

Prepared by: John A. McLendon, Jr., Esq.
Schell Bray Aycock Abel & Livingston P.L.L.C.

NORTH CAROLINA

BRUNSWICK COUNTY

RESTRICTIVE COVENANTS FOR
CLUB VILLAS AT ST. JAMES PLANTATION

THIS DECLARATION OF RESTRICTIVE COVENANTS (the "Restrictive Covenants") is made as of the 30 day of May, 1997, by HOMER E. WRIGHT, JR., INC., a North Carolina corporation ("Wright")

WITNESSETH:

WHEREAS, Wright is the owner of certain property located in Brunswick County, North Carolina, and more particularly described as follows (hereinafter referred to individually as a "Lot" and collectively as the "Lots"):

1. All of that 0.442 acres \pm identified as Phase 1, Club Villas at St. James Plantation, as appears in a plat of survey by McHenry Surveying dated April 7, 1997, and recorded in Map Cabinet 18, Page 301, Brunswick County Registry.
2. All of that 0.331 acres \pm identified as Phase 2, Club Villas at St. James Plantation, as appears in a plat of survey by McHenry Surveying dated April 7, 1997, and recorded in Map Cabinet 18, Page 302, Brunswick County Registry.
3. All of that 0.368 acres \pm identified as Phase 3, Club Villas at St. James Plantation, as appears in a plat of survey by McHenry Surveying dated April 7, 1997, and recorded in Map Cabinet 18, Page 303 Brunswick County Registry.

WHEREAS, Wright intends to convey the Lots to Club Villas at St. James Plantation, LLC, a North Carolina limited liability company, for development as part of Club Villas at St. James Plantation, a Condominium (the "Condominium");

WHEREAS, pursuant to an Amendment to Master Declaration executed by Wright and to be recorded in the Brunswick County Registry, the Lots have been subjected to that Master Declaration of Covenants, Conditions and Restrictions recorded in Book 839, Page 453, Brunswick County Registry, as amended (the "Master Declaration"); and Wright desires to subject the Lots to certain additional covenants, conditions and restrictions for the purpose of protecting the value and desirability of the Lots and other adjacent properties.

NOW, THEREFORE, Wright hereby declares and covenants that the Lots shall be held, sold and conveyed subject to the following restrictions, covenants and conditions, which shall run with the land and be binding upon all parties having any right, title or interest in the Lots or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

1. **LAND USE:** The Lots shall be used for residential condominium purposes only. The operation of any business or commercial enterprise upon any Lot is expressly prohibited; provided, however, that the Lot and any dwelling unit located thereon may be used as a temporary sales office and/or model with the prior written consent of Wright.

2. **RESUBDIVISION AND COMBINATION:** No Lot shall be resubdivided, or its boundary lines changed without the prior written consent of Wright.

3. **NUISANCES:** No noxious, offensive or illegal activities shall be conducted upon any Lot nor shall anything be done that shall be or become an unreasonable annoyance or nuisance to any person whomsoever.

4. **ARCHITECTURAL CONTROL:** As more particularly provided in the Master Declaration, all proposed improvements, alterations and landscaping on any Lot must be reviewed and approved by the Architectural Control Committee of St. James Plantation Property Owners' Association, Inc. (the "Master Association"), prior to commencement of any construction. Once construction of improvements has been commenced, they must be complete and ready for occupancy within twelve (12) months. Weather permitting, all landscaping shall be finished upon completion of the improvements, but in no event later than ninety (90) days after the date the improvements are occupied. Upon written request of the owner and for good cause shown, the Architectural Control Committee may, in its sole and absolute discretion, extend the time for construction. No unit shall be occupied until it has been substantially completed in accordance with the approved plans and specifications as evidenced by a certificate of completion issued by the Architectural Control Committee.

5. **BUILDING SETBACK AND PLACEMENT:** So that the maximum balance of view, privacy and breeze will be available to the dwelling units on the Lots and to ensure that all structures will be located with regard to the topography of each Lot, taking into consideration the location of trees and fauna on each Lot and similar factors, the Architectural Control Committee reserves the right to determine, in its sole discretion, the location of any structure on any Lot.

6. **EASEMENTS:** Declarant hereby reserves easements for the installation and maintenance of utilities and drainage facilities as shown on the plat or plats of the Lots.

7. **TEMPORARY STRUCTURES:** Except during construction when approved by the Architectural Control Committee, no structure of a temporary character shall be erected or allowed to remain on any Lot and no basement, tent, shack, garage, mobile home, barn or other outbuilding erected on any Lot shall be used as a residence either permanently or temporarily. Neither shall any trailer, recreational vehicle, motor home, building materials or non-operative

motor vehicle be stored on any Lot, either permanently or temporarily, prior to completion and occupancy of the dwelling.

8. STREETS, FENCES, WALLS AND SIGNS: No street shall be laid out or opened across or through any Lot, nor shall any fence or wall be erected or allowed to remain on any Lot, without the prior written approval of the Architectural Control Committee. Except as required by law, no billboards, posters or signs of any kind (specifically including "for sale" or "for rent" signs or posters) shall be erected or allowed to remain in any window, on the exterior of any improvement, or elsewhere on any Lot, except (i) a name and address sign, or (ii) a temporary sign reflecting construction of a dwelling on such Lot by a licensed contractor, the design of which must be approved by the Architectural Control Committee.

9. ANIMALS: No animals, livestock or poultry of any kind shall be kept or maintained on any Lot except that dogs, cats or other household pets may be kept or maintained, provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with all laws and ordinances of Brunswick County relating thereto.

10. OUTSIDE ANTENNAS AND SATELLITE DISHES: No outside radio or television antennas, satellite dishes, satellite earth stations or similar devices shall be erected or allowed to remain on any Lot, except as permitted by the Design Guidelines adopted by the Architectural Control Committee, as amended from time to time.

11. BOATS, TRAILERS AND CERTAIN MOTOR VEHICLES:

(a) No boat, bus, trailer, commercial vehicle, camper, recreational vehicle, or truck larger than a half-ton pickup truck shall be parked for longer than twenty-four (24) hours on any Lot; provided, however, such boat or vehicle may be parked in a garage on a Lot if it can be fully covered with the garage door closed. Violators may have their boats or vehicles towed by the Master Association at the owner's expense.

(b) No inoperative or unlicensed vehicles shall be parked for longer than twenty-four (24) hours on any Lot; provided, however, such vehicle may be parked in a garage on a Lot if it can be fully covered with the garage door closed. Violators may have their vehicles towed by the Master Association at the vehicle owner's expense.

(c) The Board of Directors of the Master Association may provide a limited waiver of the requirements contained in subparagraphs (a) and (b) above in its sole and absolute discretion, for good cause shown.

12. OPERATION OF MOTOR VEHICLES: Motor vehicles shall be operated within St. James Plantation in accordance with all laws of the State of North Carolina and any rules and regulations which may be imposed by the Master Association. No "off the road" vehicles of any type, including but not limited to, go carts, dirt bikes, and all terrain vehicles, shall be operated

within St. James Plantation except those vehicles used in the course of permitted construction and development within St. James Plantation, or used for golf course or related purposes.

13. **STORAGE RECEPTACLES:** The placement and maintenance of fuel storage tanks and outdoor receptacles for ashes, trash, or garbage shall be governed by the Architectural Control Committee.

14. **OUTDOOR CLOTHES DRYING STRUCTURES:** No outdoor clothes poles, clothes lines or similar structure shall be placed on any Lot unless screened in such a manner that it is not visible from any street, recreational area or adjoining property.

15. **MAINTENANCE OF LOTS:** All Lots shall be maintained in a sightly condition, free of debris, rubbish, weeds, and high grass. The improvements on all Lots shall be maintained in a reasonable and prudent manner harmonious with that of other property within St. James Plantation as determined by the Board of Directors of the Master Association and as set forth in the Master Declaration.

16. **REPAIR OR REMOVAL OF IMPROVEMENTS:** Any improvement damaged in whole or in part by casualty, fire, windstorm or from any other cause, must be promptly restored or all debris removed and the Lot restored to a sightly condition. Such rebuilding or removal of debris shall be completed within three (3) months from the date of the casualty unless a written extension is granted by the Architectural Control Committee.

17. **REMOVAL OF TREES:** No living tree four (4) inches or over in caliper at four (4) feet high from ground elevation, nor any dogwood, flowering shrub or bush, shall be cut without the prior written consent of the Architectural Control Committee unless it is in the area of the Lot approved for construction of a structure.

18. **LAKES AND PONDS:** The use by any owner of a lake or pond is subject to rules and regulations of the Master Association, which may include prohibition of use.

19. **WELLS:** All ground waters beneath the Lots are understood to be part of the available system for disposal of wastewater by Wright, its successors and assigns, or another entity operating a wastewater treatment facility serving St. James Plantation. No potable water supply well shall be constructed on any Lot. Wright hereby reserves, for itself, its successors and assigns, and hereby grants to the State of North Carolina, the right to enter upon all Lots for the purpose of groundwater monitoring, including the installation of monitoring wells and pumping of water therefrom, and for remediation purposes. This paragraph is intended to insure continued compliance with groundwater rules adopted by the State of North Carolina and therefore may be enforced by the State of North Carolina.

