days but not more than sixty (60) days before such meeting to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Notice shall be given to a Member by hand delivery, by U.S. mail, or by such other means as shall be permitted under North Carolina law, including, but not limited to (if allowed), overnight courier service, facsimile and e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the Association retains proof of transmission and receipt.

In the case of written demand of Members representing five percent (5%) of the total Voting Interests of the Association, written notice of such meeting shall be given not more than thirty (30) days after written demand is delivered to the Association. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting, and shall provide for voting by proxy. If action is proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal: (a) removing a Director without cause; (b) filling vacancies in the Board of Directors by the Members; or (c) amending the Declaration, Articles or Bylaws (other than amendments by the Declarant). Meetings shall be held within the Property or at a meeting place within the same county, as close to the Property as possible.

Notice of a meeting of Members need not be given to any Member who signs a waiver of notice, in person or by proxy, either before or after the meeting. The waiver must be delivered to the Association for inclusion in the minutes or filing with the corporate records. Attendance of a Member at a meeting, in person or by proxy, shall of itself constitute waiver of notice, except when the Member attends a meeting solely for the purpose of stating his objection, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. Objection by a Member shall be effective only if written objection to the holding of the meeting or to any specific action so taken is filed with the Secretary of the Association.

3.4 Quorum.

Unless otherwise provided herein, in the Declaration, the Articles, or the Act and/or the Nonprofit Corporation Act, the presence of Members representing fifteen (15%) percent of the Voting Interests of all Members, in person or by proxy, shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum of fifteen (15%) percent of the Voting Interests of all Members is present may continue to do business until adjournment, notwithstanding the withdrawal from the meeting of enough Members to leave less than such required quorum, provided that Members representing ten percent (10%) of the total Voting Interests of the Association remain present in person and/or by proxy, and provided further that any action taken shall be approved by a majority of the Members required to constitute such quorum. Unless otherwise provided, any reference hereafter to "votes cast" at a duly called meeting shall be construed to be subject to the quorum requirements established by

this Section 3.4. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed in Section 3.3.

Members may participate in any meeting by conference telephone, video conference, or similar communications equipment, provided all persons participating in the meeting can hear each other simultaneously. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

3.5 Ballots and Representative Voting.

(a) Voting Referendum; Written Ballots.

Any vote of the Members on a matter that would be cast at an annual, regular or special meeting may be taken, without a meeting, by written ballot delivered to every Member by the Association. The ballot shall set forth the matter to be voted upon and provide thereon a place to vote for or against such matter. Approval by written ballot without a meeting shall be effective only when the number of votes cast by ballot equals or exceeds the quorum required to be present had the matter been considered at a meeting, and the number voting for the matter equals or exceeds the number of votes required to approve it had the matter been considered at a meeting at which the requisite quorum is present. Once a written or electronic ballot is received by the Association, it may not be revoked.

A solicitation of votes by ballot shall (i) indicate the record date for Members eligible to vote; (ii) indicate the number of returned ballots voting for or against the matter that is required to satisfy the quorum requirement; (iii) state the required number of votes or percentage voting in favor of the matter required to approve it (except in the case of election of Directors, which shall be by plurality); and (iv) state the date and time by which a Member's completed ballot must be received by the Secretary in order to be counted in the vote to be taken. A Member's signed ballot shall be delivered to the Secretary by hand delivery, by U.S. mail, or by such other means as shall be permitted under North Carolina law, including, but not limited to and if allowed, overnight courier service, facsimile and e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

(b) Proxies.

At all meetings of Members, a Member may vote in person or by proxy. The appointment form of proxy shall be in writing and received by the Secretary before the appointed time of the meeting. Every proxy appointment shall automatically cease upon conveyance by the Member of his Unit, or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote, upon revocation of the appointment of the proxy in accordance with the Act and/or the Nonprofit Corporation Act, or upon the expiration of the proxy. The proxy shall expire eleven (11) months from the date of the proxy unless it specifies a shorter term. Unless the proxy appointment form otherwise states, it shall be deemed to confer the authority to execute consents and waivers and to exercise the right to examine the books and records of the Association. Any proxy appointment form distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon set forth in the notice of the meeting. The appointment shall provide that, where the Member specifies a choice, the vote shall be cast by the proxy in accordance with that choice. The form shall also identify the person or persons acting as the proxy and the length of time it will be valid. In addition, voting by a proxy shall comply with any other applicable requirements of the Act and/or the Nonprofit Corporation Act. The Member's signed proxy appointment form shall be delivered to the Secretary by hand delivery,

by U.S. mail, and by such other means as shall be permitted under North Carolina law, including, but not limited to and if allowed, overnight courier service, facsimile and e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

3.6 Membership and Voting.

(a) Voting.

