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RECORDED AND VERIFIED
REBECCA P. TUCKER
REGISTER OF DEEDS
NEW HANOVER CO., NC

COUNTY OF NEW HANOVER:

STATE OF NORTH CAROLINA:

AUG 13 3 21 PM '86

DECLARATION CREATING UNIT OWNERSHIP OF PROPERTY
UNDER THE PROVISIONS OF CHAPTER 47A OF THE
GENERAL STATUTES OF THE STATE OF NORTH CAROLINA

THIS DECLARATION, made this 8th day of August, 1986, by SHELL INVESTMENTS, INC., a North Carolina corporation, having its office at Myrtle Beach, South Carolina (together with any successor-in-title who comes to stand in the same relationship to the Condominium, as hereinafter defined, as its predecessor did, being hereinafter referred to as "DECLARANT");

KNOW ALL BY THESE PRESENTS:

THAT WHEREAS, the Declarant is the owner of record of fee simple title of certain real property in the City of Wrightsville Beach, County of New Hanover, State of North Carolina, which is more particularly described in Exhibit "A" attached hereto and made a part hereof by reference; and

WHEREAS, the Declarant is the owner of several buildings and certain other improvements heretofore constructed upon the aforesaid property; and

WHEREAS, the Declarant will convey the property described in said Exhibit "A" subject to certain protective and restrictive covenants, conditions, restrictions, reservations, liens and charges as hereinafter set forth into unit ownership (sometimes referred to as "Condominium" ownership), said project to be known as "Shell Island Resort Hotel", in the manner provided for by the provisions of Chapter 47A of the General Statutes of North Carolina, entitled "Unit Ownership Act"; and

WHEREAS, it is the desire and intention of the Declarant in the recordation of this DECLARATION in the Office of the Register of Deeds of New Hanover County, North Carolina, to submit said condominium project to the provisions of the said Chapter 47A;

NOW, THEREFORE, THE DECLARANT DOES HEREBY DECLARE THAT ALL OF THE REAL PROPERTY DESCRIBED IN EXHIBIT "A", ATTACHED HERETO AND MADE A PART HEREOF BY REFERENCE, AS WELL AS ALL OF THE IMPROVEMENTS CONSTRUCTED THEREON, IS HELD AND SHALL BE HELD, CONVEYED, HYPOTHECATED, ENCUMBERED, USED, OCCUPIED, AND IMPROVED SUBJECT TO THE FOLLOWING ARTICLES OF COVENANTS, CONDITIONS, RESTRICTIONS, USES, LIMITATIONS, AND OBLIGATIONS, ALL OF WHICH ARE DECLARED TO BE IN FURTHERANCE OF A PLAN FOR THE IMPROVEMENT OF SAID PROPERTY AND THE DIVISION THEREOF INTO CONDOMINIUM UNITS AND COMMON AREAS AND FACILITIES, AND SHALL BE DEEMED TO RUN WITH THE LAND AND SHALL BE A BURDEN AND A BENEFIT TO THE DECLARANT, ITS SUCCESSORS AND ASSIGNS, AND ANY PERSON OR ENTITY ACQUIRING OR OWNING AN INTEREST IN THE REAL PROPERTY AND IMPROVEMENTS, OR ANY SUBDIVISION THEREOF, THEIR GRANTEES, SUCCESSORS, DEVISEES, HEIRS, EXECUTORS, ADMINISTRATORS, AND ASSIGNS.

ARTICLE I

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Submission of Property

Pursuant to the provisions of Chapter 47A of the North Carolina General Statutes, Section 47A-2, the Declarant does hereby submit all of the real property described in Exhibit "A", attached hereto and made a part hereof by reference, together with all improvements thereon and described herein, to the provisions of the "Unit Ownership Act" of the State of North Carolina, which is codified as Chapter 47A of the General Statutes of the State of North Carolina.

ARTICLE II

Definitions

For the purposes of this Declaration and the By-Laws of the Association, hereinafter defined, the following definitions for the terms used herein and therein shall apply unless otherwise defined by the context thereof:

1. ACT shall mean and refer to the Unit Ownership Act, Chapter 47A of the General Statutes of the State of North Carolina, as such it may be supplemented or amended from time to time.

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2. ASSOCIATION shall mean and refer to the SHELL ISLAND HOMEOWNERS' ASSOCIATION, INC., a non-profit North Carolina corporation and the mandatory association of all unit owners, as is more particularly described in Article VI hereinbelow.

3. ASSESSMENT shall mean and refer to that portion of the funds necessary for the payment of the common expenses, hereinafter defined, of the Association which from time to time shall be levied or assessed against a unit owner and his unit by the Association, as provided for hereinbelow.

4. BUILDING shall mean and refer to those buildings shown on Exhibit "C" which the Declarant has constructed upon the real property described in Exhibit "A", to be used for residential and commercial purposes, as hereinafter provided. Attached hereto and made a part hereof by reference is Exhibit "C" which consists of a full and exact copy of the plans of the buildings as well as a survey of the real property, drawn by showing the location of the buildings thereon and showing all particulars as required by law. In general, the condominium consists of two (2) towers of nine (9) stories each, and has been subdivided into one hundred seventy (170) units, hereinafter defined, as well as the common areas and facilities, also hereinafter defined, of the condominium. The building is constructed principally of poured and placed reinforced concrete.

5. BOARD shall mean and refer to the Board of Directors of the Association and DIRECTOR shall mean and refer to a member of said Board.

6. BY-LAWS shall mean and refer to those By-Laws of the Association providing for the government of the Association as they are duly adopted and amended from time to time by the Association. A copy of the initial By-Laws are attached hereto as Exhibit "D" and made a part hereof by reference.

7. COMMON AREAS AND FACILITIES generally shall mean and refer to all of the real property, described on Exhibit "A", and all of the improvements and facilities thereon which are not units, as defined hereinafter, and which are not items of personal property owned, held and maintained by unit owners and which common areas and facilities are intended for the necessary or convenient use and enjoyment, existence, maintenance or safety of the condominium project. Without in any way limiting the generality of the foregoing, the common areas shall include, but not be limited to, the following:

(a) All of the real property more particularly described in Exhibit "A" attached hereto, which are not units, reference to which is hereby made for a more particular description thereof;

(b) All foundations, blocks, columns, girders, beams, supports, roofs, ventilation fans and vents, load bearing walls, including all exterior walls and all interior walls (except non-load bearing partition walls wholly within a unit) of a building;

(c) All stairways, stairwells and stairs, and elevators, and their components which give access to the units;

(d) All yard and garden areas, parking and drive areas, parking deck, sidewalks and swimming pools.

(e) All installations of and facilities, apparatus, conduits, and equipment for the provision of all utility services, including, but not limited to, all water and sewer service, electricity, heating, air conditioning, telephone, irrigation, trash disposal, and cable T.V., if any, which may be supplied for the common use and convenience of the unit owners, and which are not defined as part of the units, hereinbelow;

(f) All sewer pipes and sewer systems;

(g) All other portions of the real property and the improvements thereon which are not specifically part of the units themselves, as hereinafter defined, or owned by unit owners as personal property, shall be common areas and facilities.

B. COMMON EXPENSES shall mean and refer to the total cost and expense incurred by the Association (as hereinafter provided) for the administration,

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maintenance, operation, enjoyment, safety, repair, and replacement (including a capital reserve for repair, maintenance, and replacement) of the common areas and facilities as well as any other expense incurred by the Association pursuant to the fulfillment of its obligations and purposes as stated herein and labeled as common expenses. Common expenses are additionally intended to mean and refer to any expense incurred by the Association as shall be hereinafter agreed upon by the Association of unit owners as common expenses of the Association.

9. COMMON SURPLUS shall mean and refer to the balance of all revenues of the Association remaining after the deduction of the common expenses. Any such common surplus shall be used to reduce the assessments for members for the following fiscal year of the Association, based upon the proposed budget for the Association for the following fiscal year, subject, however, to the terms of Article VI.

10. CONDOMINIUM shall mean and refer to the entire proposed development consisting of all the real property and the buildings, all improvements and structures thereon and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for common use in connection therewith, which are intended to be submitted to the provisions of the Act by this Declaration, and the supplements and amendments hereto, as are provided for hereinbelow.

11. DECLARANT shall mean and refer to SHELL INVESTMENTS, INC., together with any successor-in-title who comes to stand in the same relationship to the Condominium as its predecessor did.

12. DECLARATION shall mean and refer to this instrument as it may from time to time be lawfully amended or supplemented.

13. LIMITED COMMON AREAS shall mean and refer to those common areas reserved for the exclusive use of certain units.

14. MAJORITY OR MAJORITY OF UNIT OWNERS shall mean and refer to the owners of fifty-one percent (51%) of the aggregate interest in the common areas and facilities of the Condominium, as established by this Declaration, or Amendments and/or Supplements, assembled in person or by proxy at a duly called meeting of the unit owners, or as otherwise provided herein.

15. PERSON shall mean and refer to an individual, corporation, partnership, association, trust, or other legal entity.

16. REAL PROPERTY shall mean and refer to all of the real property described in Exhibit "A" attached hereto and made a part hereof.

17. UNIT or CONDOMINIUM UNIT shall mean and refer to any one of those 169 subdivisions of enclosed space within the two main towers, together with any additional areas or spaces accompanying the same as defined hereinbelow, and which are intended to or will be sold as dwelling units pursuant to the Act and this Declaration. Additionally, there shall be a commercial unit, the location of which unit is shown on Exhibit "C". The deed for any particular unit shall convey such unit by its unit designation and the same shall be deemed to include all that is defined as a part of that unit as stated specifically in this definition as well as the privileges and appurtenances accompanying any such unit and subject to the covenants, conditions, restrictions and obligations applicable to unit owners as all are more generally stated and described throughout this Declaration.

The 169 residential units located in both the north and south towers are and will be identified by their unit designations which are as follows:

(a) Units 112 through 120 shall be located on the ground level of the southern tower and the unit designations shall ascend numerically in a southern direction. The units number 211 through 220 shall be located on the second level of the southern tower and the unit designations shall ascend numerically in a southerly direction. The units on the third, fourth, fifth, sixth, seventh, eighth and ninth floors of the southern tower shall be numbered similarly but the first digit shall be 3, 4, 5, 6, 7, 8 and 9 respectively to designate the appropriate floor.

(b) Units numbered 201 through 210 shall be located on the second floor of the northern tower and the unit designations shall ascend numerically in a southerly direction. The units on the third, fourth, fifth, sixth, seventh, eighth and ninth floors of the northern tower shall be numbered similarly but the first digit shall be 3, 4, 5, 6, 7, 8 and 9 respectively to designate the appropriate floor.

(c) The commercial unit shall be designated as "C-1" and is located on the ground level in the northern tower as shown on those plans attached in Exhibit "C".

These units and their designations are shown upon the plans of the buildings attached hereto in Exhibit "C", which also shows graphically all particulars of the buildings and their units, including, but not limited to, the layout, location, ceiling and floor elevations, dimensions of the units, and the layout and location of the common areas and facilities. Reference is hereby made to said plans for the purpose of identifying and locating each unit within the buildings, as well as identifying its dimensions, approximate areas, and number of rooms. No unit bears the same designation as any other. Any conflict between said plans and this definition shall be resolved by reference to the said plans, which shall control.

(c) All units, as well as the additional areas defined as part of each unit hereinbelow, are bounded both as to horizontal and vertical boundaries by the floors and walls respectively, subject to the easement reserved hereinbelow for such encroachments as are contained in the building whether the same now exist or may be caused or created by existing construction, settlement, or movement of the building, or by permissible repairs, construction or alteration.

All units shall be substantially the same in construction material. Each of the 169 units, other than the Commercial Unit is wholly contained within one of the 9 levels or stories of the two towers.

All 169 units are substantially the same, except for their exact physical location within the condominium. Each unit, other than the Commercial Unit has approximately 620 square feet and contains a living/dining area, 1 bedroom, 1½ baths and balcony. Units 120, 220, 320, 420, 520, 620, 720, 820 and 920 are designated handicap units and their differences are as shown on Exhibit "C".

(d) Each unit is hereby defined to also include:

- (i) All non-load bearing partition walls located entirely within the unit.
- (ii) All materials, including, but not limited to, carpet, paint, and vinyl attached to, or on, the interior finished surfaces of the perimeter walls, floors and ceilings of the unit, and all window panes, frames, panes, exterior doors and screening for the porch.
- (iii) All air-handling and condensing units, ducts and components, and all water, power, telephone, television and cable television, electricity, plumbing, gas and sewer lines, located within the unit; provided, however, that the portion of said lines located within a common compartment for, or installation of, such lines shall be common areas and facilities as defined hereinabove.
- (iv) Each unit is served by an individual heat pump/air conditioning unit located on the roof of their respective towers. This heat pump/air conditioning unit is considered a part of the respective units they serve.

(e) Each unit is hereby defined to exclude all pipes, ducts, wires, conduits and other facilities for the furnishing of utility services and other services to the units up to and including the point of entry of such pipes, ducts, wires, conduits and other facilities through the interior finished surface material for perimeter walls, ceilings and floors of units except as spe-

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cifically included under subparagraph 5 above. All such pipes, ducts, wires, conduits and other such facilities are defined as a part of the unit at and from their point of entry into the unit.

(f) The specifics, such as style, construction, materials, and finishes of the building and its units are best described in the plans of the building which are shown in Exhibit "C", attached hereto and made a part hereof by reference, and which shall control in case of conflict with the provisions hereof.

18. UNIT DESIGNATION shall mean and refer to the number which designates a unit within the condominium as the same is shown upon the plans of the building in Exhibit "C" attached hereto.