20. **WAIVER OF AND CONSENT TO VIOLATIONS:** Except where waiver rights are granted herein to the Architectural Control Committee, Wright may waive any violation of these Restrictive Covenants by appropriate instrument in writing. The provisions of this paragraph shall not apply to paragraphs 1 and 2 where only the written consent of Wright shall

be required, or paragraphs 4, 5, 7, 8, 13, 16 and 17, where only the written consent of the Architectural Control Committee shall be required, or where otherwise specifically stated. Any waiver of paragraph 19 shall require the written consent of the State of North Carolina.

21. **TERM:** These Restrictive Covenants shall run with the land and shall be binding on all parties and all persons claiming under them for a period of thirty (30) years from the date this instrument is recorded, after which time said Restrictive Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by the Master Association and by two-thirds (2/3) of the then owners of dwelling units in the Condominium, agreeing to terminate these Restrictive Covenants in whole or in part, has been duly recorded in the Brunswick County Registry. Any amendment to paragraph 19 shall require the written consent of the State of North Carolina.

22. **AMENDMENT:** These covenants may be amended at any time by an instrument signed by the Master Association and by two-thirds (2/3) of the then owners of dwelling units in the Condominium; provided that any such amendment during the initial, thirty year term of these covenants shall require the written consent of Wright. Any amendment must be properly recorded. Any amendment of paragraph 19 shall require the written consent of the State of North Carolina.

23. **ENFORCEMENT:** The Master Association, Wright, and their respective successors or assigns shall have the right to enforce, by a proceeding at law or in equity, all restrictions and conditions herein imposed, against any person or persons violating or attempting to violate the same, either to restrain the violation or to recover damages. Failure by any such party to enforce any of these Restrictive Covenants shall in no event be deemed a waiver of the right to do so thereafter. The State of North Carolina shall have the right to enforce paragraph 19 hereof.

24. **SUCCESSORS OR ASSIGNS:** The rights and obligations of Wright herein shall inure to the benefit of its successors or assigns if so specified by Wright in a recorded instrument; provided, however, that this requirement of designation in a recorded instrument shall not apply to a mortgagee who acquires title by foreclosure, deed in lieu of foreclosure or similar means, to any portion of the Development owned by Wright.

25. **SEVERABILITY:** Invalidation of any one of these Restrictive Covenants by judgment or court order shall in no way affect any of the other provisions hereof, which shall remain in full force and effect.

26. **ADDITIONAL LOTS; ADDITIONAL RESTRICTIONS:** Additional tracts or parcels of land owned by Wright may be subjected to these Restrictive Covenants by express provision in any deed or by other written instrument executed by Wright and duly recorded in the Brunswick County Registry, whereupon any such tract or parcel shall be deemed to be a Lot for purposes of these Restrictive Covenants. The Lots described herein and any additional Lots may be subjected to additional covenants, conditions and restrictions not inconsistent with these Restrictive Covenants pursuant to a Declaration of Condominium or other written instrument duly recorded in the Brunswick County Registry.

IN WITNESS WHEREOF, WRIGHT has caused this instrument to be executed in its corporate name by its duly authorized officers and its corporate seal to be hereto affixed by authority of its Board of Directors, as of the day and year first above written.

HOMER E. WRIGHT, JR., INC.



By: [Signature]
President

[Signature]
ASST. Secretary

NORTH CAROLINA
BRUNSWICK COUNTY

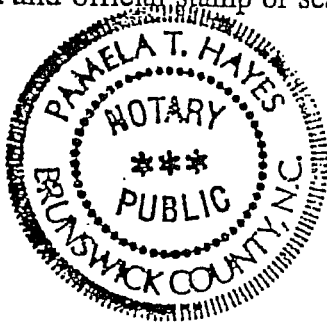
I, Pamela T. Hayes, a Notary Public of the County and State aforesaid, certify that Cheryl Ann Crossman personally appeared before me this day and acknowledged that he/she is ASST. Secretary of HOMER E. WRIGHT, JR., INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by himself/herself as its ASST. Secretary.

WITNESS my hand and official stamp or seal, this 30 day of May, 1997.

(Notary Seal)

My Commission Expires:

6/26/99



[Signature]
Notary Public

FILED
BRUNSWICK COUNTY NC
By: _____
10/07/97 3:56 PM
ROBERT J. ROBINSON
Register Of Deeds

Prepared by: Pamela D. Duncan, Esq.
Schell Bray Aycock Abel & Livingston P.L.L.C.

NORTH CAROLINA

DECLARATION OF CONDOMINIUM

BRUNSWICK COUNTY

Club Villas at St. James Plantation, LLC, a North Carolina limited liability company with a place of business in Brunswick County, North Carolina, hereinafter referred to as "Declarant," does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of Club Villas at St. James Plantation, a Condominium, being the property and improvements hereinafter described.

I.

Document #
0000086

ESTABLISHMENT OF CONDOMINIUM

Declarant is the owner of the fee simple title to that certain real property situated in Brunswick County, North Carolina, which property is shown as Phase 1 on the Condominium Plan, as hereinafter defined, and on which property there has been constructed one (1) building on three levels, containing a total of six (6) condominium living units and their supporting facilities, areas designated for at least eleven (11) outdoor parking spaces and other appurtenant improvements. The building is of frame construction with a brick foundation and horizontal lap siding exterior as more particularly shown on the Condominium Plan, as hereinafter defined. Declarant does hereby submit the above-described property and improvements to condominium ownership under the provisions of Chapter 47C of the General Statutes of North Carolina (North Carolina Condominium Act), and hereby declares the same to be a condominium to be known and identified as "Club Villas at St. James Plantation, a Condominium," sometimes hereinafter referred to as the "Condominium."

II.

SURVEY AND DESCRIPTION OF IMPROVEMENTS

A survey of the land and graphic descriptions and plans of the improvements constituting the Condominium, identifying the Units and Common Elements, as said terms are hereinafter defined, and their respective locations, approximate dimensions and principal building materials, is recorded in Condominium Book 17, Pages 257-263, Brunswick County Registry (the "Condominium Plan"). Each Unit has been assigned an Identifying Number on the Condominium Plan and no Unit bears the same Identifying Number as any other Unit.

RET PDAC
TOTAL 28.00 REV _____ TC# W.F.
REC# 04 CK AMT 23500 CK# 688
CASH _____ REF _____ BY _____

III.

DEFINITIONS

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

A. Units, as the term is used herein, shall mean and comprise the six (6) separately identified Units that are designated on the Condominium Plan. The Units shall exclude, however, all spaces and improvements lying:

1. Beneath the subflooring material of all floors (for ground level floors, poured concrete shall be considered to be subflooring material);
2. Beneath the interior surfacing material of all perimeter walls, interior bearing walls and/or bearing partitions; and
3. Above the interior surfacing material of the ceilings.

Units shall further exclude all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to Units and Common Elements up to and including the point of entry of such pipes, ducts, wires and conduits through the interior surfacing material for walls and ceilings and subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective Units at such point of entry.

~~X~~ All exterior doors, window frames, panes and screens shall be part of the respective Units; provided, however, that the exterior decoration and painting of the exterior surface of such doors and window frames and panes shall be the responsibility of the Association, as hereinafter defined.

B. Common Elements shall mean and comprise all of the real property, improvements and facilities of the Condominium other than the Units, and all personal property held and maintained by the Association for the use and enjoyment of all the Owners of Units.

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

A deck or patio located adjacent to a Unit is allocated exclusively for the use of such Unit. Decks and patios are designated as such on the Condominium Plan, with the Unit number to which it is allocated designated thereon.

The stairways and landings which provide access to Units are allocated for the use of the Unit(s) to which they provide access.

The terms "Allocated Interests," "Association," "Common Elements," "Common Expenses," "Common Expense Liability," "Condominium," "Declaration," "Development Rights," "Executive Board," "Identifying Number," "Limited Common Elements," "Residential Purposes," "Special Declarant Rights," "Unit," "Owner," and "Lessee," unless it is plainly evident from the content of this Declaration that a different meaning is intended, shall, as used herein, have the meaning set out in Section 47C-1-103 of Chapter 47C of the General Statutes of North Carolina, known as the North Carolina Condominium Act, as that statute exists as of the date of the filing of this Declaration.

IV.

OWNERSHIP OF UNITS
AND
ALLOCATED INTEREST IN COMMON ELEMENTS

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

V.