The Association shall have the classes of Members and the weighted voting as provided in the Declaration. Except as otherwise provided in the Governing Documents or the Act and/or the Nonprofit Corporation Act, any action by the Association which must have the approval of the Members before being undertaken shall require voting approval by a majority of the Voting Interests cast by Members at which the required quorum is present. An abstention shall be counted as a negative vote in calculating the majority.

(b) Class B Veto Rights.

During the Declarant Control Period, the Class B Member shall have a right to disapprove actions of the Board and any committee appointed by the Board. This Section 3.6(b) may not be amended during the Declarant Control Period without the express written consent of the Class B Member.

(c) Majority Vote.

The acts approved by a “majority of the votes,” “majority of Voting Interests” or “a majority of the Members” (as hereinafter defined) shall be binding upon all Members for all purposes, except where otherwise provided by law or the Governing Documents. As used in the Governing Documents, the terms “a majority of the Members” and “majority of the votes” or “majority of Voting Interests” shall mean a majority of the Voting Interests entitled to be cast by the Members present in person or by proxy or by electronic or written ballot and voting at any meeting of the Owners at which a quorum shall have been attained and shall not mean a majority of the Members or Owners themselves, or the number of Units or the total membership. Similarly, if some greater percentage of votes of the Members is required in any Governing Document, it shall mean such greater percentage of the Voting Interests of Members and not of the Members or Owners themselves, the Units, or the total membership.

3.7 Eligibility to Vote.

Except for the voting rights of Units owned by the Class B Member, voting rights attributable to Units shall not vest until the Association has levied Assessments against those Units. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all Assessments levied against the Member’s Unit(s) and not subject to any suspension of voting privileges as a result of disciplinary proceeding conducted in accordance with the Declaration. A Member’s good standing shall be determined as of the record date established in accordance with Section 3.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member’s voting privileges based on the nonpayment of Assessments.

3.8 Acceptance of Votes.

(a) Criteria.

The Association shall apply the following criteria in accepting the vote, consent, waiver, or proxy appointment of a Member:

(a) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a Member, the Association if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Member.

(b) If two or more persons hold the Membership as co-tenants (including without limitation a husband and wife) and the name signed purports to be the name of at least one of the co-tenants and the person signing appears to be acting on behalf of all the co-tenants, the Association if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of all the co-tenants of the Member;

(c) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the record name of a Member, the Association if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Member if:

(i) the Member is an entity and the name signed purports to be that of an officer, director, general partner, manager or agent of the entity;

(ii) the name signed purports to be that of an attorney-in-fact of the Member and, if the Association requests, evidence acceptable to the Association of the signatory's authority to sign for the Member has been presented with respect to the vote, consent, waiver, or proxy appointment;

(iii) If the name signed purports to be that of a trustee, administrator, executor, guardian, or conservator representing the Member and, if the Association requests, evidence of fiduciary status acceptable to the Association has been presented with respect to the vote, consent, waiver, or proxy appointment; the name signed purports to be that of a receiver or trustee in bankruptcy of the Member and, if the Association requests, evidence of this status acceptable to the Association has been presented with respect to the vote, consent, waiver, or proxy appointment.

(d) The Association is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Member.

(e) The Association and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section are not liable in damages to the Member for the consequences of the acceptance or rejection.

Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this Section 3.8 is valid unless a court of competent jurisdiction determines otherwise.

3.9 Record Dates.

(i) Record Dates Established by the Board.

For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any

other lawful action, the Board may fix, in advance, a “record date” and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles, by agreement, or in the Act and/or the Nonprofit Corporation Act. The record dates established by the Board pursuant to this Section shall be as follows:

(A) Record Date for Notice of Meetings.

In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) nor less than twenty (20) days before the date of the meeting;

(B) Record Date for Voting.

In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than thirty (30) days before the date of the meeting;

(C) Record Date for Action by Written Ballot Without Meeting.