19. UNIT OWNER shall mean and refer to a person, corporation, partnership, association, trust, other legal entity, or any combination thereof, in whose name or names the title to or an interest in the title to any unit is vested, excluding those who own or hold such title or interest under the terms of any mortgage or deed of trust or other similar instrument for the purposes of securing the payment of an indebtedness or the performance of an obligation, and excluding the Association when the Association's ownership is for maintenance purposes only.

ARTICLE III

Plan of Development and Scope of Declaration

1. The name by which this condominium shall henceforth be known is SHELL ISLAND RESORT HOTEL. The declarant has caused to be constructed upon the real property described in Exhibit "A" two 9 story towers consisting of a lobby, a total of 169 units as well as a indoor/outdoor swimming pool, health spa, parking deck and a unit known as the Commercial Unit, containing the restaurant, offices, stores and utility rooms, and the common areas and facilities of both the towers and the real property, all as defined hereinabove and as shown upon the plans contained in Exhibit "C" attached hereto and made a part hereof by reference. The units of the towers, together with their privileges and appurtenances, shall be offered for sale to the public by the Declarant as condominium units pursuant to the provisions of Chapter 47A of the General Statutes of the State of North Carolina, subject to the covenants, conditions, restrictions, and obligations stated in the Articles of this Declaration, the Articles of Incorporation of the Association, its duly adopted By-Laws and its Rules and Regulations.

2. The Declarant, by this Declaration, submits the real property described on Exhibit "A", attached hereto, together with the improvements thereon, to the Act and hereinafter this submission shall be referred to as SHELL ISLAND RESORT HOTEL.

ARTICLE IV

Ownership Rights

1. COMMON AREAS:

(a) Each unit shall be conveyed and treated as an individual property capable of independent use and fee-simple ownership, and the owner or owners of each unit shall own, as an appurtenance to the ownership of each said unit, an undivided interest in the common areas and limited common areas, the undivided interest appurtenant to each said unit being that which is hereinafter specifically assigned thereto. The percentage of undivided interest in the common areas and limited common areas assigned to each unit shall not be changed except with the unanimous consent of all of the owners of all of the units, and except as provided in this Declaration and any amendments which may be added.

(b) No unit may be divided or subdivided into a smaller unit or units than as shown on Exhibit "C" hereto, nor shall any unit or portion thereof be added to or incorporated into any other unit. The undivided interest in the common areas and limited common areas and facilities declared to be an appurtenance to each unit shall not be conveyed, devised, encumbered, or otherwise dealt with separately from said unit, and the undivided interest in common areas

and facilities appurtenant to each unit shall be deemed conveyed, devised, encumbered, or otherwise included with the unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering, or otherwise dealing with such unit. Any conveyance, mortgage, or other instrument which purports to grant any right, interest, or lien in, to or upon a unit, shall be null, void and of no effect insofar as the same purports to affect any interest in a unit and its appurtenant undivided interest in common areas and facilities, unless the same purports to convey, devise, encumber, or otherwise trade or deal with the entire unit. Any instrument conveying, devising, encumbering, or otherwise dealing with any unit, which described said unit by the letter/numerical designation assigned thereto in Exhibit "C" without limitation or exception, shall be deemed and construed to affect the entire unit and its appurtenant undivided interest in the common areas and facilities. Nothing herein contained shall be construed as limiting or preventing ownership of any unit and its appurtenant undivided interest in the common areas and facilities by more than one person or entity as tenants-in-common, joint tenants, or as tenants by the entirety.

(c) Except for the limited common areas which are reserved for the exclusive use of particular owners, the common areas 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 immediate families, guests, and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said owners of units subject nevertheless to the easements and rights herein elsewhere set out or reserved in favor of Declarant. Notwithstanding anything above provided in this Article, the Association shall have the right to establish the rules and regulations pursuant to which the owner or owners of any unit may be entitled to the exclusive use of any parking space or spaces.

(d) Recognizing that the proper use of a unit by any owner or owners is dependent upon the use and enjoyment of the common areas and limited common areas in common with the owners of all other units, and that it is in the interest of all owners of units that the ownership of the common areas and limited common areas be retained in common by the owners of units in the condominium, it is declared that the percentage of the undivided interest in the common areas and limited common areas appurtenant to each unit shall remain undivided and no owner of any unit shall bring or have any right to bring any action for partition or division.

2. UNITS:

(a) Except for the commercial unit, its limited common areas, rights and easements, each unit is hereby restricted to residential use by the owner or owners thereof, their immediate families, guests, and invitees; provided, however, that so long as Declarant shall retain any interest in the condominium, it may utilize a unit or units of its choice from time to time, for sales or leasing office, model, or other usage for the purpose of selling or leasing units in said condominium. Further, Declarant may assign this commercial usage right to such other persons or entities as it may choose; provided, however, that when all units have been conveyed other than by foreclosure, Judicial Sale, or deed in lieu thereof, this right of commercial usage shall immediately cease. The termination of commercial usage upon the sale of all units shall not apply to the commercial unit.

Provided, however, nothing in this Declaration shall prohibit the owner of the commercial unit from permitting and declaring that such unit or any portion of such unit shall be subject to use for residential purposes only and be subject to the residential restrictions set out in this Article.

(b) Any person who is the owner of a unit, together with members of his family, social guests, lessees, invitees and licensees, may use the recreational facilities which are common areas. Where a corporation is a unit owner, the use of said recreational facilities shall be limited at any one time to such officer, directors or employees of said corporation who is in actual residence or possession of the unit and such individual shall be deemed to be the unit owner for the purposes of this paragraph. Where a party owns one condominium unit and leases same, the lessee shall be entitled to the use of the recreational facilities and said lessee's rights thereto shall be the same as

though said lessee were the unit owner and during the term of the lease, the unit owner and his family shall not be entitled to the use of the recreational facilities.

3. **COMMERCIAL UNIT:** A commercial unit shall be a part of the Shell Island condominium project and shall be identified as "Commercial Unit" on the plans shown in Exhibit "C". This commercial unit may be used for any legal commercial purposes including, but not limited to, the purposes of general rentals, management, shops, offices, stores, sales, meeting rooms, restaurant, lounge, game room, health spa, night club, or any combination of such uses, whether or not related to the condominium property. Such commercial unit shall have the following limited common areas associated with its storage areas: maid and other support rooms, laundry room, laundry chutes and/or mail chutes together with necessary and proper easements for access to and maintenance of said areas.

The stairs and elevators located within the ground floor of the northern tower shall be considered common elements and not a part of the Commercial Unit.

An easement is hereby reserved for the benefit of the owners of the commercial unit. This easement shall be for the purposes of ingress and egress to the commercial unit for patrons, guests, invitees, licensees and other authorized individuals over common areas including corridors and walkways located adjacent to the commercial unit. Additionally, an easement for parking is hereby granted to patrons, guests, invitees, licensees and other individuals authorized by the owner of the commercial unit to enter its premises. This easement for parking shall be limited to maximum of 100 spaces.

4. **USE OF COMMON AREAS AND LIMITED COMMON AREAS:** The use of common areas and limited common areas by the owner or owners of all units, and all other parties authorized to use the same, shall be at all time subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may hereafter be prescribed and established by the Association or By-Laws. Provided, the Declarant shall have the right so long as one (1) condominium unit is being held by the Declarant for sale in the ordinary course of business to use a portion of the common areas and limited common areas for the purpose of aiding in the sale of condominium units including the right to use portions of the condominium property for parking for prospective purchasers and such other parties as Declarant determines. The foregoing right shall mean and include the right to display and erect signs, billboards and placards and store, keep and exhibit same and distribute audio and visual promotional materials upon the common areas and limited common areas. The use of the limited common areas appurtenant to the commercial unit shall be exclusively that of the owner thereof (except as the owner thereof may permit) and such use may be and is expressly permitted to be in the nature of storage, supply, stores, shops, night club, game room and all other useful, lawful and/or necessary functions which are related to or supportive of the permitted uses of the commercial unit.

(a) No immoral, improper, offensive or unlawful use shall be made of any unit or of the common areas and facilities, nor any part thereof, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the unit shall be observed. No owner of any unit shall permit or suffer anything to be done or kept in his unit, or on the common areas and facilities, which will increase the rate of insurance on the unit, or which will obstruct or interfere with the right of other occupants of the other units 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 or the common areas and facilities.

(b) No owner of a unit shall permit to be made any structural modifications or alterations therein without first obtaining the written consent of Association, which consent may be withheld by the Board of Directors in their sole discretion. If the modification or alteration desired by the owner of any unit involves the removal of any permanent interior partition, Association shall have the right to permit such removal so long as the permanent interior partition to be removed is not a loadbearing partition, and so long as the removal thereof would in no manner affect or interfere with the provision of utility services constituting common areas therein. No owner shall cause the balcony

abutting his unit to be enclosed, or cause any improvements or changes to be made on the exterior of the building, including painting or other decoration, or the installation of electrical wiring, television antenna, machines or air conditioning units, which may protrude through the walls or roof of the building not within the walls of such unit, nor shall storm panels or awnings be affixed, without the written consent of Association being first obtained.

(c) The owner of the commercial unit may, without consent of the Board of Directors of the Association, make such modifications in the commercial unit (including the limited common areas appurtenant thereto) as it deems advisable so long as such changes do not affect the structural integrity of the building in which they are located and may, additionally, make such modifications as are specifically provided for in this Declaration. The owner of the commercial unit may also erect such signs as it may choose on the common areas to advertise its permitted activities, so long as they are reasonable in nature.

ARTICLE V

Easements

In addition to easements and rights established and/or reserved elsewhere in this Declaration, the following easements, rights and limitations are hereby established as covenants and burdens running with the real property and the improvements thereon:

1. 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 Board of Directors 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.

2. Each unit owner shall have an easement in common with the other owners of all units to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in such unit. The Board of Directors of the Association or its designee shall have the right of access to each unit to inspect the same, to remove violations therefrom and to maintain, repair, or replace the common facilities contained therein or elsewhere in the building.

3. There shall be reserved for maid service, those areas located and shown on Exhibit "C", designated as "maid room". Additionally, those storage areas located on each floor and not designated as maid storage shall be reserved for storage of items as authorized by the Association or the managing agent. There shall also be reserved for maid service, housekeeping and storage, those enclosed areas on each floor. These storage areas shall not be used by unit owners or guests for storage of personal items unless authorized in writing by the Board of Directors.

Those areas shown as offices on the third, fifth, seventh and ninth floors by the plans attached as Exhibit "C" shall be considered common areas, but shall be reserved for the sole use of the Association and not for the personal use of the unit owners.

4. There shall be parking for vehicles within the parking deck and in front of the northern tower as shown on Exhibit "C". The remaining areas not designated as parking or storage, as provided above, shall be common area and shall not be used for storage of personal items or property owned by the unit owners or their guests. The Board of Directors or its agents shall have the power to remove and hold any property found to be in violation of this paragraph.

5. Ingress and egress is reserved for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes as the same from time to time may exist upon the common areas and facilities; and, for vehicular traffic over, through and across such portions of the common areas and facilities as from time to time may be paved and intended for such purposes, for all unit owners of

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units of SHELL ISLAND RESORT HOTEL, their guests, families, invitees, lessees, the Association, and the Declarant, its successors and assigns.

6. If the Board of Directors of said Association determines it to be in the best interest of the owners, the Board of Directors may hereafter grant easements for the benefit of the condominium property and the owners or any number of them. The Declarant hereby grants to the Board of Directors of the Association the authority to execute any easements as may be determined necessary by the Board of Directors.

7. The Declarant hereby reserves unto itself the right to grant easements over any of the common areas and facilities of the condominium as may become necessary for the purpose of the Declarant, its grantees, lessees, successors, or assigns, for servicing the condominium project with utility services, drainage and easements for ingress, egress and regress.

8. In the event that any unit shall encroach upon any of the common areas, limited common areas and facilities, or any other unit or units, for any reason not caused by the purposeful or negligent act of the unit owner, or agents of such owner, then an easement appurtenant to such unit shall exist for the continuance of such encroachment upon the common areas, limited common areas and facilities or upon a unit for so long as such encroachment shall naturally exist. If any unit or common areas, limited common areas and facilities shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such unit and/or common areas and limited common areas and facilities in accordance with this Declaration, there exist encroachments of portions of the common areas, limited common areas and facilities upon any unit, or of any unit upon any other unit or upon any portion of the common areas, limited common areas and facilities, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as the encroachments shall naturally remain.

ARTICLE VI

The Association

To efficiently and effectively provide for the administration and maintenance of SHELL ISLAND RESORT HOTEL, a non-profit North Carolina corporation known and designated as SHELL ISLAND HOMEOWNERS' ASSOCIATION, INC. (herein the "Association"), has been organized, a true copy of its Articles of Incorporation having been recorded in Book 1339 at Page 472 in the Office of the Register of Deeds of New Hanover County, North Carolina, and the provisions thereof are incorporated herein by reference. The Association shall administer the operation and management of the condominium, SHELL ISLAND RESORT HOTEL, and shall undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and its duly adopted By-Laws. A true copy of the original By-Laws is attached hereto in Exhibit "B" and expressly made a part hereof by reference.

1. Declarant Control: Declarant reserves the right to appoint and replace from time to time the members of the Board of Directors as provided by the By-Laws so long as Declarant is the owners of five (5) or more units.

In any event, and no matter how many units are owned by Declarant, the rights given under this paragraph to appoint members to the Board of Directors shall expire on December 31, 1991, if not previously expired. Should any member of the first Board of Directors be unable to serve for any reason, Declarant shall have the right to select a designated party to act and serve as a director for the unexpired term of said director who is unable to serve.