DEVELOPMENT RIGHTS

A. Addition of Real Estate to Condominium; Creation of Additional Units, Common Elements and Limited Common Elements. Declarant hereby reserves the right for fifteen (15) years from the date of recording of this Declaration to add additional real estate to the Condominium, and to create upon such additional real estate additional Units, Common Elements and Limited Common Elements, all without the consent of any Owner or mortgagee. In the event Declarant elects to add additional real estate to expand the Condominium, such expansion could result in the addition of up to one hundred fifty-six (156) additional Units. The total number of Units in all phases shall not exceed one hundred sixty-two (162). Additional phases, if added to the Condominium, will be located within the land designated on Exhibit "B" which is attached hereto and incorporated herein by reference. Additional Units, Common Elements and Limited Common Elements shall be consistent with existing Units, Common Elements and Limited Common Elements in quality of construction, and all improvements intended for additional phases will be substantially completed prior to the addition of such phase to the Condominium. No assurances are made in regard to (i) the order in which new phases may be added; (ii) the exterior material or appearance of new buildings within additional phases; (iii) the size and/or layouts of Units in additional phases. Declarant shall have no obligation of any kind to add any or all of the additional real estate described herein to the Condominium. With respect to any additional real

estate added to the Condominium under this Paragraph A, Declarant may exercise any or all of the Development Rights reserved under Paragraphs B, C and D of this Article if the amendment adding such real estate so permits.

In the event Declarant elects to add additional phases to the Condominium, then the Allocated Interest in the Common Elements appurtenant to each Unit will change and shall be as set forth in amendment(s) to this Declaration. The proportional interest in the Common Elements appurtenant to each Unit shown in such amendments will be determined by a ratio formulated upon the relation that the approximate square footage of each Unit in the Condominium will bear to the then aggregate square footage of all of the Units in all phases having an interest in the Common Elements.

B. Subdivision of Units. Declarant hereby reserves the right for fifteen (15) years from the date of recording of this Declaration to subdivide an existing Unit into two or more new Units, or into two or more new Units and new Common Elements and/or Limited Common Elements, without the consent of any Owner or mortgagee. Declarant's right under this Paragraph B shall apply to Units created under this original Declaration, as well as to Units which may be created on any additional real estate added to the Condominium pursuant to Paragraph A of this Article.

If Declarant elects to exercise its right to subdivide Units, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenant to the original Unit between or among the new Units created by the subdivision of the Unit. The proportional interest in the Common Elements appurtenant to each new Unit as set out in the amendment will be determined by a ratio formulated upon the relation that the approximate square footage of each new Unit created by the subdivision bears to the then aggregate square footage of all of the Units (including the new Units) in all phases having an interest in the Common Elements.

C. Conversion of Units to Common Elements. Declarant hereby reserves the right for fifteen (15) years from the date of recording of this Declaration to convert an existing Unit or Units entirely to Common Elements, without the consent of any Owner or mortgagee. Declarant's right under this Paragraph C shall apply to Units created under this original Declaration as well as to Units which may be created on any additional real estate added to the Condominium pursuant to Paragraph A of this Article.

If Declarant elects to exercise its right to convert Units to Common Elements, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenant to the former Unit(s) among the remaining Units in the Condominium. The additional proportional interest in the Common Elements allocated to each remaining Unit as set out in the amendment will be in proportion to the respective Allocated Interest of each such remaining Unit prior to the conversion of the former Unit to Common Elements.

D. Withdrawal of Real Estate. Declarant hereby reserves the right for fifteen (15) years from the date of recording of this Declaration to withdraw real estate from the Condominium without the consent of any Owner or mortgagee. The Declarant's right to withdraw

under this Paragraph presently extends only to the real property described in Condominium Plan attached to this Declaration; provided, however, that if and as additional real estate is added to the Condominium pursuant to Paragraph A of this Article, Declarant's right of withdrawal under this Paragraph D shall extend to each additional piece of real estate so added.

If Declarant elects to exercise its right to withdraw real estate from the Condominium, Declarant shall file an amendment to this Declaration pursuant to Paragraph E of this Article V reallocating the proportional interest in the Common Elements of each Unit remaining in the Condominium after the withdrawal. The proportional interest will be determined by a ratio formulated upon the relation that the approximate square footage of each remaining Unit will bear to the then aggregate square footage of all the remaining Units in all remaining phases of the Condominium.

E. Method of Exercising Development Rights. In the event Declarant exercises any of its development rights under Paragraphs A, B, C or D of this Article, Declarant shall prepare, execute with the same formalities as a deed, and record an amendment to this Declaration in the public records of Brunswick County, North Carolina, such amendment to refer specifically to the recording data identifying the Declaration. Such amendment shall assign an Identifying Number to any new Unit created thereby and describe any new Common Elements and Limited Common Elements created thereby and, in the case of the latter, designate the Unit(s) to which such Limited Common Elements are reserved. If appropriate, the amendment shall reallocate the Allocated Interests among all Units then located in the Condominium, and Declarant's determination as to such reallocation shall be conclusive and binding on all Owners and mortgagees.

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

Each Owner shall be deemed by his acceptance of the deed to a Unit to have consented to the Development Rights reserved in this Article and to any amendments previously or thereafter executed by Declarant pursuant to this Article V and to Article XXX hereof. Except as provided in this Declaration, the Allocated Interest in the Common Elements appurtenant to each Unit shall not be changed except with the unanimous consent of all Owners and with the consent of all of the Institutional Lenders, as defined in Article XXXII hereof.

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

F. Successor to Declarant's Rights. In the event a party or parties other than Declarant is the owner of all or any portion of the undeveloped property described in Exhibit "B" attached hereto and wishes to add such property to the Condominium and to create thereon

additional Units, Common Elements and Limited Common Elements, such party(ies) shall be entitled but not obligated to add such property to the Condominium as fully as is Declarant hereunder, and shall, upon its recordation of an amendment to this Declaration adding such additional real property to the Condominium, succeed to all rights of Declarant under this Declaration, the Articles and Bylaws. In the event any such party(ies) succeeds to the rights of a declarant as described in this paragraph, the rights of the prior declarant to exercise the powers of Declarant under this Declaration, the Articles and the Bylaws shall thereupon terminate, except such rights as to which the prior declarant is entitled by virtue of its ownership of any Unit(s). It is the intent of this paragraph to allow for multiple successor declarants under this Declaration, but no more than one (1) party shall have the right to exercise the powers of Declarant hereunder at any one time.

VI.

PROHIBITION AGAINST
FURTHER SUBDIVISION OF UNITS AND
REALLOCATION OF LIMITED COMMON ELEMENTS;
SEPARATE CONVEYANCE OF COMMON
ELEMENT INTEREST PROHIBITED

Except as provided in Article V above, no owner may subdivide his Unit into two or more Units, and Limited Common Elements may not be reallocated by Unit Owners.

Except as otherwise provided in this Declaration, the Articles of Incorporation or Bylaws of the Association, the Allocated Interest in the Common Elements declared to be an appurtenance to each Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Unit, and the Allocated Interest in the Common Elements appurtenant to each Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Unit even though such Allocated Interests are not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Unit. Except as provided in this Declaration, the Articles of Incorporation or the Bylaws, any conveyance, encumbrance, judicial sale or other voluntary or involuntary transfer which purports to grant any right, interest or lien in, to or upon an Allocated Interests in the Common Elements shall be void and of no effect unless the same transfer conveys, devises, encumbers or otherwise trades or deals with the entire Unit to which such Allocated Interests are appurtenant. Any instrument conveying, devising, encumbering or otherwise dealing with any Unit, which describes said Unit by the Identifying Number assigned thereto in Condominium Plan without limitation or exception, shall be deemed and construed to affect the entire Unit and its Allocated Interest in the Common Elements. Nothing herein contained shall be construed as limiting or preventing ownership of any Unit and its Allocated Interests in the Common Elements by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

VII.

THE CONDOMINIUM SUBJECT TO RESTRICTIONS

The Units, Common Elements and Limited Common Elements shall be, and the same are hereby declared to be, subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use thereof and setting forth the obligations and responsibilities incident to ownership of each Unit and its Allocated Interest in the Common Elements, and said Units, Common Elements and Limited Common Elements are further declared to be subject to the restrictions, easements, conditions and limitations now of record affecting the land and improvements of the Condominium, including but not limited to the provisions of the Master Declaration, as defined in Article X below, and the Restrictive Covenants for Club Villas at St. James Plantation, recorded in Book 1150, Page 25 of the Brunswick County Registry (the "Restrictive Covenants").

The recording data for all easements and licenses which have been recorded and which now affect the Condominium or which affect any property which may become a part of the Condominium by virtue of the exercise of the Development Rights set out in Article V hereof is set out on Exhibit "C" which is attached to this Declaration and incorporated herein by reference.

VIII.

PERPETUAL NON-EXCLUSIVE EASEMENT IN
COMMON ELEMENTS

The Common Elements shall be, and the same are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all of the Owners of Units in the Condominium for their use and the use of their family members, guests and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Owners of Units. Notwithstanding anything above provided in this Article, the Association, as hereinafter identified, shall have the exclusive right to establish the rules and regulations pursuant to which the Owner of any Unit, his family, guests and invitees, may be entitled to use the Common Elements, including the right to make permanent and temporary assignments of parking spaces, and to establish regulations concerning the use thereof; provided that no rule or regulation shall restrict the right of ingress and egress of an Owner to his or her Unit.