In the case of determining Members entitled to cast written ballots, the record date shall be no more than thirty (30) days before the day on which the first written ballot is mailed or solicited; and

(D) Record Date for Other Lawful Action.

In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than thirty (30) days prior to the date of such other action.

(ii) “Record Date” Means as of the Close of Business.

For purposes of Section 3.8(a), a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

(iii) Failure of Board to Fix a Record Date.

If the Board, for any reason, fails to establish a record date, the provisions set forth in the Act and/or the Nonprofit Corporation Act shall apply.

3.10 Action Without Meeting.

Any action that may be taken at any annual or special meeting of Members (except the election of Directors) may be taken without a meeting in accordance with the provisions of the Act and/or the Nonprofit Corporation Act. Any form of written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the written ballot. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice.

3.11 Order of Business.

The order of business at all meetings of the Members shall (unless waived) be as follows: (a) roll call to determine the Members and their Voting Interests represented at the meeting in person or by proxy and whether a quorum is present; (b) proof of notice or waiver of notice, (c) reading of minutes of

preceding meeting; (d) reports on the financial condition and activities of the Association; (e) reports of committees; (f) election of Directors; (g) unfinished business; and (h) new business. Meetings of Members shall be conducted by the officers of the Association, in order for their priority.

3.12 Conduct of Meetings.

Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Except as otherwise provided by law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with the Act and/or the North Carolina Nonprofit Corporation Act. No Member of the Association shall have any right as an Association Member to attend any meeting of the Board, except such meetings of the Board as the Board of Directors shall, in the exercise of its sole discretion, open to the membership or any other person. In any matter relating to the discipline of an Association Member, the Board shall always meet in closed session if requested by that Member, and the Member shall be entitled to attend such closed session.

3.13 Participation by Members.

Subject to the following and such further reasonable restrictions as may be adopted from time to time by the Board, Members shall have the right to speak at the annual and special meetings of the Members. A Member does not have the right to speak with respect to items not specifically designated on the agenda; provided, however, that the Board may permit a Member to speak on such items in its discretion. Every Member who desires to speak at a meeting may do so, provided that the Member has filed a written request with the Secretary of the Association prior to the scheduled time for commencement of the meeting. Unless waived by the chairman of the meeting (which may be done in the chairman's sole and absolute discretion and without being deemed to constitute a waiver as to any other subsequent speakers), all Members speaking at a meeting shall be limited to a maximum of three (3) minutes per speaker. Any Member may tape record or videotape a meeting, subject to the following and such further reasonable restrictions as may be adopted from time to time by the Board:

(i) The only audio and video equipment and devices which Members are authorized to utilize at any such meeting is equipment which does not produce distracting sound, light or heat emissions;

(ii) Audio and video equipment shall be assembled and placed in position in advance of the commencement of the meeting;

(iii) Anyone videotaping or recording a meeting shall not be permitted to move about the meeting room in order to facilitate the recording.

Article 4

Board Of Directors; Selection; Term Of Office

4.1 Number.

A Director must be a natural person who is 18 years of age or older. A Director need not be an Owner. The initial Board of Directors shall consist of three (3) Directors who shall be appointed by the Declarant. The Declarant shall have the sole right to appoint and remove any member or members of the Board of Directors pursuant to the Declaration until the expiration of the Declarant Control Period. After the Declarant Control Period, the affairs of the Association shall be managed by a Board of Directors consisting of either three (3) or five (5) Directors as determined from time to time by a majority of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A reduction in the

size of the Board of Directors shall not shorten an incumbent Director's term. Within ninety (90) days after the expiration of the Declarant Control Period, the Members shall elect the Board Directors. The Association shall give not less than thirty (30) days' and not more than sixty (60) days' notice of, such special meeting of the Members to elect the Board of Directors, or the date on which the Association shall count the written ballots distributed to the Members with such notice for the election of the Board of Directors. Each year thereafter, the Members shall elect such number of Directors as shall exist whose terms are expiring.

(a) Transfer of Control to Association Prior to Expiration of Declarant Control Period.