Said Board of Directors shall exclusively be responsible for the total operation and management of the Association, exercising all powers, duties, and obligations thereof, free from interference or control by any and all unit owners; provided, however, that said Board shall manage and operate the Association in a manner consistent with the terms and conditions of this Declaration, any and all supplements or amendments hereto, the Association's Articles of Incorporation and its duly adopted By-Laws; provided further, however, that the Declarant may, by written notice to each unit owner, manifest its intention to cause the resignation of any or all of the said Board of

Directors at which time a meeting of the membership of the Association shall be called for the purpose of the election of a new member or new Board of Directors of the Association from the membership thereof, who shall then become responsible for the operation and management of the Association.

Any Director designated and selected by Declarant need not be a resident of the condominium. The Declarant shall have the right, in its sole discretion, to waive the terms of this section.

Any representative of Declarant serving on the Board of Directors of the Association shall not be required to disqualify himself upon any vote upon any management contract or other matter between Declarant and Association where the said Declarant may have a pecuniary or other interest. Similarly, Declarant, as a member of Association, shall not be required to disqualify itself in any vote which may come before the membership of Association upon any management contract or other matter between Declarant and Association where Declarant may have a pecuniary or other interest.

2. Membership and Voting Rights: Membership and voting rights in the Association shall be as provided in Article III of its By-Laws referred to and incorporated herein as stated hereinabove membership being mandatory for all unit owners of all units in SHELL ISLAND RESORT HOTEL.

3. Powers: The Association shall have all powers granted to it as stated in the By-Laws.

4. Percentage of Common Expenses: Each unit owner of SHELL ISLAND RESORT HOTEL shall share in the common expenses of SHELL ISLAND RESORT HOTEL at the rate equal to said unit owner's interest in the undivided common areas and facilities as determined in Exhibit "B".

5. Management and Maintenance:

(a) Except as set out below, the Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the common areas, and, except as set out below, limited common areas including those portions thereof which contribute to the support of the building, and all conduits, ducts, plumbing, wiring and other facilities located in the common areas or limited common areas for the furnishing of utility services to the units and said common areas and limited common areas, and should any incidental damage be done or caused to be done by Association in the maintenance, repair or replacement of any common area or limited common area the said Association shall, at its expense, repair such incidental damage. The interior surfaces of walls and floors and the doors located within the limited common areas shall be repaired and maintained by the owners of the units to which the exclusive use is reserved, although this shall not include replacement or repair following a fire or other catastrophe or happening for which the Association carries insurance and in such case, the insurance proceeds shall be used to replace or repair pursuant to the Article dealing with insurance and damage to common areas and limited common areas.

(b) Association shall have the right to make or cause to be made such alterations or improvements to the common areas which do not prejudice the rights of the owner of any unit, provided the making of such alteration and improvements are approved by the Board of Directors of said Association, and the cost of such alterations or improvements shall be assessed as common expense to be assessed and collected from all of the owners of units according to the percentages set out in Exhibit "B" of the Declaration. However, where any alterations and improvements are exclusively or substantially exclusively for the benefit of the owner or owners of a unit or units requesting the same, then the cost of such alteration and improvements shall be assessed against and the assessment shall be levied in such proportion as may be determined by the Board of Directors of Association. Alterations or improvements may not be made by Association to limited common areas without the express written consent of the owner of the unit to whom use of the limited common area is restricted.

(c) Delegation of Management: In order to provide the necessary management and maintenance of the condominium project, the Declarant shall immediately enter into a contract with Sands Properties, Inc. for a period of two (2) years for the initial maintenance, supervision and management of the con-

dominium project. Said firm shall be an independent contractor and shall be paid for its services from the monthly assessment of the homeowners' association dues. At the expiration of the initial two (2) year period, the Board of Directors of said Association has the right to either renew said contract or to negotiate another contract with any other person, firm or entity.

(d) Unit Owners Maintenance: 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 fixtures and/or their connections required to provide water, light, power, telephone, sewer and sanitary service to his unit. Such owner shall further be responsible and liable for the maintenance, repair, and replacement of the surfaces of any and all walls, ceilings, and floors which are a part of 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. All glass doors, window frames, panes and screens are a part of the respective unit.

All parts of a unit shall be kept in good condition and repair by and at the expense of the owner. The unit shall be maintained by the owner in a clean and safe condition, free of nuisance. Each unit owner will promptly comply with any requirements of the insurance underwriters of the insurance for the common areas and facilities when so requested in writing by the Board or its designated agent. Any failure of an owner to repair, maintain, or replace as may be required pursuant to this Declaration, or a determination by the Board or its designated agent that such failure will endanger or impair the value of the common areas and facilities or any unit may be upon written notice to the owner of the nature of the required repair, maintenance, or replacement, repaired or replaced by the Association at the expense of the unit owner, to be collected by special assessment as provided herein and in the By-Laws. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the unit owner therein.

(e) Limitation of Liability: Notwithstanding the duty of the Association to maintain and repair parts of the condominium property, the Association shall not be liable to unit owners for injury or damage caused by any latent condition of the property to be maintained and repaired by the Association, or caused by the elements or other owners or persons.

6. Insurance: Insurance coverage on the property shall be governed by the following provisions:

(a) Personal Liability: The owner of each unit, may, at his own expense, obtain insurance coverage for loss of or damage to any furniture, furnishings, personal effects and other personal property belonging to such owner and may, at his own expense and option, obtain insurance coverage against personal liability for injury to the person or property of another while within such owner's unit or upon the common areas and/or limited common areas. All such insurance obtained by the owner of each unit shall, wherever such option shall be available, provide that the insurer waives its rights of subrogation as to any claims against other owners of units, Association, and the respective servants, agents and guests of said other owners and Association, and such other insurance coverage should be obtained from the insurance company from which Association obtains coverage against the same risk, liability or peril, if said Association has such coverage. Risk of loss of or damage to any furniture, furnishings, personal effects and other personal property (other than such fur-

niture, furnishings and personal property constituting a portion of the common areas) belonging to or carried on the person of the owner of each unit, or which may be stored in any unit, or in, to or upon common areas and limited common areas shall be borne by the owner of each such unit. All furniture, furnishings and personal property constituting a portion of the common areas and limited common areas and held for the joint use and benefit of all owners of all units shall be covered by such insurance as shall be maintained in force and effect by Association as hereinafter provided. The owner of a unit shall have no personal liability for any damages caused by the Association or in connection with the use of the common areas and limited common areas. The owner of a unit shall be liable for injuries or damage resulting from an accident in his own unit to the same extent and degree that the owner of a house would be liable for an accident occurring within the house.

(b) Insurance Coverage to be Maintained by Association: The following insurance coverage shall be maintained in full force and effect by Association covering the operation and management of the condominium and the said condominium, meaning the units and common areas, to-wit:

I. Coverage: All buildings and improvements upon the land and all personal property included in the common areas and facilities shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, or by ninety percent co-insurance coverage if approved in writing by the first mortgage holder of Declarant's units so long as Declarant owns twenty units or more, or by such other form of policy as the Board of Directors annually determines will most reasonably provide the funds necessary to repair or reconstruct the insured improvements. Such coverage shall afford protection against (a) loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and (b) such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the buildings on the real property, including, but not limited to, vandalism and malicious mischief.

Public liability and property damage insurance in such amount and in such form as shall be required by Association to protect said Association and the owners of all units, including, but not limited to, water damage, legal liability, hired automobile, non-owned automobile and off premises employee coverage.

Workmen's Compensation insurance to meet the requirements of law.

Such other insurance coverage, other than title insurance, as the Board of Directors of Association, in its sole discretion, may determine from time to time to be in the best interests of Association and the owners of all of the units or as an institutional type lender may reasonably require so long as it is the owner of a mortgage or any unit.

II. Insurance Premiums as Common Expense: All insurance coverage authorized to be purchased shall be purchased by Association for itself and for the benefit of all of the owners of all units and their respective mortgagees. The cost of obtaining the insurance coverage authorized above is declared to be a common expense, as are any other fees and expenses incurred which may be necessary or incidental to carrying out the provisions hereof. All or part of insurance premiums considered common expense may be billed to the unit owner in proportion to the percentage interest in the common areas as a separate assessment fee in addition to the regular assessment, if the Homeowners Association deems it in the best interest of the condominium in accordance with paragraph 8 infra.

III. Acquisition: Insurance policies upon the condominium, other than title insurance, shall be purchased by the Association in the name of the Board of Directors of the Association, as Trustee for the unit owners and their respective mortgagees as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of mortgages on the units or

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any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against unit owners, the Association and their respective servants, agents, and guests.

IV. Distribution of Insurance Proceeds: Proceeds of insurance policies shall be payable to the Board of Directors, as insurance trustee and shall be distributed to or for the benefit of the beneficial owners in the following manner:

V. Expense of the Trust: All expenses of the insurance trustee shall be first paid or provision made therefor, if any;

VI. Reconstruction or Repair: If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as determined in Paragraph 6(c)III hereof. Any proceeds remaining after defraying such cost shall be distributed as common surplus pursuant to Paragraph 7(1) hereof;

VII. Failure to Reconstruct or Repair: If it is determined as provided in Paragraph 6 (c) hereof that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed as common surplus pursuant to Paragraph 1 hereof;

VIII. Mortgagees: In the event a mortgagee endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired.

(c) DAMAGE AND DESTRUCTION:

I. Determination to Reconstruct or Repair: If any part of the condominium property shall be damaged by casualty, whether it shall be reconstructed or repaired shall be determined in the following manner:

II. Common Areas and Limited Common Areas and Facilities: If the damaged improvement is a common area, limited common area or facility, the damaged property shall be reconstructed or repaired, unless it is determined in the manner elsewhere provided that the condominium shall be terminated;

III. UNITS:

Partial Destruction: If a damaged improvement is a unit, and if termination as provided below does not take place, the unit owner shall be required to rebuild the unit. If the insurance proceeds are insufficient to defray the cost, then a special assessment shall be levied by the Board of Directors of the Association against all owners according to the respective undivided percentage interest in the Common Areas appertaining to each unit in the Condominium for all amounts required to rebuild and not covered by insurance proceeds. However, such requirement to rebuild shall not be effective if it is determined by agreement in the manner provided by Article VIII hereof within sixty (60) days after the casualty that the condominium shall be terminated;

Total Destruction: If more than two-thirds (2/3) of the units are destroyed and the owners of three-fourths (3/4) of the units in the entire condominium should determine not to proceed with repair or restoration, then the condominium shall be terminated as provided in §47A-25 of the North Carolina Statutes, and any amendments thereto.

7. Association to Maintain Register of Owners and Mortgagees: The Association shall at all time 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 or mortgages on any unit, the amount of such mortgage or mortgages and the recording information which shall be pertinent to identify the mortgage or mortgages. The holder of any mortgage or mortgages upon any unit may, if he so desires, notify the Association of the existence of any mortgage or mortgages held by such party on any unit and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

8. Assessments, Maintenance Fee, Liability, Lien and Enforcement: 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 properly administer the operation and management of the project, Association will incur, for the mutual benefit of all of the owners of units, costs and expenses which will be continuing or non-recurring costs, as the case may be, which costs and expenses are sometimes herein referred to as "common expense". To provide the funds necessary for such proper operation and management, the said Association has heretofore been granted the right to make, levy and collect assessments against the owners of all units and said units. In furtherance of said grant of authority to the Association to make, levy and collect assessments to pay the costs and expenses for the operation and management of the condominium, the following provisions shall be operative and binding upon the owners of all units, to-wit:

(a) All assessments levied against the owners of units and said units shall be uniform and, unless specifically otherwise provided for in this Declaration, the assessments made by Association shall be in proportion to the percentage of ownership of the common areas and limited common areas of each unit as set forth in Exhibit "B" of this Declaration. Should Association be the owner of any unit, the assessment which would otherwise be due and payable to Association by the owner of such unit, reduced by the amount of income derived from the leasing of such unit by Association, shall be apportioned and assessment therefor levied ratably among the owners of all units which are not owned by Association, based upon their proportionate interests in the common areas and limited common areas exclusive of the interests therein appurtenant to any unit or units owned by Association.

(b) The assessment levied against the owner of each unit and his unit shall be payable in annual, quarterly or monthly installments, or in such other installments and at such times as may be determined by the Board of Directors of Association.

(c) The Board of Directors of Association shall establish an Annual Budget in advance for each fiscal year which shall correspond to the calendar year, and 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 allowance for contingencies and reserves, such Budget to take into account projected anticipated income which is to be applied in reduction of the amount required to be collected as an assessment each year. Upon adoption of such Annual Budget by the Board of Directors of Association, copies of said Budget shall be delivered to each owner of a unit and the assessment for said year shall be established based upon such Budget, although the delivery of a copy of said Budget to each owner shall not affect the liability of any owner for such assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the condominium, or in the event of emergencies, said Board of Directors shall have the authority to levy such additional assessment or assessments as it shall deem to be necessary.

(d) The Board of Directors of Association, in establishing said Annual Budget for operation, management and maintenance of the condominium shall include therein a sum to be collected and maintained as reserve fund for replacement of common areas and limited common areas, which reserve fund shall be for the purpose of enabling Association to replace structural elements and mechani-

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cal equipment constituting a part of the common areas as well as the replacement of personal property which may constitute a portion of the common areas and limited common areas held for the joint use and benefit of all of the owners of all units. The amount to be allocated to such reserve fund for replacements shall be established by said Board of Directors so as to accrue and maintain at all times a sum reasonably necessary to anticipate the need for replacements of said common areas and limited common areas. The amount collected and allocated to the reserve fund for replacements from time to time shall be maintained in a separate account by Association, although nothing herein contained shall limit Association from applying any monies in such reserve fund for replacements to meet other needs or requirements of Association in operation or managing the condominium in the event of emergencies, or in the event that the sums collected from the owners of units are insufficient to meet the then fiscal financial requirements of Association, but it shall not be a requirement that these monies be used for such latter purposes, as a separate assessment may be levied therefor if deemed to be preferable by the Board of Directors of Association in the sole discretion of said Board of Directors.