IX.

RESTRAINT UPON SEPARATION AND PARTITION
OF COMMON ELEMENTS

Recognizing that the proper use of a Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Elements in common with the Owners of all other Units, and that it is in the interest of all Owners that the ownership of the Common Elements be retained in

common by the Owners, it is hereby declared that the Allocated Interests in the Common Elements appurtenant to each Unit shall remain undivided and no Owner shall bring or have any right to bring any action for partition or division.

X.

ADMINISTRATION OF THE CONDOMINIUM
BY CLUB VILLAS AT ST. JAMES PLANTATION OWNERS' ASSOCIATION, INC.:
CONDOMINIUM SUBJECT TO ST. JAMES PLANTATION PROPERTY OWNERS'
ASSOCIATION, INC.

A. Club Villas at St. James Plantation Owners' Association, Inc. To efficiently and effectively provide for the administration of the Condominium by the Owners of the Units, a nonprofit North Carolina corporation known and designated as Club Villas at St. James Plantation Owners' Association, Inc. has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and Bylaws. The Owner of each Unit shall automatically become a member of said corporation upon his acquisition of an ownership interest in title to any Unit and its Allocated Interests in the Common Elements, and the membership of such Owner shall terminate automatically upon such Owner's being divested of ownership interest in the title to such Unit, regardless of the means by which ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in said corporation or to any of the rights or privileges of membership except as specifically set forth in this Declaration, the Articles or Bylaws. In the administration of the operation and management of the Condominium, Club Villas at St. James Plantation Owners' Association, Inc. shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Units and Common Elements as the Executive Board of said Association may deem to be in the best interests of the Association. Club Villas at St. James Plantation Owners' Association, Inc. is hereinafter referred to as the "Association."

B. St. James Plantation Property Owners' Association, Inc. In addition to membership in the Association, each Owner of a Unit in the Condominium shall also be a member of St. James Plantation Property Owners' Association, Inc. (the "Master Association"). Membership in the Master Association is appurtenant to, and may not be separated from ownership of a Unit. Each Owner shall have the voting rights in the Master Association as set forth in Article II of the Master Declaration of Covenants, Conditions and Restrictions for St. James Plantation, which is recorded in Book 0839, Page 453 of the Brunswick County Registry, as amended (the "Master Declaration"). In addition to the covenant for assessments to the Association set out in Article XXVII of this Declaration, every owner of a Unit within the Condominium, by acceptance of a deed therefor, whether or not so expressed in such deed, is deemed to covenant and agree to pay to the Master Association all assessments imposed upon Members (as defined in the Master Declaration) by the Master Association under Article IV of the Master Declaration. The lien

rights created under Article IV of the Master Declaration shall apply to all Units in the Condominium. Provided, however, that St. James Plantation Property Owners' Association, Inc. is not and shall not be a "Master Association," as that term is defined in North Carolina General Statutes Section 47C-2-120, with respect to the Association or the Condominium.

XI.

RESIDENTIAL USE RESTRICTIONS
APPLICABLE TO UNITS

Except as provided in Paragraph A of Article XII hereof, each Unit is hereby restricted to residential use by the Owner thereof, his or her family members, guests, invitees and tenants. There shall be no minimum term required for any lease. Any lease or rental agreement for a Unit shall be in writing. Such leases shall provide that the terms of the lease are subject to the provisions of this Declaration, the Articles of Incorporation, Bylaws, rules and regulations of the Association, and that any failure by the lessee to comply with the terms of such documents shall be a default under the terms of the lease. Upon request, the Executive Board shall be furnished with a copy of any lease. Corporate, partnership and limited liability company members may permit the use of a Unit owned by it by its principal officers, directors, partners, members, managers, other guests and lessees. Such member shall annually sign and deliver to the Association a written statement designating the name of the party (or parties) entitled to use such Unit, together with a written covenant of such party in favor of the Association whereby the party agrees to comply with the terms and provisions of this Declaration and with the rules and regulations which may be promulgated by the Association from time to time and acknowledging that the party's right to use such Unit shall exist only so long as the corporation or partnership shall continue to be a member of the Association. Upon demand by the Association to any corporate, partnership or limited liability company member to remove a party for failure to comply with the terms and provisions of the Declaration and/or the rules and regulations of the Association or for any other reason, the member shall forthwith cause such party to be removed, failing which, the Association, as agent of the Owner, may take such action as it may deem appropriate to accomplish such removal, and all such action by the Association shall be at the cost and expense of the Owner who shall reimburse the Association therefor upon demand, together with such attorneys' fees as the Association may have incurred in the process of removal.

XII.

DECLARANT'S RIGHTS; RESERVED EASEMENTS

A. Models; Advertising on Common Elements. Subject to the Restrictive Covenants, Declarant shall have the right to maintain or allow its agents to maintain sales models within the Condominium, in such numbers and sizes as Declarant may select from time to time. Subject to the Restrictive Covenants, Declarant shall also have the right to display signs upon the Common Elements during the period of Unit sales. Any such models or signs may be located at such place or places within the Condominium as Declarant shall select, and Declarant shall have the right at any time and from time to time to relocate any models or signs from their previous location to

another location. Such rights shall terminate when Declarant no longer owns any Unit in any phase of the Condominium.

B. Easements through Common Elements. Declarant shall be deemed to have such easements on, across and over the Common Elements as shall be reasonably necessary for the exercise of any of the Development Rights set out in Article V of this Declaration or the Declarant Rights reserved in this Article, or as may be reasonably necessary in the discharge of any obligations imposed on Declarant by this Declaration or under the North Carolina Condominium Act.

C. Drainage Easement. A non-exclusive easement is hereby reserved to the Declarant, its successors and assigns, to enter upon, across, over, in, and under any portion of the Common Elements for the purpose of changing, correcting, or otherwise modifying the grade or drainage channels of the Common Elements so as to improve the drainage of water on the Common Elements and/or any adjacent property. Reasonable efforts shall be made to use this easement so as to disturb as little as possible the uses of Owners and the Association, to prosecute such drainage work promptly and expeditiously, and to restore any areas affected by such work to a slightly and usable condition as soon as reasonably possible following such work.

D. Golf Course Easements. The Declarant hereby reserves for itself and for the benefit of any person developing or owning any golf course or other recreational amenities adjacent to or in proximity to the Condominium, the following described easements upon, across, over, in and under the Common Elements:

(a) Access Easement. Non-exclusive rights and easements, of access and use of all streets, roadways, parking areas, paths and walkways located within the Condominium reasonably necessary for the construction, maintenance, operation, access and use of any golf course or other recreational amenities.

(b) Entry by Golfers. A non-exclusive easement over each parcel or tract of land adjacent to a golf course, tee, fairway or green in favor of registered golf course players to enter upon such property in a reasonable time and manner to remove an errant golf ball. This easement is for pedestrian access only and does not include golf cart or other vehicular access.

Declarant reserves the right to grant or deed such easement rights to any person or entity developing a golf course or other recreational amenities and to impose such additional restrictions on such easements at that time and from time to time as may be reasonably required to effectuate the purposes of such easements. The reservation of these easements is made for the benefit of Declarant, the developer of a golf course, the members and guests of any golf club associated with such golf course, and for the associated maintenance and service personnel.

Nothing herein shall be construed as a requirement or representation that a golf course or any other recreational amenities will be constructed by Declarant or any other person.

E. Declarant's Rights Incident To Construction. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under and across the Common Elements and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of improvements on any real property owned by Declarant; provided, however, that no such rights shall be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment, or access to its property by any Owner or such Owner's family, tenants, employees, guests, or invitees.

F. Reservation of Easement. Declarant hereby reserves for itself, its successors and assigns a perpetual, non-exclusive easement on, across and over all streets, roadways and parking areas within the Condominium as may be necessary to develop and utilize the land designated on Exhibit "B" attached hereto, other than as part of the Condominium.

XIII.

USE OF COMMON ELEMENTS SUBJECT TO RULES
OF ASSOCIATION

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

XIV.

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

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

XV.

RIGHT OF ENTRY INTO UNITS IN EMERGENCIES

In case of any emergency originating in or threatening any Unit, regardless of whether the Owner is present at the time of such emergency, the Executive Board of the Association, or any other person authorized by it, or the managing agent, shall have the right to enter such Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

XVI.

RIGHT OF ENTRY FOR MAINTENANCE OF COMMON ELEMENTS

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

XVII.

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

1. An Owner of a Unit may make improvements or alterations to his Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium.
2. The Association, through its Executive Board or an architectural control committee appointed by the Executive Board, shall regulate the external design, appearance, use, location and maintenance of the Condominium and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. No Owner shall cause any improvements, alterations, repairs or changes to be made to the exterior of the Condominium (including painting or other decoration, the installation of electrical wiring, television or radio antennae or satellite dishes, or any other objects or devices which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first had and obtained. No Owner shall cause any object to be fixed to the Common Elements (including the location or construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or to any Limited Common Elements or in any manner change the appearance of the Common Elements without the written consent of the Association being first had and obtained.