The Declarant may transfer control of the Association to the Class A Members prior to the expiration of the Declarant Control Period in its sole discretion by causing enough of its appointed Directors to resign, whereupon it shall be the affirmative obligation of Class A Members to elect Directors and assume control of the Association. Provided at least thirty (30) days' notice of Declarant's decision to cause its appointees to resign is given to the Members, neither the Declarant, nor such appointees, shall be liable in any manner in connection with such resignations even if the Class A Members refuse or fail to assume control.

4.2 Term of Office.

The election of Directors shall be by a plurality, the number of nominees equal to the number of vacancies to be filled receiving the greatest number of votes being elected. However, at the meeting of the Association following expiration of the Declarant Control Period held to elect Directors or the date following expiration of the Declarant Control Period when written ballots are to be counted for the election of such Directors pursuant to Section 4.1, (A) the two (2) nominees receiving the highest and second highest number of votes shall each be elected as a Director for a term commencing at the Director's election and extending until the later of two (2) years or until such Director's successor is duly elected; (B) any remaining vacancy(ies) shall be filled the nominee(s) receiving the next highest number of votes, which Director(s) shall each be elected for a term commencing at the Director's election and extending until the later of one (1) year or until such Director's successor is duly elected. At each subsequent election, the term of each Director's service shall commence at the Director's election and extend until the later of two (2) years or until such Director's successor is duly elected and has taken office, or until the Director is removed in the manner elsewhere provided.

4.3 No Term Limits.

Any person serving as a Director may be re-elected, and there shall be no limit on the number of terms during which he or she may serve. Any Director designated by the Declarant shall serve at the pleasure of the Declarant and may be removed and replaced by the Declarant at any time.

4.4 Removal; Vacancies.

A Director appointed by the Declarant may only be removed by the Declarant, otherwise, a Director may be removed from office, with or without cause, at any regular or special meeting of the Members by two-thirds (2/3) of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any removed Director may be elected at the same meeting at which the vacancy is created by the removal of the Director. A Director whose removal is proposed to be voted upon at any meeting shall be given notice of the proposed removal not less than twenty (20) days prior to the date of the meeting and shall be given an opportunity to be heard at the meeting. In the event of death or resignation of a Director, the vacancy shall be filled by majority vote of the Board at a duly held meeting, or by the sole remaining Director. A successor Director shall serve for the unexpired term of his or her predecessor. The Board may call an election at any time to allow the Members to fill any vacancy not filled by the remaining Directors.

4.5 Compensation.

No Director shall receive compensation for any service rendered to the Association. However, any Director may be reimbursed for his actual expenses, if reasonable and documented in writing, that are incurred in the performance of his or her duties, including, but not limited to, travel expenses.

4.6 Indemnification of Directors, Officers, Corporate Agents.

The Association shall indemnify any present or former Director, officer, employee or other agent of the Association to the fullest extent authorized under the Act and/or the Nonprofit Corporation Act, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was not entitled to indemnification under this provision.

4.7 Resignation of Directors.

A Director may resign at any time by delivering written notice to the Board of Directors, its presiding Officer, the President, or the Secretary. A resignation is effective on the date of receipt unless the notice specifies a later date. If the resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Article 5 Nomination And Election Of Directors

5.1 Nomination.

Nomination for election to the Board of Directors may be made upon motion or other procedure adopted therefor by the Board. Notice to the Members of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations to be placed on the ballot may also be solicited by the Board from the membership, and if the election is to take place at a meeting and not solely by written ballot, nominations may also be made from the floor at the meeting. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

5.2 Election.

The first election of the Board shall be conducted as set forth in Section 4.1. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. No cumulative voting shall be permitted. Voting for Directors at a meeting shall be by secret written ballot. Voting for Directors may also be conducted by written ballot pursuant to Section 3.5(a).

Article 6 Meetings Of Directors

6.1 Regular Meetings.

Regular meetings of the Board of Directors shall be held at least annually at such place, date and hour as may be fixed from time to time by resolution of the Board. The Board shall select a location convenient to the Property. Should a regularly scheduled 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, excluding Saturday and Sunday.

6.2 Special Meetings.

Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2) Directors. Notice of the special meeting shall specify the time and place of the meeting and the nature of the special business to be considered.

6.3 Quorum.

A majority of the Directors then in office (but not less than two (2)) shall constitute a quorum for the transaction of business. Every act performed or decisions made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by a majority of the required quorum for that meeting.