(e) The Board of Directors of Association in establishing said Annual Budget for operation, management and maintenance of the condominium, shall include therein a sum to be collected and maintained as a general operating reserve which shall be used to provide a measure of financial stability during periods of special stress when such sums may be used to meet deficiencies from time to time existing as a result of emergencies or for other reason placing financial stress upon the Association.

(f) The payment of any assessment or installment thereof due to Association, shall be in default if such assessment or any installment thereof, is not paid unto Association, on or before the due date for such payment. When such payment is in default, the Board of Directors may accelerate the remaining installments of the annual assessment upon notice thereof to the unit owner, whereupon the entire unpaid balance of the annual assessment shall become due upon the date stated in the notice, which shall not be less than ten (10) days after the date of the notice. In the event any assessment, installment or accelerated assessment is not paid within twenty (20) days after its due date, the Association, through its Board of Directors, may proceed to enforce and collect the said assessment against the unit owner owing the same in any manner provided for by the Act, including the right of foreclosure and sale. When in default, the delinquent assessment or delinquent installment thereof due to Association shall bear interest at the then highest rate of interest permitted by law or if no such rate, at 10% per annum until such delinquent assessment or installment thereof, and all interest due thereon, has been paid to the Association.

(g) The owner or owners of each unit shall be personally liable to Association for the payment of all assessments, regular or special, which may be levied by Association while such party or parties are owner or owners of a unit in the condominium. In the event that any owner or owners are in default in payment of any assessment or installment thereof owed to Association, such owner or owners of any unit shall be personally liable for interest on such delinquent assessment or installment thereof as above provided, and for all cost of collecting such assessment or installment thereof and interest thereon, including a reasonable attorney's fee, whether suit be brought or not.

(h) No owner of a unit may exempt himself from liability for any assessment levied against such owner and his unit by waiver of the use or enjoyment of any of the common areas, or by abandonment of the unit, or in any other manner.

(i) Recognizing that the necessity for providing proper operation and management of the condominium entails the continuing payment of costs and expenses therefor, which results in benefit to all of the owners of units, and that the payment of such common expense represented by the assessments levied and collected by Association is necessary in order to preserve and protect the investment of the owner of each unit, Association is hereby granted a lien upon such unit and its appurtenant undivided interest in common areas, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the owner of each unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to Association, and which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by Association in enforcing

this lien upon said unit and its appurtenant undivided interest in the common areas. The lien granted to the Association may be foreclosed in the same manner as provided by North Carolina General Statute 47A-22, and in any suit for the foreclosure of said lien, the Association shall be entitled to rental from the owner of any unit from the date on which the payment of any assessment or installment thereof becomes delinquent and shall be entitled to the appointment of a receiver for said unit. The rental required to be paid shall be equal to the rental charged for comparable types of units in Wrightsville Beach, North Carolina. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens, or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the then highest rate or, if no such rate, at 10% per annum on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, is hereby placed on notice of the lien granted to Association, and shall acquire such interest in any unit expressly subject to such lien.

(j) The lien herein granted unto Association shall be effective from and after the time of recording in the public records of New Hanover County, North Carolina, a claim of lien stating the description of the unit encumbered thereby, the name of the record owner, the amount due and the date when due, and the lien shall continue in effect until all sums secured by said lien, as herein provided, shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed, and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record. The claim of lien filed by the Association shall be subordinate to the lien of any mortgage or any other lien recorded prior to the time of recording of the claim of lien.

In the event that any Person shall acquire title to any unit and its appurtenant undivided interest in common areas by virtue of any foreclosure or judicial sale or by deed in lieu thereof, such Person so acquiring title shall only be liable and obligated for assessments as shall accrue and become due and payable for said unit and its appurtenant undivided interest in common areas subsequent to the date of acquisition of such title, and shall not be liable for the payment of any assessment by Association representing an apportionment of taxes or special assessment levied by taxing authorities against the condominium in its entirety. In the event of the acquisition of title to a unit by foreclosure or judicial sale or deed in lieu thereof, any assessment 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, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

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

In any voluntary conveyance of a unit, the Grantee shall be jointly and severally liable with the Grantor for all unpaid assessments against Grantor made prior to the time of such voluntary conveyance, without prejudice to the rights of the Grantee to recover from the Grantor the amount paid by the Grantee therefor. Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by Association which shall prevent its thereafter seeking enforcement of the collection of any sums remaining owing to it by foreclosure, nor shall proceeding by foreclosure to attempt to effect such collection be deemed to be an election precluding the institution of suit at law to attempt to effect collection of any sums then remaining owing to it. A deed in lieu of foreclosure shall not be deemed a voluntary conveyance for purposes of this paragraph.

After the closing of the first unit of SHELL ISLAND RESORT HOTEL, Declarant shall be responsible for paying assessments to the Association which Declarant deems necessary to keep Association operating in accordance with this Declaration.

After control of the Board of Directors of Shell Island Homeowners' Association, Inc. has been assumed by the unit owners pursuant to this Declaration and the By-Laws, or after any mortgagee shall have acquired title to Declarant's unit by foreclosure, judicial sale or deed in lieu thereof, which ever occurs first, the Declarant or such mortgagee shall be responsible for paying a share of the assessment fees proportionate to the undivided percentage interest in the Common Areas appertaining to units so owned by Declarant or such mortgagee.

(1) Common Surplus: Common surplus, meaning the excess of or receipts of the Association, including, but not limited to assessments over the amount of common expense, shall be owned by the owners of all units in the same proportion that the undivided interest in common areas and facilities appurtenant to each owner's unit bears to the total of all undivided interest in common areas and facilities appurtenant to all units; provided, however, that said common surplus shall be held by the Association in the manner, and subject to the terms, provisions, and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity or proceeds herein provided, or upon termination of the condominium, any distribution of the common surplus which may be made from time to time shall be made to the then owners of units in accordance with their percentage interest in common surplus as declared herein.

ARTICLE VII

Declaration Binding Upon Declarant

The restrictions and burdens imposed by the covenants of this Declaration are intended to and shall constitute an equitable servitude upon each unit and its appurtenant undivided interest in common areas and this Declaration shall be binding upon 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.

ARTICLE VIII

Termination

This Declaration and said plan of condominium ownership may only be terminated by no less than a 75% affirmative vote of all of the owners of all units and all of the parties holding mortgages, liens or other encumbrances against any of said units, in which event the termination of the condominium shall be by such plan as may be then adopted by said owners and parties holding any mortgages, liens or other encumbrances. Such election to terminate this Declaration established herein shall be executed in writing by all of the aforementioned parties, and such instrument or instruments shall be recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

ARTICLE IX

Limitation of Right to Partition

No condominium unit owner shall bring, or have any right to bring, any action for partition or division of the condominium property, including but not limited to, partition or division of common areas or limited common areas.

No unit owner shall be allowed to subdivide its unit in a manner not provided by this Declaration. Additionally, no unit owner shall be allowed to convert its unit into an interval ownership concept or time-share concept.

ARTICLE X

Amendments of Declaration of Condominium

1. An amendment or amendments to this Declaration may be adopted by affirmative vote of at least sixty-seven (67%) percent in number and in common

ownership of all unit owners, cast in person or by proxy at a meeting duly held in accordance with the By-Laws of the Association. However, no amendment so adopted can alter any Undivided Interest in the Common Areas and Facilities. Notwithstanding the above, no amendment shall be adopted without the written consent of first mortgage holder of Declarant's units so long as Declarant owns twenty (20) units or more.

2. No alteration, amendment, or modification of the rights and privileges granted and reserved hereunder in favor of an institutional lender or institutional lenders shall be made without prior written consent of all institutional lenders holding mortgages on units in the condominium being first had and obtained.

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

4. Notwithstanding the foregoing paragraphs of this Article, the Declarant, so long as it has the right to appoint members to the Board of Directors as provided in Article VI of the Declaration, reserves the right at any time to amend the Declaration, as may be required by any lending institution or public body, or in such manner as the Declarant may determine to be necessary in its sole discretion provided that such amendment shall not increase the proportion of common expenses nor decrease the ownership of common areas borne by the unit owners, change a unit owner's voting rights or change the size of the common areas to the prejudice of the unit owners. Said amendment need only be executed and acknowledged by the Declarant and the consent of the unit owners, the Association, the owner and holder of any lien encumbering a condominium unit in this condominium, or any others shall not be required. Notwithstanding the above, no amendment shall be adopted without the written consent of first mortgage holder of Declarant's units so long as Declarant owns twenty (20) units or more.

ARTICLE XI

Remedies in Event of Default

The owner or owners of each unit shall be governed by and shall comply with the provisions of this Declaration and the Articles of Incorporation and By-Laws of the Association, as any of the same are now constituted or as they may be amended or supplemented from time to time. A default by the owner of any unit shall entitle the Declarant, the Association, or the owners of other units to the following relief:

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

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

3. In any proceedings arising because of an alleged default by a unit owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorney's fees as may be determined by the Court, but in no event shall any unit owner be entitled to such attorney's fees.

4. The failure of the Association or any unit owner to enforce any right, provision, covenant, or condition which may be granted by this Declaration or

the other above-mentioned documents shall not constitute a waiver of the right of the Association or of the unit owner to enforce such right, provision, covenant, or condition in the future.

5. All rights, remedies, and privileges granted to the Association or the owner or owners 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.

6. The failure of the 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.

7. The failure of an institutional lender or institutional lenders to enforce any right, provision, privilege, covenant or condition which may be granted to it or them 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.

ARTICLE XII

Rights Reserved Unto Institutional Lenders

"Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, insurance companies, or other reputable mortgage lenders. So long as any institutional lender or institutional lenders shall hold any mortgage upon any unit or units, or shall be the owner of any unit or units, such institutional lender or institutional lenders shall have the following rights:

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

2. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed amendment, other than as provided by Article III hereinabove, to this Declaration, or the Articles of Incorporation and By-Laws of the Association, which notice shall state the nature of the amendment being proposed.

3. To be given notice of default by any owner owning a unit encumbered by a mortgage held by the institutional lender or institutional lenders, such notice to be given in writing and to be sent to the principal office of such institutional lender or institutional lenders, or to the place which it or they may designate in writing. Whenever any institutional lender or institutional lenders desire the provisions of this Article to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by registered mail or certified mail addressed to the Association and sent to its address stated herein, identifying the unit or units upon which any such institutional lender or institutional lenders hold any mortgage or mortgages, or identifying any units owned by them, or any of them, which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such institutional lender or institutional lenders.

ARTICLE XIII

Eminent Domain

In the event of a taking by eminent domain (or condemnation or a conveyance in lieu of condemnation) of part of all of the common areas and facilities, the award of such taking shall be payable to the Corporation, which shall represent the owners named in the proceedings. Such award shall be utilized to the extent possible for the repair, restoration, replacement, or improvement of the

remaining common areas and facilities, if only part are taken. If all or more than two-thirds (2/3) of all of the general common areas and facilities are taken, it shall be deemed a destruction of more than two-thirds (2/3) of all of the general common areas and facilities and the condominium shall be terminated as hereinbefore provided. Any funds not utilized (in the case of a partial taking) shall be applied in payment of common expenses otherwise assessable. In the event of a taking of all or part of a unit, the award shall be made payable to the owner of such unit and his mortgagee, if any, as their interests may appear.

ARTICLE XIV

Person to Receive Service of Process

John M. Harris is hereby designated to receive service of process in any action which may be brought against or in relation to this condominium, and such person's residence or place of business is 2700 N. Luminia Avenue, Wrightsville Beach, North Carolina 28480. All correspondence to said process agent shall be addressed to Post Office Drawer 3089, Atlantic Beach, North Carolina 28512.

ARTICLE XV

Warranties

All construction warranties are contained in purchase agreements, separate warranty instruments and/or individual deeds to original purchasers of units or interests therein and DECLARANT MAKES NO OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE EXCEPT THOSE PROVIDED BY THE LAWS OF THE STATE OF NORTH CAROLINA, nor are the benefits of any warranties, except those expressly granted to original purchasers, extended to any subsequent title holders or other parties claiming any interest in any unit or common area.

ARTICLE XVI

Miscellaneous

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

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

Captions: The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration or the intent of any provision hereof.

Law Controlling: This Declaration and the By-Laws attached hereto shall be construed and controlled by and under the laws of the State of North Carolina.

Singular, Plural Gender: Whenever the context so permits, the use of the plural shall include the singular, the singular shall include the plural, and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, this the 8th day of August, 1986.

SHELL INVESTMENTS, INC.

By: 
President



ATTEST:

[Signature]
Secretary

STATE OF South Carolina

COUNTY OF Horry

I, Stephanie S. Thompson, a notary public in and for the above named State and County, do hereby certify that personally appeared before me this day Tom E. Baugh, Jr., who being by me duly sworn, says that s/he is the Secretary of Shell Investments, Inc., and that s/he knows that Leslie M. Morris, Jr. is the President, and that s/he knows the common seal of the said Corporation; that the Corporation's name was subscribed to the within Declaration by its President and was attested by him/herself as Secretary, with its corporate seal thereto affixed, and all by order of its Board of Directors duly given, and that the said instrument is the act and deed of said Corporation.