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

4. Notwithstanding the foregoing provisions of this Article, any improvements or alterations are subject to the provisions of the Master Declaration and the Restrictive Covenants, including the requirements for approval thereof by the Architectural Control Committee of the Master Association.

XVIII.

PROHIBITION AGAINST RELOCATION OF BOUNDARIES
BETWEEN ADJOINING UNITS

Owners owning adjoining Units may not relocate the boundaries between such Units.

XIX.

RIGHT OF ASSOCIATION TO ALTER AND
IMPROVE COMMON ELEMENTS AND ASSESSMENT THEREFOR; RIGHT
OF ASSOCIATION TO GRANT PERMITS, LICENSES AND EASEMENTS

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

XX.

MAINTENANCE AND REPAIR BY OWNERS OF UNITS

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

XXI.

MAINTENANCE AND REPAIR OF
COMMON ELEMENTS BY ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Elements (including the Limited Common Elements), including those portions thereof which contribute to the support of the buildings, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Elements for the furnishing of utility and other services to the Units and said Common Elements, and should any incidental damage be caused to any Unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair or replacement of any Common Elements, the Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a Owner, his immediate family, guests or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement, except that the Owner who is responsible for the act causing the damage (whether done by himself or by his family, tenants, guests or invitees) shall be required to pay such portion of the cost of such maintenance, repair and replacement as shall,

by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

XXII.

AUTHORITY TO PURCHASE INSURANCE

Insurance policies upon the Condominium (other than title insurance) shall be purchased by the Association in the name of the Association, as trustee for the Owners, for the benefit of the Owners and their respective mortgagees, as their interests may appear, and shall provide for the issuance of certificates or memoranda of insurance to the Association and, upon written request, to any Owner, mortgagee or beneficiary under a deed of trust on a Unit.

Such insurance policies must provide that:

1. Each Owner is an insured person under the policy with respect to liability arising out of his interest in the Common Elements or membership in the Association;
2. The insurer waives its right to subrogation under the policy against any Owner, members of his household, the Association and their respective servants, agents and guests;
3. No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy;
4. If, at any time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy described in this Article, the Association's policy provides primary insurance; and
5. The insurer issuing the policy may not cancel, refuse to renew or substantially revise the policy until thirty (30) days after notice of the proposed cancellation, non-renewal or revision has been mailed to the Association and to each Owner and first mortgage holder or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued, all such notices to be sent such parties at their respective last-known addresses.

Each Owner may obtain insurance, at his own expense, affording coverage upon his Unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

XXIII.

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

A. Commencing not later than the time of the first conveyance of a Unit to a person other than Declarant, the following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium, meaning the Units and Common Elements:

1. Casualty insurance covering the buildings and all improvements upon the land and all personal property included within the Condominium property, except personal property owned by the Owners, shall be procured in an amount equal to one hundred percent (100%) insurable replacement value thereof (exclusive of excavation, streets and exterior parking spaces) as determined annually. Such policy shall contain an Agreed Amount Endorsement or an Inflation Guard Endorsement, if available. By way of illustration and not of limitation, such casualty insurance shall cover fixtures, installations or additions, or equal replacements thereof, comprising a part of the building within each individual Unit (as that term is defined in Article III hereof) in accordance with the original Condominium plans and specifications. In determining the amount of coverage for such fixtures, installations or additions, the Executive Board of the Association shall annually set the standard allowance for such items as carpeting, bathroom and kitchen cabinets, wall covering, vinyl floor covering, ceramic tile, built-in kitchen appliances, built-in bookshelves, etc., which were included in the original Condominium plans and specifications. By way of illustration and not of limitation such casualty insurance shall not cover furniture, furnishings or other personal property owned by, used by or in the care, custody, or control of a Owner (whether located within or without the Unit), or fixtures, installations or additions that are placed in an individual Unit by the Owner thereof at his expense. Such coverage shall afford protection against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism and malicious mischief. The maximum deductible amount under any policy shall be one percent (1%) of the face amount of the policy; provided, however, that in no event shall the total amount of insurance after application of any deductibles be less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date. Funds to cover deductible amounts shall be included in the operating reserve account maintained by the Association.

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

contain cross-liability endorsements to cover liabilities of the Association or of any Owners to an Owner.

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

Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the Association, including reserves and budgeted special assessments; shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

B. Premiums upon insurance policies purchased by the Association shall be paid by the Association and charged as Common Expenses, to be assessed and collected from all of the Owners of Units in proportion to each Unit's share in the Allocated Interests, unless otherwise specifically allocated by the Executive Board, in its sole discretion.

C. If the insurance described in this Article is not reasonably available, the Association shall promptly cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Owners.

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

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

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

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

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

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

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

1. If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Owners of the damaged Units, in proportion to each Unit's share of Allocated Interests in the Common Elements, all remittances to Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by it.

2. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Owners of the damaged Units, in proportion to each Unit's share of Allocated Interests in the Common Elements, remittances to Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by it.

XXIV.

RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE

A. If any part of the Condominium shall be damaged by casualty, the damaged area shall be reconstructed or repaired unless:

1. The Condominium is terminated as provided in Article XXIX hereof; or
2. Repair or replacement would violate any state or local health or safety statute or ordinance; or
3. The Owners, by a vote of Owners owning at least eighty percent (80%) of the Allocated Interests (including one hundred percent (100%) of the Owners of Units which shall not be rebuilt or whose Limited Common Elements shall not be restored) determine not to rebuild or restore all or any portion of the damaged area; or

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

B. Any reconstruction or repair shall be performed substantially in accordance with the plans and specifications shown on the Condominium Plan.

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

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

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

F. In the event less than all of the damaged area is to be repaired or restored, the insurance proceeds shall be utilized and/or distributed as follows:

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

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

3. Any remaining proceeds shall be distributed among all Owners and mortgagees, as their interests may appear, in proportion to the Allocated Interests of each Owner's Unit.

G. Each Owner shall be deemed to have delegated to the Executive Board of the Association his right to adjust with insurance companies all losses under policies purchased by the Association.

H. All remittances to Owners and their mortgagees shall be payable jointly to them.

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

J. The cost of repair or replacement of a Common Element in excess of insurance proceeds and reserves is a Common Expense of the Association.

XXV.

CONDEMNATION OF COMMON
ELEMENTS OR UNITS

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

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

C. In the event a portion of the Common Elements is acquired by eminent domain, any portion of the condemnation award not payable to Owners under Paragraph B of this Article shall be paid to the Association.

XXVI.

ASSOCIATION TO MAINTAIN REGISTER
OF OWNERS AND MORTGAGEES

The Association shall at all times maintain a register setting forth the names of the Owners of all of the Units. In the event of the sale or transfer of any Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such Unit, together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any Unit. Further, the Owner of each Unit shall notify the Association of the names of the parties holding any mortgage on his Unit, the amount of such mortgages and the recording information which shall be pertinent to identify the mortgages. The

holder of any mortgage upon any Unit may, if it so desires, notify the Association of the existence of the mortgage held by such party and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

XXVII.

ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

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

A. Unless specifically otherwise provided for in this Declaration, all assessments made by the Association shall be in such an amount that any assessment levied against a Owner and his Unit shall bear the same ratio to the total assessment made against all Owners and their Units as the Allocated Interests in the Common Elements appurtenant to each Unit bears to the total Allocated Interests in the Common Elements appurtenant to all Units; provided, however, that any portion of the Common Expense which, in the opinion of the Executive Board, benefitted fewer than all Owners, may be assessed solely against the Owners so benefitted, in such proportions as the Executive Board, in its sole discretion, shall determine.

In the event utility services which are provided to Owners are charged to and paid by the Association, the cost of such utilities shall be a part of the Common Expenses and levied against each Owner in such proportions as the Executive Board, in its sole discretion, shall determine.

B. Assessments provided for herein shall be payable in monthly installments or such other installments as may be determined by the Executive Board of the Association. Such assessments shall commence for each Unit upon the earlier to occur of: (i) the initial sale of that Unit; or (ii) the occupancy for residential purposes of such Unit. Provided, however, that every Unit shall be subject to the full assessment applicable to such Unit on the date which is sixty (60) days following the conveyance of the first Unit in the same building, regardless of by whom the Unit is then owned and whether or not it is then occupied for residential purposes. Until the Association makes a Common Expense assessment, Declarant shall pay all Common Expenses.

C. In addition to the annual assessment authorized above, the Executive Board may levy, in any assessment year, a special assessment applicable to that year only for the purpose of

defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Elements, including fixtures and personal property related thereto.