6.4 Executive Session.

With approval of a majority of the Directors present at a meeting in which a quorum for the transaction of business has been established, the Board may adjourn a meeting and reconvene in executive session to discuss or vote upon the following matters: existing or potential litigation, mediation, arbitration or administrative proceedings; personnel or employment or related matters; contracts to purchase or provide goods or services and other commercial transactions to purchase or provide goods or services currently being negotiated, including the review of bids or proposals, if premature general knowledge of those matters would place the Association at a disadvantage; to prevent public knowledge of the matter to be discussed if the Board determines that public knowledge would violate the privacy of any person; or business of a similar nature. Any executive session of the Board shall be closed to the Members. The nature of business to be considered in executive session shall first be announced in open session.

6.5 Telephone Meetings.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting. An explanation of the action shall be filed with the minutes of the proceedings of the Board.

6.6 Waiver of Notice.

The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (A) a quorum is present, and (B) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

6.7 Notice of Adjourned Meeting.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

6.8 Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

6.9 Notices Generally.

Notice of any meeting of the Board of Directors, whether regular or special, shall be given to each Director by one (1) of the following methods; (A) by personal delivery; (B) written notice by first class mail, postage prepaid; (C) by telephone communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; or (D) by facsimile transmission to the fax number of the Director or by electronic transmission to the e-mail address of the Director, with proof of transmission and receipt thereof being retained in the minutes of the meeting. All such notices shall be given or sent to the Director's address, telephone number, fax number or e-mail address as shown on the records of the Association. Such notice shall be sent to all Directors not less than five (5) days prior to the scheduled time of the meeting (except in the case of an emergency. Notices given by personal delivery, telephone, facsimile transmission or e-mail shall be delivered, telephoned, faxed or e-mailed, as the case may be, at least five (5) days before the time set for the meeting (except in the case of an emergency). Notice of any meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

6.10 Class B Veto Rights.

Action by the Board of Directors or any committee of the Board is subject to the Class B veto rights set forth in Section 3.6(b) above. This Section 6.10 may not be amended during the Declarant Control Period without the express written consent of the Class B Member.

Article 7

Duties And Powers Of The Board Of Directors

7.1 Duties.

The Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association and may take all acts, through the proper officers of the Association, in exercising such powers, except such acts which by law or the Governing Documents may not be delegated to the Board of Directors by the Members. Such powers and duties of the Board of Directors shall include, without limitation (except as limited elsewhere herein), the following:

- (a) Maintenance. Perform the maintenance described in the Declaration.
- (b) Insurance. Maintain insurance as required by the Declaration.
- (c) Discharge of Liens. Discharge by payment, if necessary, any lien against the Common Areas and assess the cost thereof to the Member or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws).
- (d) Assessments; Fines. Fix, levy, collect and enforce Assessments as set forth in the Declaration and impose fines as provided in the Declaration.

(e) Expenses and Obligations. Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

(f) Records. Cause to be kept minutes of annual and special meetings of Members and to present such minutes to the Members at the next annual meeting of the Members; and to keep adequate and correct books and records of account, minutes of proceedings of its Board and committees, and a roll of its Members giving their names and addresses and classes of membership.

(g) Supervision. Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed.

(h) Review of Financial Records. Review at least quarterly a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget, an income and expense statement for the Association's operating and reserve accounts, an accounts payable aging report and an accounts receivable aging report. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For purposes herein, "reserve accounts" shall mean monies that the Association's Board has identified for use to defray the future repair or replacement of, or additions to, the improvements to the Common Areas, which the Association is obligated to maintain.

(i) Reserve Account Withdrawal Restrictions. Require that at least two (2) signatures are needed for the withdrawal of monies from the Association's reserve accounts, at least one (1) of whom shall be a member of the Board. One (1) signature may be that of the Association's manager or such manager's designee.

(j) Reserve Account Fund Management. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, the improvements to the Common Areas which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established without the approval of a majority of the votes.

(k) Reserve Studies. The Board shall cause an independent analysis of the reserve component of the operating budget to be conducted at such intervals as the Board, in the exercise of reasonable business judgment, concludes is warranted by the quality and quantity of Common Areas, in order to confirm that component replacement costs and useful lives are accurately reflected in the reserve allocation.