WITNESS my hand and notarial seal, this 8th day of August, 1986.

[Signature]
Notary Public


My Commission Expires:

September 2, 1986

JOINDER AND CONSENT OF TRUSTEE AND BENEFICIARY/MORTGAGEE

THE CITIZENS AND SOUTHERN NATIONAL BANK and N. BRUCE BONEY, JR., as Trustee, join in the execution of this "Declaration Creating Unit Ownership of Property Under the Provisions of Chapter 47A of the General Statutes of the State of North Carolina" for the sole purpose of subjecting, submitting and subordinating any and all right, title and interest in the property described on Exhibit "A" hereof, that they have, or either of them has, or may have, by virtue of those Deeds of Trust recorded in Book 1309 at Page 1605 and Book 1326 at Page 0610, of the New Hanover County Registry, said Declaration, and every provision hereof.

IN WITNESS WHEREOF, THE CITIZENS AND SOUTHERN NATIONAL BANK has caused this Joinder and Consent to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this 6 day of August, 1986.

THE CITIZENS AND SOUTHERN NATIONAL BANK

[SEAL]

BY: [Signature]
President

ATTEST:
[Signature]
Vice President



STATE OF GEORGIA
COUNTY OF DEKALB

I, Elizabeth Anne Holland, a notary public in and for the above named State and County, do hereby certify that personally appeared before me this day J. Tony Lott ~~Alfred T. McCulloch~~ who being by me duly sworn, says that s/he is the Vice President of The Citizens and Southern National Bank and that s/he knows that J. Tony Lott is the Vice President, and that s/he knows the common seal of the said Corporation; that the Corporation's name was subscribed to the foregoing Joinder and Consent by its Vice President and was attested by him/herself as Vice President with its corporate seal thereto affixed, and that the said instrument is the act and deed of said Corporation.

WITNESS my hand and notarial seal, this 6th day of August, 1986.

Elizabeth Anne Holland
Notary Public



My Commission Expires:

Notary Public, DeKalb County, Georgia
My Commission Expires July 15, 1990

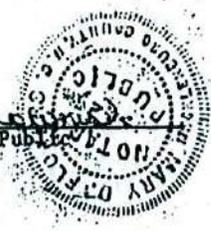
N. Bruce Boney, Jr. (Seal)
N. BRUCE BONEY, JR., as Trustee

STATE OF NORTH CAROLINA
COUNTY OF CARTERET

I, Mary S. Hawkins, a notary public of the aforesaid County and State, do hereby certify that N. BRUCE BONEY, JR., Trustee, personally appeared before me this day and acknowledged the due execution of the foregoing Joinder and Consent in his capacity as trustee.

WITNESS my hand and notarial seal, this 7th day of August, 1986.

Mary S. Hawkins
Notary Public



My Commission Expires:

June 22 1991

EXHIBIT "A"

Legal Description of Property Submitted

TRACT ONE:

BEING all of Tract 20 of North Shell Island Subdivision as shown on the plat thereof duly recorded in Map Book 25 at Page 20 in the Office of the Register of Deeds of New Hanover County, reference to which is hereby made for a more particular description.

TRACT TWO:

BEING all of the lands located between the property described in Tract Number One above, and the highwater mark of the Atlantic Ocean and being more particularly described as follows:

BEGINNING at a concrete monument at the eastern most corner of Tract Number One above and running thence south 36 degrees 01 minutes 40 seconds west 667.33 feet to a concrete monument at the southern most corner of said Tract Number One; thence south 48 degrees 16 minutes 19 seconds east 72.88 feet to a point; thence south 41 degrees 43 minutes 41 seconds west 22.5 feet to a point in the line of a 20-foot access easement; thence south 48 degrees 16 minutes 19 seconds east along said 20-foot access easement to the highwater mark of the Atlantic Ocean; thence northeastwardly along the highwater mark of the Atlantic Ocean to a point that bears south 49 degrees 37 minutes east from the BEGINNING point; thence north 49 degrees 37 seconds west to the point of BEGINNING; and being all of the land located eastward of the southeastern line of Tract Number One and bounded on the north by the southeasterly line of a 10-foot access easement and on the south by a proposed public parking area and a 20-foot access easement leading to the Atlantic Ocean.

TOGETHER WITH a 60-foot wide easement beginning at the existing north end of North Lumina Avenue in Wrightsville Beach, North Carolina, as said avenue is shown on a map entitled "Division Map Property of Beane Realty Co., Thomas H. Wright, Jr. and Parmele, Inc. - Tenants in Common", made by Henry von Oesen & Associates and recorded in Map Book 23, Page 89 in the New Hanover County Registry, and running from said beginning point northwardly to the northern line of Tract 4 as shown on said map. The center line of said 60-foot easement or right-of-way is as shown on said map recorded in Map Book 23, Page 89 in the New Hanover County Registry.

STATE OF NORTH CAROLINA, New Hanover County
The Foregoing Certificate(s) of Thomas D. Stamms, Elizabeth Anne Holland
Stephanie S. Thomas Notary Public (is/are) certified to be correct.
This 13 day of August A. D. 19 06
Rebecca P. Tucker, Register of Deeds
By Phyllis Lynn

EXHIBIT "B"

1339 0496

SOUTH TOWERPERCENTAGE INTEREST IN GENERAL AND LIMITED COMMON AREAS

112	.5224	611	.5856
113	.5224	612	.5856
114	.5224	613	.5675
115	.5224	614	.5856
116	.5224	615	.5675
117	.5224	616	.5856
118	.5224	617	.5675
119	.5224	618	.5675
120	.5224	619	.5675
211	.5675	620	.6127
212	.5450	711	.5992
213	.5450	712	.5766
214	.5540	713	.5766
215	.5450	714	.5766
216	.5540	715	.5901
217	.5450	716	.5766
218	.5450	717	.5901
219	.5450	718	.5901
220	.5721	719	.5766
311	.5495	720	.6217
312	.5495	811	.5946
313	.5495	812	.5766
314	.5495	813	.5946
315	.5495	814	.5766
316	.5495	815	.5811
317	.5495	816	.5946
318	.5495	817	.5946
319	.5721	818	.5946
320	.5946	819	.5946
411	.5766	820	.6217
412	.5675	911	.6037
413	.5585	912	.5856
414	.5585	913	.6127
415	.5585	914	.5856
416	.5585	915	.5856
417	.5585	916	.5856
418	.5585	917	.5856
419	.5585	918	.5856
420	.6037	919	.5856
511	.5856	920	.6308
512	.5811		
513	.5811		
514	.5675		
515	.5766		
516	.5675		
517	.5811		
518	.5811		
519	.5811		
520	.6127		

EXHIBIT "B" (continued)

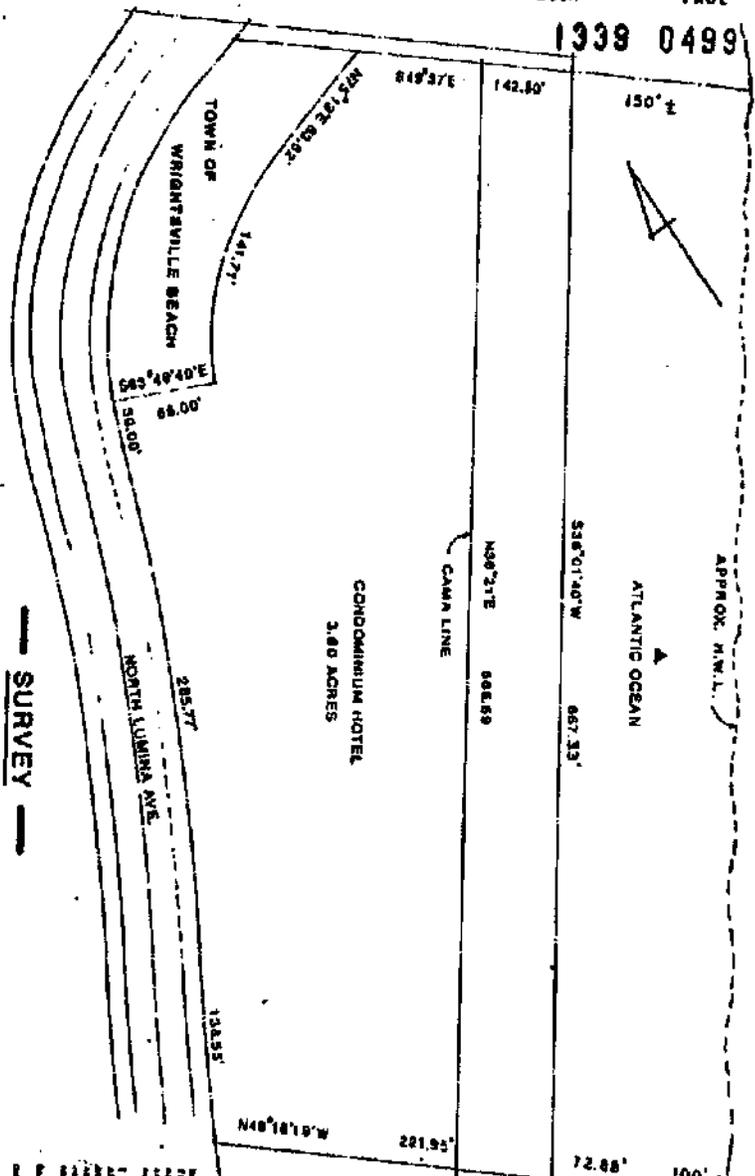
1339 0497

NORTH TOWERPERCENTAGE INTEREST IN GENERAL AND LIMITED COMMON AREAS

201	.6804	701	.6985
202	.5675	702	.5901
203	.5675	703	.5901
204	.5675	704	.5901
205	.5675	705	.5901
206	.5675	706	.5901
207	.5675	707	.5901
208	.5675	708	.5901
209	.5675	709	.5901
210	.6037	710	.6263
301	.6804	801	.6985
302	.5721	802	.5946
303	.5721	803	.5946
304	.5721	804	.5946
305	.5721	805	.5946
306	.5721	806	.5946
307	.5721	807	.5946
308	.5721	808	.5946
309	.5721	809	.5946
310	.6082	810	.6308
401	.6804	901	.6985
402	.5766	902	.6127
403	.5766	903	.6127
404	.5766	904	.6127
405	.5766	905	.6127
406	.5766	906	.6127
407	.5766	907	.6127
408	.5766	908	.6127
409	.5766	909	.6127
410	.6127	910	.6938
501	.6985	Commercial Unit	1.2541
502	.5811		
503	.5811		
504	.5811		
505	.5811		
506	.5811		
507	.5811		
508	.5811		
509	.5811		
510	.6172		
601	.6985		
602	.5856		
603	.5856		
604	.5856		
605	.5856		
606	.5856		
607	.5856		
608	.5856		
609	.5856		
610	.6217		

TOTAL OF PERCENTAGE INTEREST IN GENERAL AND LIMITED COMMON AREAS OF THE SOUTH AND NORTH TOWERS = 100%

Graphic description and plans of the improvements constituting the condominium, the same being entitled "Shell Island Resort Hotel, Shell Island, Wrightsville Beach, North Carolina" for Shell Investments, Inc. by Ballard, McKim & Sawyer, Architects, identifying the condominium units and common areas and facilities; and a site plan and survey entitled same by Roland D. Ward, R. L. S., all dated August _____, 1986, identifying the Condominium Units and Common Areas and Facilities are recorded in Book _____ at page _____, New Hanover County Registry, the same being incorporated herein by reference and referred to throughout this Declaration as Exhibit "C". Additionally, a copy of said plans and survey are attached hereto and recorded with this Declaration, the same being referred to throughout this Declaration as Exhibit "C".



LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO UNIT'S
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES
 OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT

SURVEY

SECTION 8, TOWNSHIP 10 NORTH, RANGE 10 WEST, COUNTY OF WILMINGTON, DE. ...
 I, the undersigned, being a duly qualified and sworn surveyor in and for the State of Delaware, do hereby certify that the foregoing is a true and correct copy of the original field notes and computations made by me and my assistants in the survey of the above described land, and that the same have been compared with the original field notes and computations, and found to be correct.



PREPARED BY:
 BALLARD, MORRIS AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 1 OF 17 SHEETS

THIS DEED OF CONVEYANCE TO THE ...
 I hereby certify that on the ...
 date of the above described ...
 and that the same have been ...
 compared with the original field ...
 notes and computations, and found ...
 to be correct.