D. The Executive Board of the Association shall adopt an annual budget in advance for the following fiscal year. Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, and the budget shall take into account anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Executive Board shall keep separate, in accordance with paragraph "G" of this Article XXVII, items relating to operation and maintenance from items relating to capital improvements. Within thirty (30) days after adoption of a budget, the Executive Board shall provide a summary thereof to all Unit Owners, and shall set a date for a meeting of the Unit Owners to consider ratification of the budget, not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless the meeting is the annual meeting of the Association, there shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting Unit Owners holding a majority of the Allocated Interest in the Common Elements reject the budget. In the event the proposed budget is rejected, the budget last ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Executive Board.

E. Until December 31 of the year in which the first Unit is conveyed to an Owner, the maximum annual assessment shall be:

One Thousand One Hundred Sixteen and No/100 Dollars (\$1,116.00) for each Unit;

From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased each year without a vote of the membership of the Association.

F. The Executive Board of the Association, in establishing the annual budget for operation, management and maintenance of the Condominium, shall designate therein a sum to be collected and maintained out of the annual Assessment as a reserve fund for replacement of and capital improvements to the Common Elements (Capital Improvement Fund). This Fund shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Elements, as well as the replacement of portions of the Common Elements. The amount to be allocated to the Capital Improvement Fund shall be established by the Executive Board so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Elements. The amount collected for the Capital Improvement Fund may be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common Elements. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Executive Board of the Association, be expended for current operation and maintenance. Each Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his Unit's Allocated Interests in the Common Elements and the Association shall annually notify each Owner of the amount of his

balance in the Capital Improvement Fund. However, such balance shall not be subject to withdrawal by an Owner.

G. All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner of a Unit, the same may be commingled with monies paid to the Association by the other Owners of Units. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Elements shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Unit. When the Owner of a Unit shall cease to be a member of the Association by reason of his divestment of ownership of such Unit, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Condominium.

H. The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the rate of eighteen percent (18%) per annum (or at such other rate as is specified in N.C. Gen. Stat. Section 47C-3-115(b), as amended from time to time) until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, shall be subject to such reasonable late charge per month for each monthly assessment in arrears as the Executive Board may from time to time fix. All monies owing to the Association shall be due and payable at the main office of the Association in the State of North Carolina.

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

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

K. Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefor, and that such proper operation and management results in benefit to all of the Owners of Units, and that the payment of such Common Expenses represented by the assessments levied and collected by the Association is necessary in order to preserve and protect the investment of each Owner, the Association is hereby granted a lien upon each Unit and its appurtenant Allocated Interests, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Owner of each such Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all late charges, fines and all costs and expenses, including reasonable attorneys' fees, which may be incurred by the Association in enforcing this lien upon said Unit and its appurtenant Allocated Interests in the Common Elements. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust and mortgages may be foreclosed under power of sale under the laws of the State of North Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to a reasonable rental from the Owner of any Unit from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a receiver for said Unit. The lien granted to the Association shall further secure such advances for taxes, payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the rate of eighteen percent (18%) per annum (or at such other rate as is specified in N.C. Gen. Stat. Section 47C-3-115(b), as amended from time to time) on any advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Unit expressly subject to such lien rights, except as otherwise provided in this Declaration.

L. The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Brunswick County public records, in the manner provided by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall state the description of the Unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, fees, charges, late charges, fines, costs, reasonable attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, it shall be satisfied of record.

The lien provided for herein shall be subordinate to: (i) any liens and encumbrances recorded before the docketing of the lien (including any mortgage or deed of trust); and (ii) liens for real estate taxes and other governmental assessments or charges against the Unit. Any person, firm or corporation acquiring title to any Unit and its appurtenant Allocated Interests in the

Common Elements by virtue of a foreclosure of a first deed of trust, deed in lieu of foreclosure of a first deed of trust or judicial sale relating to a first deed of trust, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Unit and its Allocated Interests in the Common Elements subsequent to the date of acquisition of such title, and shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In such event, any assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Units as a part of the Common Expense, including such purchaser, its heirs, successors and assigns. Nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure of his former Unit.

The lien herein granted to the Association will not be affected by the sale or transfer of a Unit, except in the case of a foreclosure of a Unit by the holder of a first deed of trust thereon, in which case the foreclosure will extinguish the lien for any assessments due and payable prior to the foreclosure sale, but will not relieve any subsequent Owner of the Unit from responsibility for all assessments due and payable from and after the date of the foreclosure sale.

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

N. In any voluntary conveyance of a Unit, the purchaser thereof shall not be personally liable for any unpaid assessments owed by the seller prior to the time of such voluntary conveyance, absent an express written assumption of such liability by the purchaser.

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

P. In order to insure that the Association will have sufficient monies available to meet operational needs during the initial months of the existence of each phase of the Condominium, the Association has established a working capital fund. At the time of the closing of the first sale of each Unit, the purchaser thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association for such Unit. Declarant shall not be entitled to use working capital funds to defray any of Declarant's expenses or construction costs or to make up any budget deficits paid by Declarant. No payments made into the working capital fund shall be considered advance or current payment of regular assessments.

XXVIII.

COMMON SURPLUS

"Common Surplus," meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits and revenues from whatever source) over the amount of the Common Expenses, shall be owned by the Owners of all Units in the same proportion that the Allocated Interests in Common Elements appurtenant to each Owner's Unit bears to the total of all Allocated Interests in Common Elements appurtenant to all Units. The Common Surplus shall be held by the Association in the manner prescribed in, and subject to, the terms, provisions and conditions of this Declaration; provided, however, that the Association shall have the sole discretion as to whether any distribution of Common Surplus should be made to Owners and, if so, when. Nothing in this Article shall require periodic distributions of Common Surplus. Except for distribution of any insurance proceeds as herein provided, or upon termination of the Condominium, any attribution or distribution of Common Surplus which may be made from time to time shall be made to the then Owners of Units in accordance with their Allocated Interests in the Common Elements.

XXIX.

TERMINATION

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

A. Except in the case of a taking of all the Units by eminent domain, the Condominium may be terminated only by agreement of (i) Owners to which at least eighty percent (80%) of the votes in the Association are allocated and (ii) Institutional Lenders (as defined in Article XXXII of this Declaration) representing at least sixty-seven percent (67%) of the votes of mortgaged Units; provided, however, that an Institutional Lender shall be deemed to have consented to termination if it fails to respond to a written notice of termination within thirty (30) days following its receipt of such notice, which notice was sent by certified or registered mail, "return receipt" requested. In the event termination is approved, a termination agreement to that effect shall be executed in the same manner as a deed and duly recorded. The termination agreement shall become effective when it has been recorded in the public records of Brunswick County, North Carolina, and shall specify a date after which it will be void unless then recorded.

B. Following termination of the Condominium, the Association, on behalf of the Owners, may contract for the sale of real estate in the Condominium, but such contract shall not be binding on the Owners until approved by agreement of Owners owning at least eighty percent (80%) of the Allocated Interests in the Common Elements and the termination agreement described above reflects such approval and is recorded as required. For purposes of any such sale following termination, title to that real estate, upon approval of sale, shall be deemed vested in the Association as Trustee for the holders of all interests in the Units and the Common Elements. Thereafter, the Association has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds thereof distributed, the Association shall continue in

existence with all powers vested in the Association before the termination. Proceeds of the sale shall be held by the Association as Trustee, and must be distributed to Owners and lienholders, as their interests may appear, in proportion to the respective interests of the Owners and their mortgagees as set forth below. Unless otherwise specified in the termination agreement, as long as the Association is deemed to hold title to the real estate, each Owner and his successors in interest shall have an exclusive right to occupancy of the portion of the real estate that formerly constituted his Unit. During the period of that occupancy, each Owner and his successors in interest remain liable for all assessments and other obligations imposed on Owners by law and under this Declaration, and shall remain liable for all assessments and other obligations imposed on Owners by law and under this Declaration.

C. In the event the real estate constituting the Condominium is not to be sold following termination, title to the Common Elements and to all real estate in the Condominium shall vest in the Owners as tenants in common in proportion to each Unit's Allocated Interests, and all liens on such Units shall shift accordingly. While such tenancy in common exists, each Owner and his successors in interest shall have an exclusive right to occupancy of the property that formerly constituted his Unit, and shall remain liable for all assessments and other obligations imposed on Owners by law and under this Declaration.

D. Following termination, creditors of the Association holding liens on Units which were recorded prior to the effective date of termination of the Condominium, may enforce those liens in the same manner as any lienholder. All other creditors of the Association shall be treated as if they had perfected liens on the Units immediately before termination.

E. The respective ownership interests of Owners described in this Article XXXIX are as follows:

1. Except as provided in paragraph 2 below, the respective interests of Owners are the fair market values of their Units and Common Element interests immediately before the termination, as determined in an appraisal prepared by one or more independent appraisers selected by the Association. The appraisal shall be distributed to the Owners and shall become final unless disapproved within thirty (30) days after distribution by Owners of Units to which twenty-five percent (25%) of the votes in the Association are allocated. The proportion of any Owner's interest to that of all Owners is determined by dividing the fair market value of that Owner's Unit and Common Element interest by the total fair market values of all the Units, and Common Elements.