7.2 Powers.

The Board shall have the power to:

- (a) Manager. Employ a manager.
- (b) Adopt Rules. Adopt rules in accordance with the Declaration, including rules setting aside Common Area parking spaces as handicapped or disabled parking only, and adopt rules limiting the number of cars that will be permitted to be parked in the Common Area parking spaces.
- (c) Enforcement. Enforce the Governing Documents.
- (d) Contracts. Contract for goods and/or services in accordance with the Declaration.

(e) Delegation. Delegate its authority and powers to committees, officers or employees of the Association or to a manager employed by the Association. The Board may not delegate the authority to procure insurance, make capital expenditures for additions or improvements chargeable against the reserve funds; to conduct hearings concerning compliance by an Owner or his Tenant, lessee, guest or invitee with the Declaration or rules and regulation promulgated by the Board, or to make a decision to levy monetary fines, impose specific assessments against individual Units, temporarily suspend an Owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy Assessments; or to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of Assessments. Any such delegation shall be revocable by the Board at any time. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

(f) Borrowings. Borrow money (i) for the purpose of improving the Property, or any portion thereof, (ii) for constructing, repairing, maintaining or improving any facilities located or to be located within the Property, (iii) for providing services authorized herein, and, (iv) to give as security for the payment of any such loan a mortgage or other security instrument encumbering all or any portion of the Common Areas or other assets of the Association; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interests, options, licenses, easements, and privileges herein reserved or established for the benefit of the Declarant, any Owner, or the holder of any Mortgage, irrespective of when such Mortgage is executed or given.

(g) Other Powers. In addition to any other power contained herein or in the Declaration, the Association may exercise the powers granted to a nonprofit mutual benefit corporation as enumerated in the Act and/or the Nonprofit Corporation Act.

7.3 Prohibited Acts.

The Board shall not take any actions prohibited of it under the Declaration except with the approval of a majority of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present and during the Declarant Control Period, the Declarant.

Article 8 Officers And Their Duties

8.1 Enumeration of Officers.

The officers of this Association shall be a President and Secretary, who shall at all times be members of the Board of Directors, a Vice President, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

8.2 Election of Officers.

The Declarant shall have the sole right to appoint and remove officers during the Declarant Control Period. Thereafter, all officers shall hold office at the pleasure of the Board.

8.3 Term.

The Board shall elect the officers of this Association annually and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

8.4 Special Appointments.

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

8.5 Resignation and Removal.

Any officer may be removed from office, with or without cause, by the Board, but not from the Board, if the officer is also a Board member. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.6 Vacancies.

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

8.7 Duties.

The duties of the officers are as follows

(a) President.

The President shall preside at all meetings of the Board of Directors and Members; shall see that orders and resolutions of the Board are carried out; shall sign on behalf of the Association all leases, mortgages, deeds and other written instruments and all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a North Carolina Nonprofit Corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

(b) Vice President.

The Vice President shall act in the place of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) Secretary.

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with the addresses, and shall perform such other duties as required by the Board. The ministerial functions of the Secretary in recording votes, keeping minutes, sending notices, and keeping the records of names and addresses of Members may be delegated to an Association manager.

(d) Treasurer.

The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign on behalf of the Association all promissory notes of the Association; shall keep proper books of account; and shall prepare and shall distribute budgets and statements. The ministerial functions of the Treasurer in

sending Assessment notices, receiving and depositing Assessments, keeping books and ledgers of account, and preparing and distributing budgets and statements may be delegated to an Association manager.

Article 9
Architectural Review Committee

9.1 Appointment.

An Architectural Review Committee may be appointed as provided in the Declaration. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purpose. No committee, regardless of Board resolution, may: (A) take any final action on matters which, under the Act and/or the Nonprofit Corporation Act also requires Members' approval; (B) fill vacancies on the Board of Directors or in any committee; (C) amend or repeal Bylaws or adopt new Bylaws; (D) amend or repeal any resolution of the Board of Directors; (E) appoint any other committees of the Board of Directors or the members of those committees; or (F) approve any transaction to which the Association is a party and in which one (1) or more Directors or committee members have a material financial interest.

Article 10
Books And Records

10.1 Inspection by Members.

The membership register (including names, mailing addresses, telephone numbers and voting rights), annual budget, books of account and minutes of meetings of the Members, of the Board (including drafts and summaries), and of committees shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe within ten (10) days after written request by the Member to the Association. Board minutes shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the costs in making that distribution.