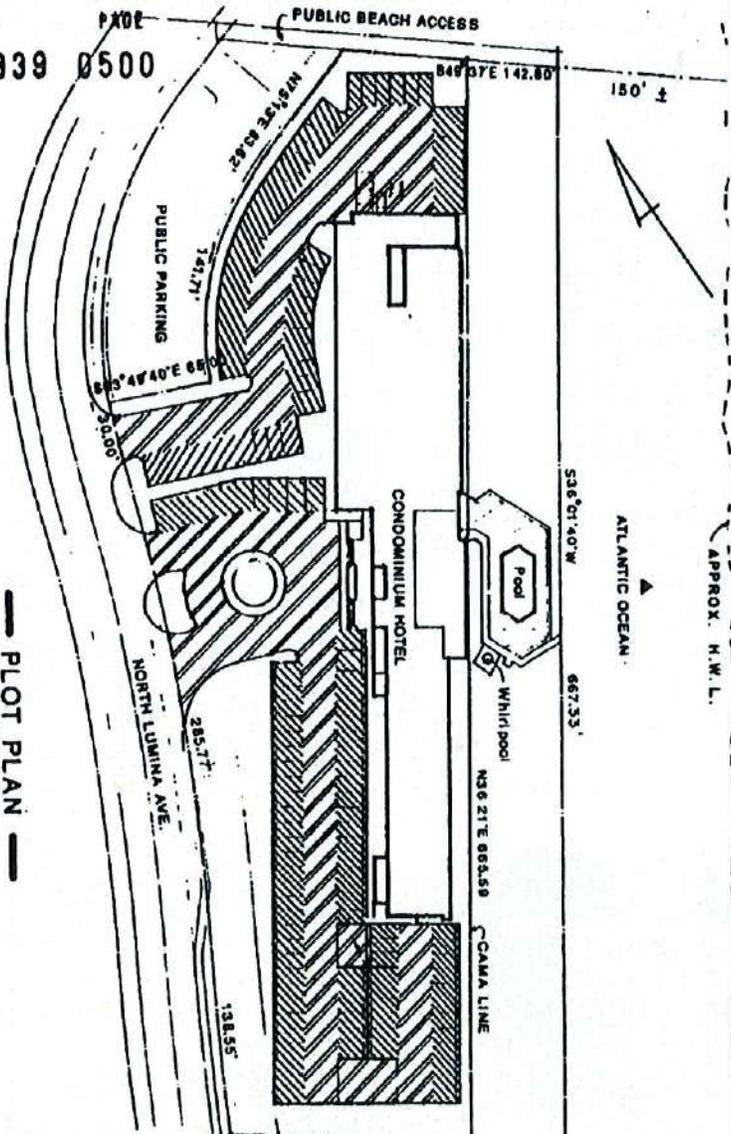
North Carolina, New Hampshire County, I, ...
 Ronald D. Ware, S.I.S., S.C. Registration ...
 No. 2728, Wilmington, NC 28401
 do hereby certify that this map ...
 was drawn from an actual survey made ...
 by me, that the survey of course as ...
 calculated by latitude and longitude ...
 is 1:5000 and is prepared in accordance ...
 with G.S. 47-20 as amended, unless by ...
 map and seal this 18th day of ...
 1986

Shell Island Resort Hotel
 Shell Investments, Inc.
 Limited Common Elements
 & Condominium Units

LEGEND:
 _____ INDICATES "CONDOMINIUM UNIT"
 _____ INDICATES BOUNDARY LINE OF CONDO. UNITS
 _____ INDICATES CONDO. PROPERTY LINES.
 _____ INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 _____ INDICATES LIMITED COMMON ELEMENTS
 _____ INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES
 _____ INDICATES "AREAS & FACILITIES" USED IN THE DECLARATION
 _____ OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 _____ THE UNIT OWNERSHIP ACT

BOOK 1339 PAGE 0500

— PLOT PLAN —
 FIN. FLR. EL. 15.00



Signature
 REGISTERED PROFESSIONAL ARCHITECT
 STATE OF NORTH CAROLINA
 No. 12345



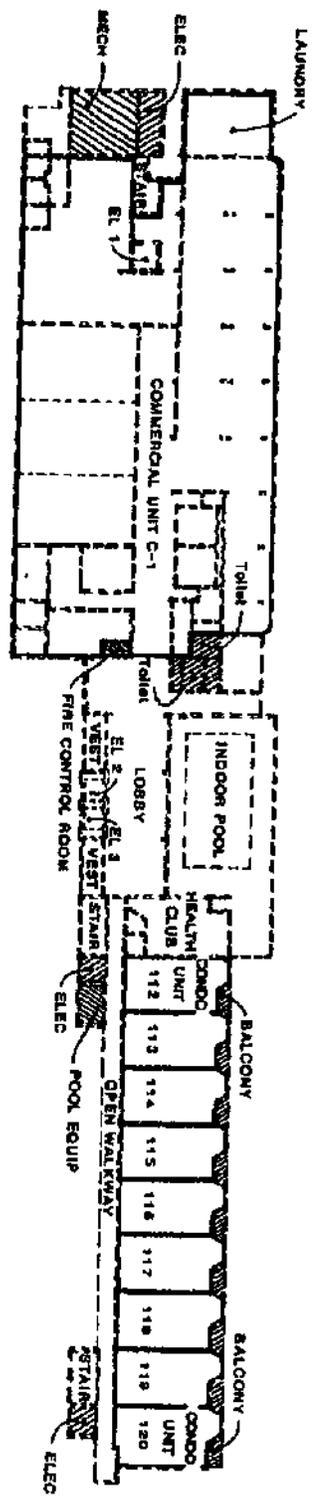
PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 2 OF 11 SMTS.

August 2, 1986
 SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.

REGISTERED BY:
 SHELL INVESTMENTS
 INC.
 WILMINGTON, N.C.

John D. Hart
 North Carolina, New Hanover County, I.
 Ronald D. Hart, E.L.S., R.C. Registration
 No. 2728, Wilmington, NC 28401
 I hereby certify that this map was drawn from an actual survey made by me, that the error of closure as calculated by latitudes and departures is 1:5000 and is prepared in accordance with G.S. 47-30 as amended, witness my hand and seal this 2 day of August 1986.





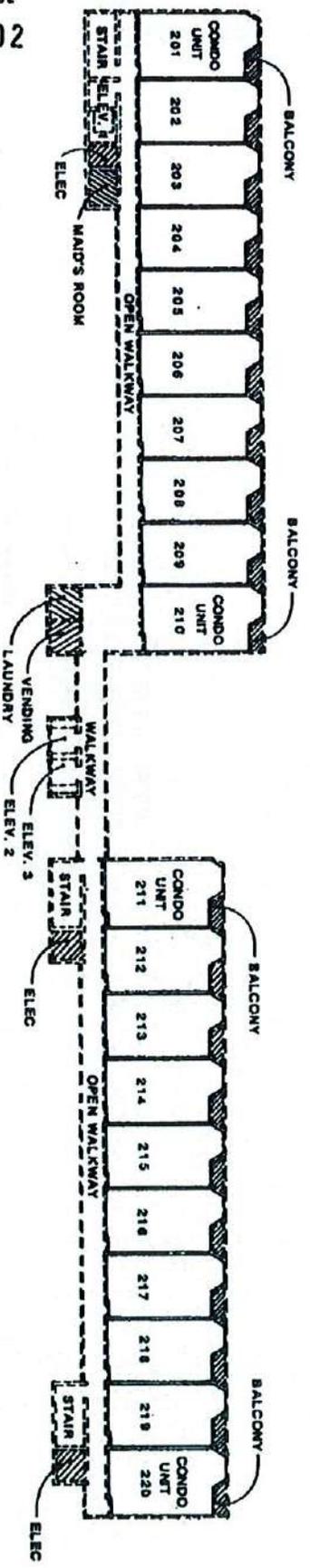
GROUND FLOOR
FIN. CELL. ELEV. 26.50'
FIN. FLR. ELEV. 15.00'

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO. UNITS
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO & THE UNIT OWNERSHIP ACT

EXPLANATION OF SYMBOLS:
 The symbols used in this plan are as follows:
 - Solid line: Boundary line of a condominium unit.
 - Dashed line: Boundary line of a common element.
 - Dotted line: Boundary line of a limited common element.
 - Stippled area: Mutual drive easement.
 - Hatched area: Area of a mutual drive easement.
 - Circle with a dot: Location of a mutual drive easement.
 - Square with a dot: Location of a mutual drive easement.
 - Triangle with a dot: Location of a mutual drive easement.
 - Diamond with a dot: Location of a mutual drive easement.
 - Star with a dot: Location of a mutual drive easement.
 - Hexagon with a dot: Location of a mutual drive easement.
 - Octagon with a dot: Location of a mutual drive easement.
 - Circle with a cross: Location of a mutual drive easement.
 - Square with a cross: Location of a mutual drive easement.
 - Triangle with a cross: Location of a mutual drive easement.
 - Diamond with a cross: Location of a mutual drive easement.
 - Star with a cross: Location of a mutual drive easement.
 - Hexagon with a cross: Location of a mutual drive easement.
 - Octagon with a cross: Location of a mutual drive easement.
 - Circle with a star: Location of a mutual drive easement.
 - Square with a star: Location of a mutual drive easement.
 - Triangle with a star: Location of a mutual drive easement.
 - Diamond with a star: Location of a mutual drive easement.
 - Star with a star: Location of a mutual drive easement.
 - Hexagon with a star: Location of a mutual drive easement.
 - Octagon with a star: Location of a mutual drive easement.
 - Circle with a circle: Location of a mutual drive easement.
 - Square with a circle: Location of a mutual drive easement.
 - Triangle with a circle: Location of a mutual drive easement.
 - Diamond with a circle: Location of a mutual drive easement.
 - Star with a circle: Location of a mutual drive easement.
 - Hexagon with a circle: Location of a mutual drive easement.
 - Octagon with a circle: Location of a mutual drive easement.
 - Circle with a square: Location of a mutual drive easement.
 - Square with a square: Location of a mutual drive easement.
 - Triangle with a square: Location of a mutual drive easement.
 - Diamond with a square: Location of a mutual drive easement.
 - Star with a square: Location of a mutual drive easement.
 - Hexagon with a square: Location of a mutual drive easement.
 - Octagon with a square: Location of a mutual drive easement.
 - Circle with a triangle: Location of a mutual drive easement.
 - Square with a triangle: Location of a mutual drive easement.
 - Triangle with a triangle: Location of a mutual drive easement.
 - Diamond with a triangle: Location of a mutual drive easement.
 - Star with a triangle: Location of a mutual drive easement.
 - Hexagon with a triangle: Location of a mutual drive easement.
 - Octagon with a triangle: Location of a mutual drive easement.
 - Circle with a diamond: Location of a mutual drive easement.
 - Square with a diamond: Location of a mutual drive easement.
 - Triangle with a diamond: Location of a mutual drive easement.
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 - Star with a star: Location of a mutual drive easement.
 - Hexagon with a star: Location of a mutual drive easement.
 - Octagon with a star: Location of a mutual drive easement.
 - Circle with a hexagon: Location of a mutual drive easement.
 - Square with a hexagon: Location of a mutual drive easement.
 - Triangle with a hexagon: Location of a mutual drive easement.
 - Diamond with a hexagon: Location of a mutual drive easement.
 - Star with a hexagon: Location of a mutual drive easement.
 - Hexagon with a hexagon: Location of a mutual drive easement.
 - Octagon with a hexagon: Location of a mutual drive easement.
 - Circle with an octagon: Location of a mutual drive easement.
 - Square with an octagon: Location of a mutual drive easement.
 - Triangle with an octagon: Location of a mutual drive easement.
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 - Star with an octagon: Location of a mutual drive easement.
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 - Circle with a triangle: Location of a mutual drive easement.
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 - Octagon with a star: Location of a mutual drive easement.
 - Circle with a hexagon: Location of a mutual drive easement.
 - Square with a hexagon: Location of a mutual drive easement.
 - Triangle with a hexagon: Location of a mutual drive easement.
 - Diamond with a hexagon: Location of a mutual drive easement.
 - Star with a hexagon: Location of a mutual drive easement.
 - Hexagon with a hexagon: Location of a mutual drive easement.
 - Octagon with a hexagon: Location of a mutual drive easement.
 - Circle with an octagon: Location of a mutual drive easement.
 - Square with an octagon: Location of a mutual drive easement.
 - Triangle with an octagon: Location of a mutual drive easement.
 - Diamond with an octagon: Location of a mutual drive easement.
 - Star with an octagon: Location of a mutual drive easement.
 - Hexagon with an octagon: Location of a mutual drive easement.
 - Octagon with an octagon: Location of a mutual drive easement.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.
 PREPARED BY:
 BALLARD, MEXIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 3 OF 17 SHTS.

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO. UNITS
 INDICATES CONDO. PROPERTY LINES.
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 OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT



FIN. CEIL. ELEV. 35.00'
 FIN. FLR. ELEV. 27.00'

DESCRIPTION OF APPLICABLE: The undersigned, as architect and engineer, has prepared the architectural and engineering drawings for the second floor of the Shell Island, Wrightsville Beach, N.C. Condominium Units. The drawings show the layout of the units, balconies, stairwells, laundry, and vending areas. The drawings are based on the information provided by the owner and the local authorities. The drawings are subject to the approval of the local authorities and the Condominium Act.

Robert A. Sawyer
 ARCHITECT AND ENGINEER
 WILMINGTON, N.C.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIN and SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 4 OF 17 SHTS.

LEGEND:

CONDG. UNIT INDICATES "CONDOMINIUM UNIT"

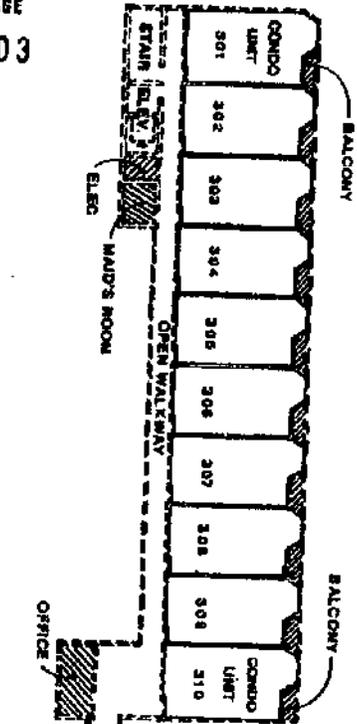
INDICATES BOUNDARY LINE OF CONDO. UNITS

INDICATES CONDO. PROPERTY LINES.

INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES

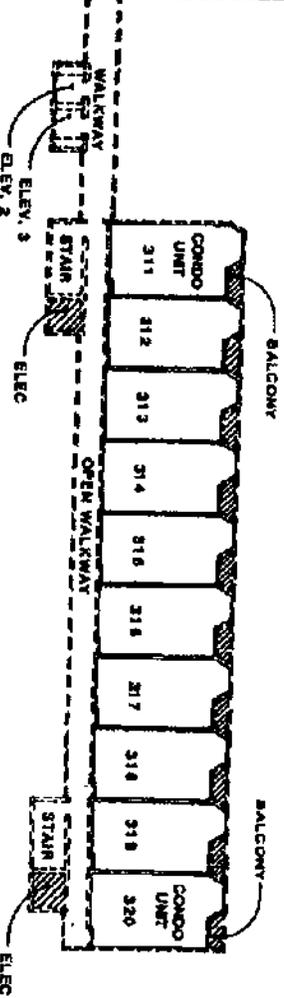
INDICATES LIMITED COMMON ELEMENTS

INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES OF CONDOMINIUM & THE BY-LAWS ATTACHED HERETO & THE UNIT OWNERSHIP ACT



THIRD FLOOR

FIN. CEIL. ELEV. 43.50'
FIN. FLR. ELEV. 35.50'



DECLARATION OF ASSOCIATION

THIS DECLARATION OF ASSOCIATION is made by the owners of the units in the Condominium Unit Owners' Association, Inc., a corporation organized under the laws of the State of North Carolina, and is a part of the Condominium Unit Owners' Association, Inc. Declaration of Association, which is attached hereto and incorporated herein by reference.

WITNESSED my hand and the seal of the Association, this 1st day of August, 1988.

[Signature]
President

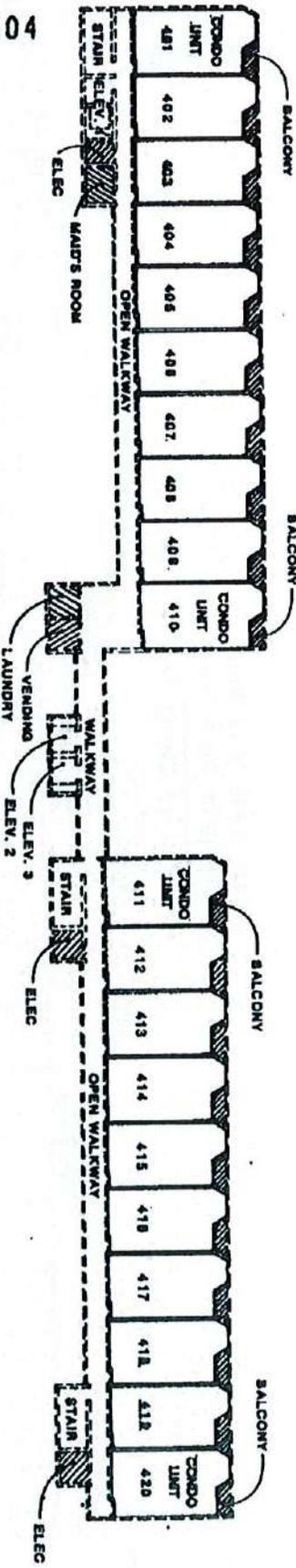
SHELL ISLAND RESORT HOTEL
LOCATION OF COMMON ELEMENTS,
LIMITED COMMON ELEMENTS
& CONDOMINIUM UNITS.

PREPARED BY:
BALLARD, MCKIN AND SAWYER-ARCHITECTS
WILLIAMSON, N.C.
SHEET 5 OF 17 SHTS.

LEGEND:
 COND. UNIT INDICATES "CONDOMINIUM UNIT"
 --- INDICATES BOUNDARY LINE OF CONDO. UNITS
 - - - - - INDICATES COMMON PROPERTY LINES.
 - - - - - INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 - - - - - INDICATES LIMITED COMMON ELEMENTS
 - - - - - INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES
 OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT

FIN. CEIL. ELEV. 52.00'
 FIN. FLR. ELEV. 44.00'

FOURTH FLOOR



DECLARATION OF ASSOCIATION
 The undersigned, the declarant, do hereby declare that the above described premises are being offered for sale as a condominium project and that the following declaration shall apply to the units in the project. The project shall be known as the "Shell Island Resort Hotel Condominium Project" and the units in the project shall be known as "Shell Island Resort Hotel Condominium Units". The project shall be subject to the provisions of the Condominium Act of the State of North Carolina, as amended, and the By-Laws attached thereto and the Unit Ownership Act.

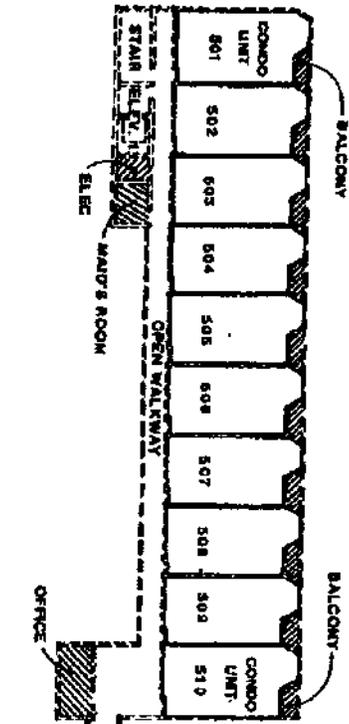
Prepared by:
 Ballard, McKim and Sawyer-Architects
 Wilmington, N.C.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 5 OF 17 SHTS.

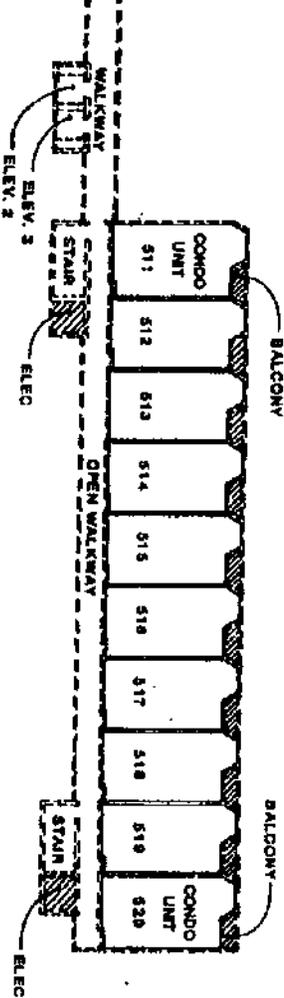
1339 0505

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO. UNITS
 INDICATES CONDO. PROPERTY LINES.
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES NATURAL DRIVE EASEMENTS BEING AREAS & FACILITIES
 INDICATES AREAS & FACILITIES USED IN THE DECLARATION
 OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT



FIFTH FLOOR

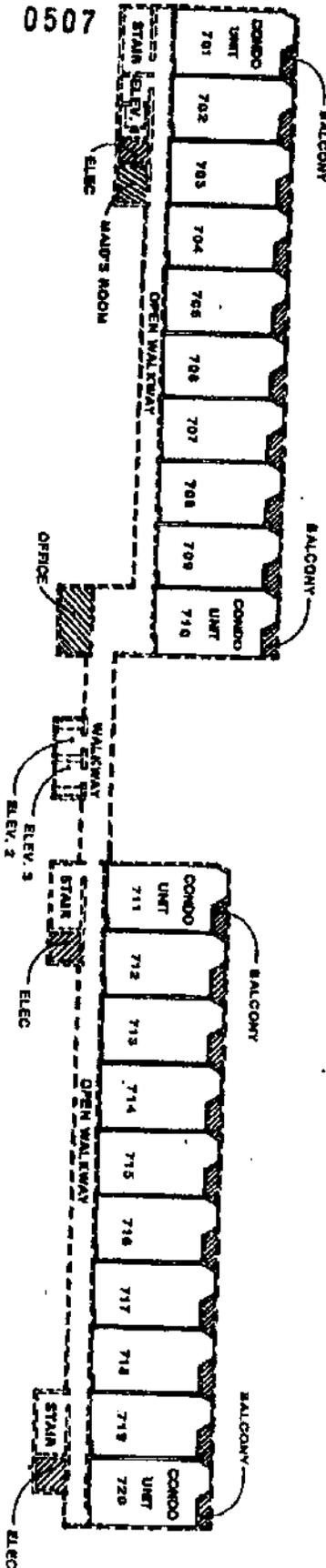
FIN. CEIL. ELEV. 60.50'
 FIN. FLR. ELEV. 52.50'



CONDOMINIUM & EASEMENT. The declaration, as defined in the Condominium Act, shall include the following: (a) the name of the condominium; (b) the location of the condominium; (c) the boundaries of the condominium; (d) the description of the units; (e) the description of the common elements; (f) the description of the limited common elements; (g) the description of the areas and facilities used in the declaration of condominium and the by-laws attached thereto and the unit ownership act; (h) the description of the areas and facilities used in the declaration of condominium and the by-laws attached thereto and the unit ownership act; (i) the description of the areas and facilities used in the declaration of condominium and the by-laws attached thereto and the unit ownership act; (j) the description of the areas and facilities used in the declaration of condominium and the by-laws attached thereto and the unit ownership act.

**SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.**

PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 7 OF 17 SHTS.



SEVENTH FLOOR

FIN. CEIL. ELEV. 77.50'
FIN. FLR. ELEV. 69.50'

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO. UNITS
 INDICATES CONDO. PROPERTY LINES
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES "AREAS & FACILITIES" USED IN THE DECLARATION OF CONDOMINIUM & THE BY-LAWS ATTACHED HERETO & THE UNIT OWNERSHIP ACT

EXPLANATION OF ABBREVIATIONS: The abbreviations in this plan are defined as follows: "CONDO. UNIT" means a unit in a building which is a condominium; "COMMON ELEMENTS" means the portions of the building which are owned in common by the owners of the units; "LIMITED COMMON ELEMENTS" means those portions of the building which are owned in common by the owners of the units but which are to be used exclusively by one or more of the owners of the units; "AREAS & FACILITIES" means those portions of the building which are owned in common by the owners of the units but which are to be used for the benefit of the building as a whole; "BY-LAWS" means the by-laws of the condominium; "DECLARATION OF CONDOMINIUM" means the declaration of condominium for the building.

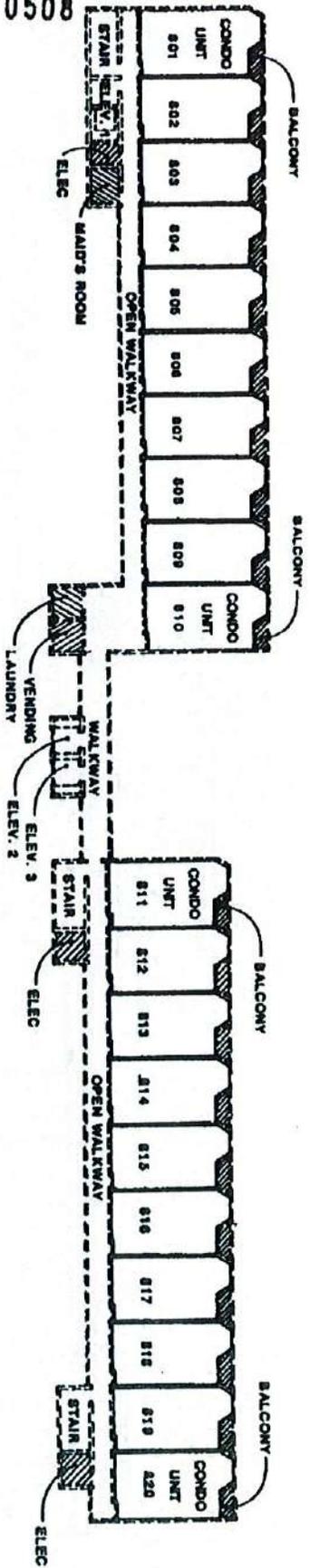
SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MORRIS AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 2 OF 17 SHTS.

LEGEND:
 _____ INDICATES "CONDOMINIUM UNIT"
 _____ INDICATES BOUNDARY LINE OF CONDO. UNITS
 _____ INDICATES CONDO. PROPERTY LINES.
 _____ INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 _____ INDICATES LIMITED COMMON ELEMENTS
 _____ INDICATES LIMITED DRIVE EASEMENTS BEING AREAS & FACILITIES
 _____ INDICATES "AREAS & FACILITIES" USED IN THE DECLARATION
 _____ OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 _____ THE UNIT OWNERSHIP ACT

FIN. CEIL. ELEV. 86.00'
 FIN. FLR. ELEV. 78.00'

EIGHTH FLOOR

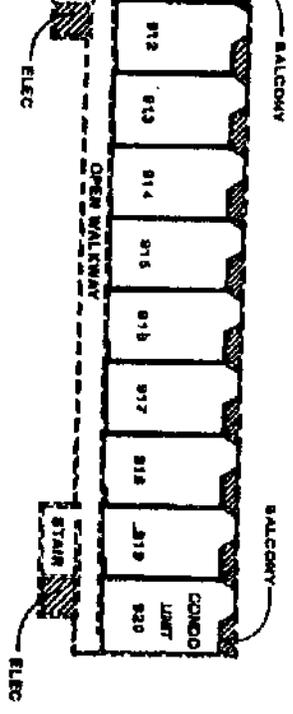
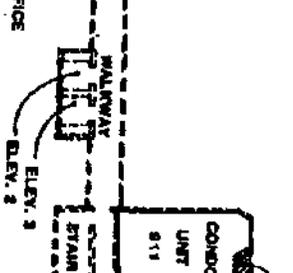
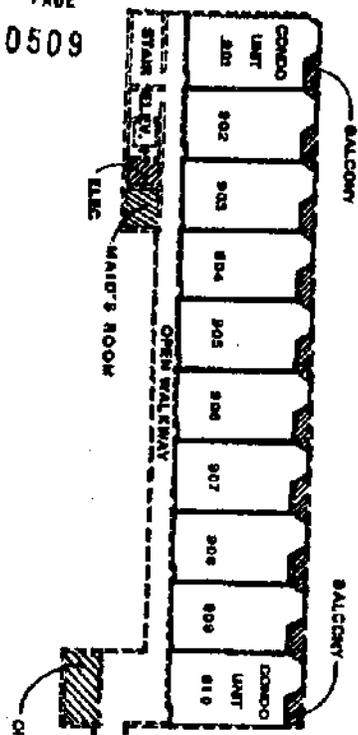


Robert M. Sawyer
 ARCHITECTS
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 10 OF 17 SHTS.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 10 OF 17 SHTS.