2. If any Unit or any Limited Common Element is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made, the interests of all Owners shall be their respective Allocated Interests appurtenant to such Owner's Unit immediately before termination.

XXX.

AMENDMENT OF DECLARATION

This Declaration may be amended in the following manner:

A. An Amendment to this Declaration may be proposed by the Executive Board of the Association acting upon a vote of a majority of its Board Members, or by Owners of Units to which at least fifty percent (50%) of the votes in the Association are allocated, whether meeting as members or by instrument in writing signed by them. Upon any amendment to this Declaration being proposed by the Executive Board or Owners, the proposed amendment shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a special meeting of the members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed amendment. It shall be the duty of the Secretary to give to each member written or printed notice of such special meeting, stating the time and place thereof, and reciting the proposed amendment in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than fifty (50) days before the date set for such special meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his address as it appears on the records of the Association, first class postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the proposed Amendment must be approved by an affirmative vote of the members owning Units in the Condominium in order for such Amendment to become effective. Except as required by N.C. Gen. Stat. Section 47C-2-117(d) or as specifically provided elsewhere in this Declaration, an affirmative vote of Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated shall be required. Upon adoption, such amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such amendment, so certified and executed with the same formalities as a deed, shall be recorded in the Public Records of Brunswick County, North Carolina. Such amendment shall specifically refer to the recording data identifying the Declaration and shall become effective upon recordation. Thereafter, a copy of said amendment in the form in which the same was placed of record by the officers of the Association shall be delivered to the Owners of all Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such amendment. At any meeting held to consider such amendment, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

B. Declarant shall have the right to amend this Declaration pursuant to Article V of this Declaration, without the consent or joinder of any Owners or their mortgagees.

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

D. Except to the extent expressly permitted or required by this Declaration, consistent with the North Carolina Condominium Act, no amendment to this Declaration may create or increase additional Development Rights or Declarant's Rights, increase the number of Units allowed hereunder, or change the boundaries of any Unit, the allocated interest of a Unit, or the uses to which any Unit is restricted, without the unanimous consent of the Owners of all Units and the Institutional Lenders, as hereinafter defined.

E. No material alteration, amendment or modification of this Declaration, the Articles of Incorporation or Bylaws of the Association shall become effective without the prior written consent of Institutional Lenders (as hereinafter defined) holding first mortgage loans on Units to which at least fifty-one percent (51 %) of the votes in the Association have been assigned. For the purposes of this paragraph, any amendment to the following provisions of this Declaration, the Articles of Incorporation or Bylaws shall be deemed material: voting rights; assessment liens; the priority of assessment liens; reductions in reserves for maintenance, repair and replacement of the Common Elements; responsibility for maintenance and repairs; hazard or fidelity insurance requirements; imposition of additional restrictions on the leasing of Units; imposition of any restrictions on an Owner's right to sell or transfer his or her Unit; restoration or repair of the Condominium in a manner other than that now specified in the Declaration, Articles of Incorporation or Bylaws; or revisions to provisions which expressly benefit mortgage holders, insurers or guarantors. Provided, however, that nothing in this paragraph shall be construed to require the consent of an Institutional Lender as to amendments allowed under Articles V or XXV of this Declaration. Provided further, that an Institutional Lender shall be deemed to have approved any material amendment if it fails to respond to a written notice of amendment within thirty (30) days following its receipt of such notice, which notice was sent by certified or registered mail, "return receipt" requested.

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

XXXI.

REMEDIES IN EVENT OF DEFAULT

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

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

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

C. The Bylaws of the Association provide that the Association may fine an Owner for each violation of this Declaration, the Bylaws or the Rules and Regulations of the Association, or may assess liability for damage to Common Elements caused by an Owner, which damage is not covered by the Association's insurance. As set forth in the Bylaws, a hearing for an accused Owner must be held before an adjudicatory panel appointed by the Association, which panel shall accord to the party charged with the violation: (i) notice of the charge; (ii) opportunity to be heard and to present evidence; and (iii) a notice of the decision. Any such fine or liability assessment shall be both the personal obligation of the Owner against whom the fine is assessed and a lien upon the Unit of such owner and its appurtenant Allocated Interest, to the same extent as the assessments described in Article XXVII hereof.

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

E. In any proceeding arising because of an alleged default by an Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

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

G. All rights, remedies and privileges granted to the Association or the Owner of a Unit, pursuant to any terms, provisions, covenants or conditions of this Declaration or other above mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus

exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

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

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

XXXII.

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

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

1. To approve the company or companies with whom casualty insurance is placed and to be given timely written notice as to any lapse, cancellation or material modification of any insurance policy maintained by the Association.
2. To examine, at reasonable times and upon reasonable notice, the books and records of the Association and the annual financial statement and report of the Association, prepared by an independent accountant designated by the Association, such financial statement and report to be available within one hundred twenty (120) days following the end of the Association's previous fiscal year.
3. To be given timely written notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any material alteration, amendment or modification of this Declaration, the Articles of Incorporation or the Bylaws, as set out in Paragraph E of Article XXX of this Declaration. Such notice shall state the nature of the amendment or action being proposed.
4. To be given timely written notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Unit encumbered by a mortgage held by such Institutional Lender.

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

Whenever any Institutional Lender desires the provisions of this Declaration to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to Declarant at P. O. Box 10879, Southport, North Carolina 28461, identifying the Unit or Units upon which such Institutional Lender holds a mortgage or mortgages, or identifying any Units owned by it, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

XXXIII.

RIGHT OF DECLARANT TO DESIGNATE
MEMBERS OF EXECUTIVE BOARD OF THE ASSOCIATION

Pursuant to the provisions of N.C. Gen. Stat. Section 47C-3-103, Declarant reserves the right to designate and select a majority of the persons who shall serve as Members of each Executive Board of the Association until the first to occur of: (i) one hundred twenty (120) days after Declarant conveys seventy-five percent (75%) of the Units in the Condominium (including Units which may be created pursuant to the Development Rights reserved in Article V of this Declaration); (ii) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after Declarant's last exercise of its right under Article V of this Declaration to add additional Units to the Condominium. Notwithstanding the above, not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units (including Units which may be created pursuant to the Development Rights reserved in Article V of this Declaration) to Unit Owners other than Declarant, at least one Member of the Executive Board (but not less than 25% of the Members of the Executive Board) shall be elected by Unit Owners other than Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units (including Units which may be created pursuant to the Development Rights reserved in Article V) to Unit Owners other than Declarant, not less than thirty-three percent (33%) of the Members of the Executive Board shall be elected by Unit Owners other than the Declarant.

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

XXXIV.

SEVERABILITY

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

XXXV.

LIBERAL CONSTRUCTION; CONFLICT

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

XXXVI.

DECLARATION BINDING
ON ASSIGNS AND SUBSEQUENT OWNERS;
DECLARANT BOUND BY CONDOMINIUM DOCUMENTS

The restrictions and burdens imposed by the covenants of this Declaration are intended to and shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Unit and its Allocated Interests in Common Elements. This Declaration shall be binding upon Declarant, its successors and assigns, and upon all parties who may subsequently become Owners of Units in the Condominium, and their respective heirs, legal representatives, successors and assigns.

Declarant shall be responsible for the payment of any assessments which may be levied by the Association against any Units owned by Declarant, and for complying with the remaining terms and provisions of this Declaration, the Articles and Bylaws in the same manner as any other Owner, except as otherwise expressly provided in this Declaration, the Articles and Bylaws.

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

XXXVII.

CONTRACT RIGHTS OF ASSOCIATION

The undertakings and contracts authorized by the initial Executive Board (including contracts for the management of the Condominium) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with all applicable condominium documents; and provided further that any undertaking or contract entered into by the Association during the time that the Declarant has the right to appoint a majority of the Executive Board shall contain a provision reserving the right of the Association to terminate such undertaking or contract without penalty upon not more than ninety (90) days written notice to the other party(ies) thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Club Villas at St. James Plantation has caused these presents to be duly executed under seal, all as of the 30th day of September, 1997.

CLUB VILLAS AT ST. JAMES PLANTATION, LLC (Seal)

By: Julie A. Frasier (Seal)
Manager

NORTH CAROLINA

BRUNSWICK COUNTY

I, Dawn Boling, a Notary Public of the County and State aforesaid, certify that Julie A. Frasier personally appeared before me this day and acknowledged that he/she is a Manager of CLUB VILLAS AT ST. JAMES PLANTATION, LLC, a North Carolina limited liability company, and that by authority duly given and as the act of the limited liability company, the foregoing instrument was executed in its name by such Manager.

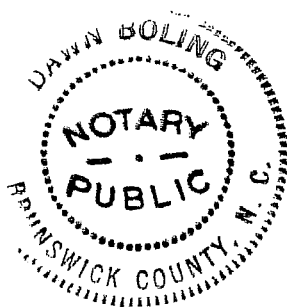
WITNESS my hand and official stamp or seal, this 30th day of September, 1997.