10.2 Rules for Inspection.

The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made;
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

10.3 Inspection by Directors.

Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents, at the expense of the Association.

10.4 Documents Provided by Board.

Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide an Owner with a copy of the Governing Documents, a copy of the most recent budget and statements of the Association, and a true statement in writing from an authorized representative of the Association as to the amount of the Association's current Assessments and fees, as well as any Assessments levied upon the Owner's interest which, as of the date of the statement, are or may be made a lien upon the Owner's Unit. The Board may impose a fee for providing the foregoing, which may not exceed the reasonable cost to prepare and reproduce the requested documents.

Article 11 Miscellaneous

11.1 Amendments.

Except as may be provided in the Declaration to the contrary, these Bylaws may be amended in the following manner:

11.2 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.

11.3 Adoption.

A resolution for the adoption of a proposed amendment may be proposed either by a majority of the Board or by Members holding not less than one-third (1/3) of the votes of the Association. The proposed amendment must be approved by not less than two-thirds of the votes cast by Members, present in person or by proxy at a duly called meeting of the Members.

11.4 Scrivener's Errors.

Notwithstanding the foregoing, the following amendments may be made by the Declarant during the time the Declarant Control Period and by the Board of Directors thereafter without the necessity of a vote of the Members: amendments to correct any scrivener's errors or to make other nonmaterial changes; to comply with applicable federal, state or local laws; or to bring the Property into compliance with the applicable rules, regulations and requirements of the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), U.S. Department of Housing and Urban Development ("HUD") and U.S. Department of Veterans Affairs ("VA").

(a) By the Declarant.

Notwithstanding anything herein contained to the contrary, during the Declarant Control Period, these Bylaws may be amended by the Declarant alone, without requiring the consent of any other party, to effect any change whatsoever, except an amendment which applicable law requires be approved by a certain percentage of the votes of the Members.

(b) Proviso.

Notwithstanding anything to the contrary in these Bylaws, no amendment to these Bylaws shall be adopted which would eliminate, modify, prejudice, abridge or otherwise adversely affect any rights, benefits, privileges or priorities of the Declarant or Approved Builder without the prior written consent of the Declarant or Approved Builder (as applicable) in each instance. No amendment shall be made that is in conflict with the Articles or Declaration. No amendment to this Section shall be valid.

(c) Execution and Recording.

A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment of these 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 the amendment is recorded in the Office of the Register of Deeds for the County with a reference in the amendment to the Instrument number of the recorded Declaration.

11.5 Conflicts.

In the case of any conflict between the Articles and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

11.6 Fiscal Year.

Unless directed otherwise by the Board, the fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

11.7 Use of New Technology.

Due to the ongoing development of new technologies and corresponding changes in business practices, to the extent permitted by law now or in the future: (1) any notice required to be sent or received; (2) any signature, vote, consent or approval required to be obtained; or (3) any payment required to be made, under the Governing Documents may be accomplished using the most advanced technology available at that time if such use is a generally accepted business practice. This section shall govern the use of technology in implementing the provisions of the Governing Documents dealing with notices, payments, signatures, votes, consents or approvals.

(a) Electronic Means.

To the extent permitted by law, the Association and its Owners and Occupants may perform any obligation or exercise any right by use of any technological means that provides sufficient security, reliability, identification and verifiability. Acceptable technological means shall include, without limitation, electronic communication over the internet, or a community or other network, whether by direct connection, intranet, telecopier or e-mail.

(b) Signature Requirements.

A digital signature meeting the requirements of applicable law shall satisfy any requirement for a signature under the Governing Documents.

(c) Electronic Funds Transfer.

The Owners and Occupants may make payment of all sums to and from the Association by electronic transfer of funds creating a record evidencing the transaction for the period such record would be required to be available in non-electronic form.



(d) Voting Rights.

Voting and approval of any matter under the Governing Documents may be accomplished by electronic means provided that a record is created as evidence thereof and maintained as long as such record would be required to be maintained in non-electronic form.

(e) Non-Technology Alternatives.

If any Owner, Occupant or third party does not have the capability or desire to conduct business using electronic or other technological means, the Association shall make reasonable accommodation, at its expense, for such person to conduct business with the Association without use of such electronic or other means until such means has become generally (if not universally) accepted in similar communities in the area.