(Notary Seal)

Dawn Boling
Notary Public

My Commission Expires:

6/22/99



Branch Banking and Trust Company, as holder of a promissory note secured by a deed of trust on the property described in this Declaration of Condominium, said deed of trust being recorded in Book 1150, Page 36, Brunswick County Registry, and Wesley M. Beckner, as Substitute Trustee for Jerone C. Herring, Trustee under said deed of trust, join in the execution hereof for the purpose of subjecting the aforesaid deed of trust to the terms and provisions of this Declaration of Condominium.



BRANCH BANKING AND TRUST COMPANY

BY: [Signature]
Vice President

[Signature]
Assistant Secretary

NORTH CAROLINA

New Hanover COUNTY

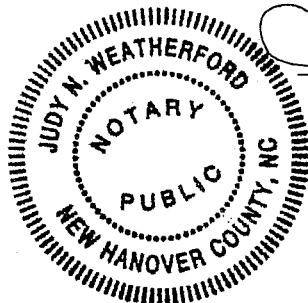
I, Judy N. Weatherford, a Notary Public of the County and State aforesaid, certify that Brent A Waddell personally appeared before me this day and acknowledged that he/~~she~~ is Assistant Secretary of BRANCH BANKING AND TRUST COMPANY, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by him/~~her~~ as its Assistant Secretary.

WITNESS my hand and official stamp or seal, this 1st day of October, 1997.

(Notary Seal)

My Commission Expires:

7-05-98



[Signature]
Notary Public

Wesley M. Beckner, Substitute Trustee for Jerone C. Herring, Trustee

Wesley M. Beckner
Wesley M. Beckner

NORTH CAROLINA

New Hanover COUNTY

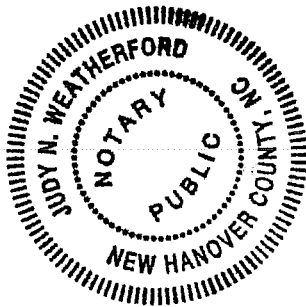
I, Judy N. Weatherford, a Notary Public of the County and State aforesaid, certify that Wesley M. Beckner, Substitute Trustee for Jerone C. Herring, Trustee, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

WITNESS my hand and official stamp or seal, this 1st day of October, 1997

(Notary Seal)

Judy N. Weatherford
Notary Public

My Commission Expires:
7-05-98



STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of Dawn Boling, Judy N. Weatherford

Notary(ies) Public is (are) Certified to be Correct.
This Instrument was filed for Registration on this 9th Day of October, 1997,
in the Book and Page shown on the First Page hereof.

Robert J. Robinson / R
ROBERT J. ROBINSON, Register of Deeds

EXHIBIT "A"

Allocated Interests in Common Elements

<u>Unit Number</u>	<u>Allocated Interest in Common Elements</u>
1	16.6667
2	16.6667
3	16.6667
4	16.6667
5	16.6666
6	16.6666
	<u>100.0000%</u>

EXHIBIT "B"

Legal Description of Real Property on Which
 All Possible Condominium Phases May Be Constructed

Beginning at a point in the southerly right of way line of Members Club Boulevard having the coordinates North 70434.456 East 2268151.204 in the NCGS grid system NAD 27, said point being the northwest corner of that tract of land containing 0.422 acres as shown on a plat of survey for Club Villas at St. James Phase 1 prepared by McHenry Surveying, dated April 7, 1997 and recorded in Map Cabinet 18, Page 301, Brunswick County Registry. Thence from said point of BEGINNING, South 18 degrees 29 minutes 51 seconds West 116.27 feet to a point marked by a new iron pipe. Thence running in a southerly direction the following fifteen courses and distances: South 21 degrees 36 minutes 30 seconds East 118.39 feet, South 18 degrees 24 minutes 27 seconds East 104.37 feet, South 14 degrees 39 minutes 56 seconds East 118.69 feet, South 31 degrees 21 minutes 16 seconds East 113.63 feet, South 26 degrees 00 minutes 00 seconds East 99.88 feet, South 15 degrees 12 minutes 53 seconds East 93.39, South 24 degrees 03 minutes 17 seconds East 150.62 feet, South 35 degrees 35 minutes 19 seconds West 53.93 feet, South 19 degrees 51 minutes 53 seconds West 127.97 feet, South 15 degrees 24 minutes 15 seconds East 58.59 feet, South 42 degrees 03 minutes 32 seconds West 98.04 feet, South 22 degrees 33 minutes 22 seconds East 93.85 feet, South 28 degrees 12 minutes 13 seconds West 45.73, South 24 degrees 20 minutes 09 seconds West 40.98, South 41 degrees 36 minutes 41 seconds East 80.19 feet to a point having the coordinates of North 69068.05 East 2268335.50. Thence running in a northerly direction the following fifteen courses and distances: North 59 degrees 39 minutes 59 seconds East 68.36 feet, North 53 degrees 01 minutes 39 seconds East 212.79 feet, North 17 degrees 01 minutes 23 seconds West 84.75 feet, North 07 degrees 46 minutes 55 seconds West 130.68 feet, North 20 degrees 46 minutes 50 seconds East 126.49 feet, North 25 degrees 51 minutes 06 seconds East 149.02 feet, North 45 degrees 59 minutes 42 seconds East 90.53 feet, North 22 degrees 14 minutes 52 seconds East 94.51 feet, North 01 degrees 11 minutes 57 seconds East 116.34 feet, North 40 degrees 14 minutes 35 seconds East 109.85 feet, North 56 degrees 06 minutes 31 seconds East 51.71 feet, North 74 degrees 08 minutes 15 seconds East 98.65 feet, South 65 degrees 56 minutes 26 seconds East 133.58 feet, South 63 degrees 30 minutes 12 seconds East 91.92 feet, South 86 degrees 24 minutes 49 seconds East 91.29 feet to a point in the southerly right of way line of Members Club Boulevard, having the coordinates North 69998.58 East 2269239.32. Thence running in a northwesterly direction along said right of way line the following eight courses and distances: on a curve to the right having a radius of 300.00 feet and a chord North 16 degrees 49 minutes 36 seconds west 69.39 feet, thence North 10 degrees 11 minutes 07 seconds West 135.34 feet, thence on a curve to the left having a radius of 100.00 feet and a chord North 61 degrees 50 minutes 49 seconds West 156.87 feet, thence on a curve to the right having a radius 399.07 feet and a chord South 88 degrees 19 minutes 45 seconds west 296.89 feet, thence North 69 degrees 50 minutes 00 seconds West 165.23 feet, thence on a curve to left having a radius of 829.26 feet and a chord North 76 degrees 43 minutes 15 seconds West 198.89 feet, thence on a curve to the right having a radius of 592.26 feet and a chord North 78 degrees 26 minutes 07 seconds West 106.81 feet, thence North 73 degrees 15 minutes 43 seconds West 162.59 feet to the point and place of BEGINNING. Said property containing 12.624 acres, more or less.

EXHIBIT "C"

Description of all easements and licenses which have been recorded and which now affect the Condominium or which affect any property which may become a part of the Condominium by virtue of the exercise of Development Rights:

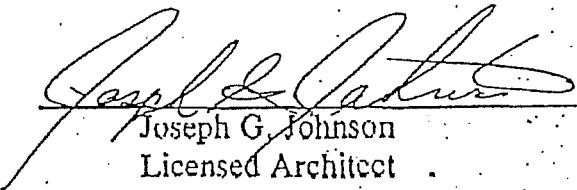
1. Easements shown on the plat the Condominium Plan;
2. Easements contained in a Master Declaration of Covenants, Conditions and Restrictions for St. James Plantation recorded in Book 839, Page 453, Brunswick County Registry, and all amendments thereto;
3. Easements contained in the Restrictive Covenants recorded in Book 1150, Page 25, Brunswick County Registry, and all amendments thereto;
4. Reserved, non-exclusive easements in favor of Homer E. Wright, Jr., Inc. in a deed to Club Villas at St. James Plantation, LLC, recorded in Book 1150, Page 33, Brunswick County Registry; and
5. Easements contained in this Declaration of Condominium.

CERTIFICATE OF COMPLETION

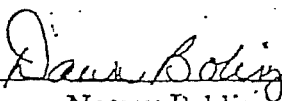
Phase 1 of Club Villas at St. James Plantation, a Condominium

I, Joseph G. Johnson, a Licensed Architect in the State of North Carolina, hereby certify that I inspected Phase 1 of Club Villas at St. James Plantation, a Condominium, on 10.7, 1997, and that the Units in said Phase and all structural components and mechanical systems of the building containing the Units in said Phase are substantially completed in accordance with the plans thereof.

This 10 day of Oct, 1997.


Joseph G. Johnson
Licensed Architect

Sworn to and subscribed before me
this 7th day of October, 1997.


Dawn Boling
Notary Public

My commission expires:

6/22/99

[Notary Seal]