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 BOUNDARY LINE OF CONDO. UNIT'S
 INDICATES COMMON PROPERTY LINE.
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES SEVERAL DRIVE BASEMENTS BEING AREAS & FACILITIES
 OF CONDOMINIUM & THE ST-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT



NINTH FLOOR
 FIN. CEIL. ELEV. 94.50'
 FIN. FLR. ELEV. 86.50'

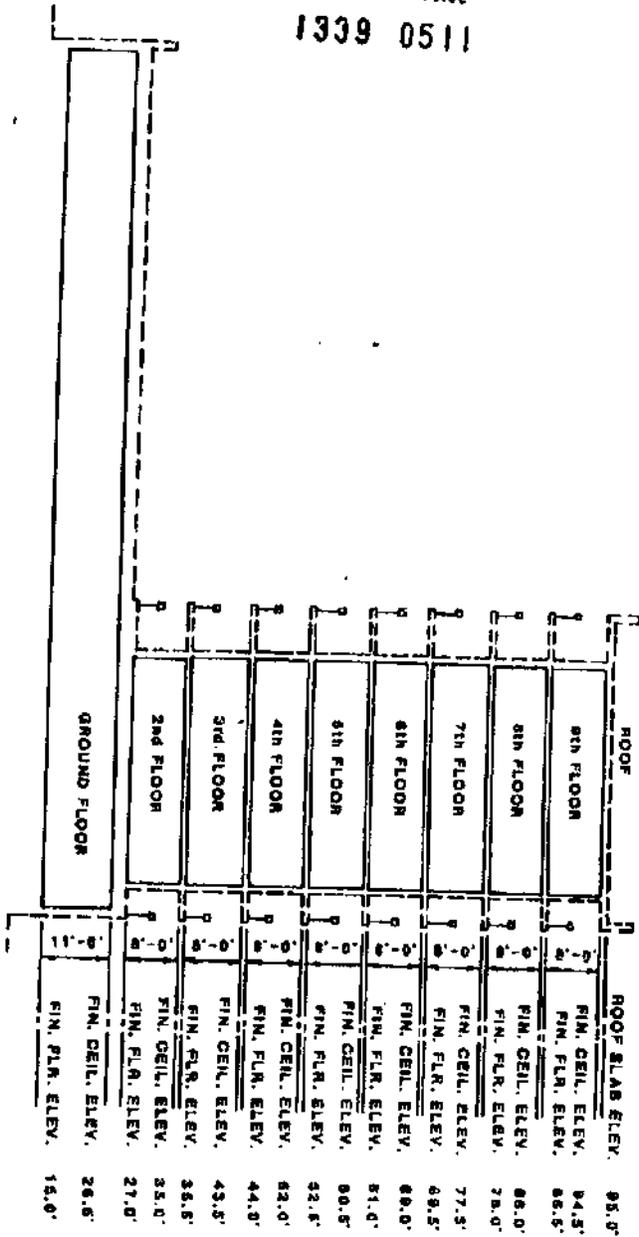
Small text block containing project details and signatures.

**SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 & CONDOMINIUM UNITS.**

PREPARED BY:
 BALLARD, MORIN and BAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 11 OF 12 SHFB.

LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 INDICATES BOUNDARY LINE OF CONDO. UNIT
 INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 INDICATES LIMITED COMMON ELEMENTS
 INDICATES "JUDICIAL DRIVE EASEMENTS" BEING AREAS & FACILITIES OF CONDOMINIUM & THE BY-LAWS ATTACHED HERETO & THE UNIT OWNERSHIP ACT

TYPICAL BUILDING SECTION

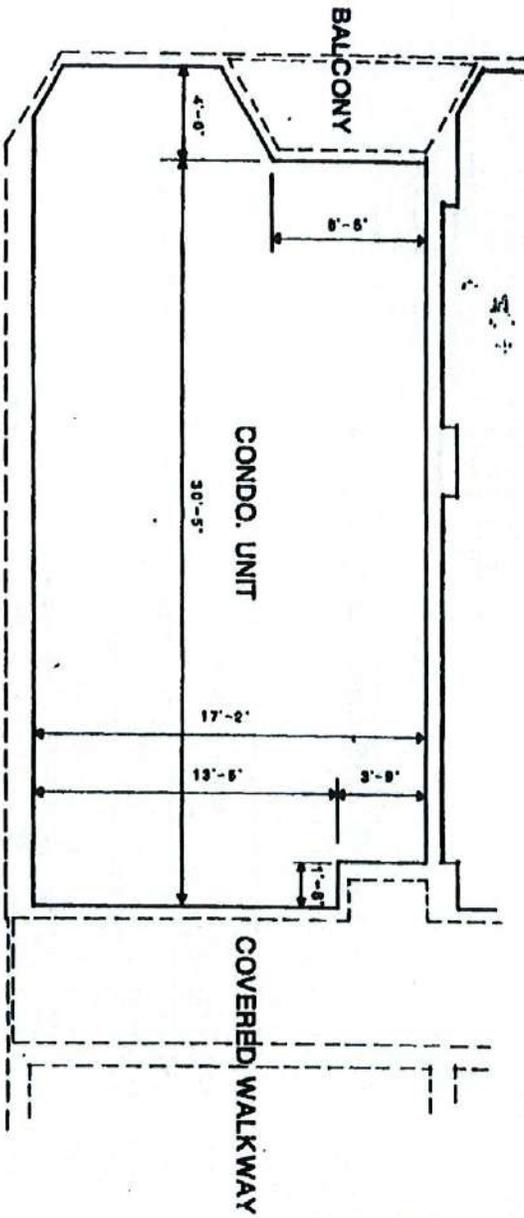


SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.

LOCATION OF COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 13 OF 17 SHRS.

[Signature]
 ARCHITECT



TYPICAL EXTERIOR UNIT (North End) -

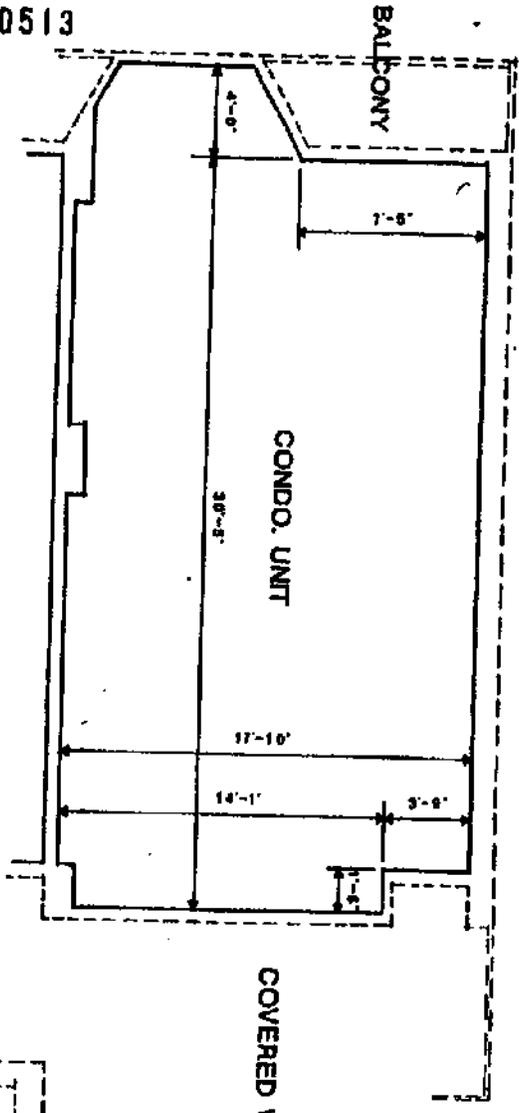
LEGEND:
 _____ INDICATES "CONDOMINIUM UNIT"
 _____ INDICATES BOUNDARY LINE OF CONDO. UNITS
 _____ INDICATES CONDO. PROPERTY LINES.
 _____ INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 _____ INDICATES LIMITED COMMON ELEMENTS
 _____ INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES
 OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO &
 THE UNIT OWNERSHIP ACT

CONDOMINIUM ACT, APPROVED BY THE LEGISLATURE OF THE STATE OF NORTH CAROLINA, CHAP. 40A, SECTION 36.1, WHICH PROVIDES THAT THE DECLARATION OF A CONDOMINIUM REGIME SHALL BE SUBJECT TO THE APPROVAL OF THE STATE BOARD OF CONDOMINIUMS. THE BOARD OF CONDOMINIUMS HAS REVIEWED THIS DECLARATION AND HAS DETERMINED THAT IT IS IN ACCORDANCE WITH THE CONDOMINIUM ACT AND THE BY-LAWS ATTACHED THERETO. THE BOARD OF CONDOMINIUMS HAS ALSO REVIEWED THE PLANS AND SPECIFICATIONS FOR THE CONDOMINIUM AND HAS DETERMINED THAT THEY ARE IN ACCORDANCE WITH THE CONDOMINIUM ACT AND THE BY-LAWS ATTACHED THERETO. THE BOARD OF CONDOMINIUMS HAS ALSO REVIEWED THE DECLARATION OF THE CONDOMINIUM REGIME AND HAS DETERMINED THAT IT IS IN ACCORDANCE WITH THE CONDOMINIUM ACT AND THE BY-LAWS ATTACHED THERETO. THE BOARD OF CONDOMINIUMS HAS ALSO REVIEWED THE PLANS AND SPECIFICATIONS FOR THE CONDOMINIUM AND HAS DETERMINED THAT THEY ARE IN ACCORDANCE WITH THE CONDOMINIUM ACT AND THE BY-LAWS ATTACHED THERETO. THE BOARD OF CONDOMINIUMS HAS ALSO REVIEWED THE DECLARATION OF THE CONDOMINIUM REGIME AND HAS DETERMINED THAT IT IS IN ACCORDANCE WITH THE CONDOMINIUM ACT AND THE BY-LAWS ATTACHED THERETO.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIM AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 14 OF 17 SHTS.

- TYPICAL EXTERIOR UNIT (South End) -



LEGEND:
 CONDO. UNIT INDICATES "CONDOMINIUM UNIT"
 DASHED LINE INDICATES BOUNDARY LINE OF CONDO. UNIT
 SOLID LINE INDICATES COMMON PROPERTY LINES
 DOTTED LINE INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 DASHED LINE WITH DOTS INDICATES LIMITED COMMON ELEMENTS
 DOTTED LINE WITH DOTS INDICATES MUTUAL DRIVE EASEMENTS BEING AREAS & FACILITIES OF CONDOMINIUM & THE BY-LAWS ATTACHED THERETO & THE UNIT OWNERSHIP ACT

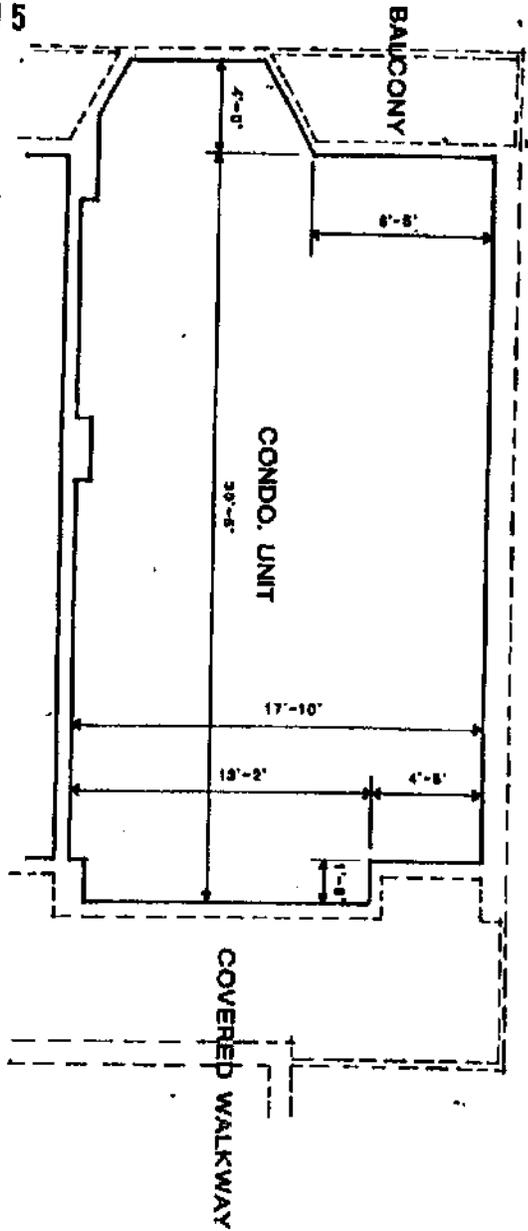
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SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 & CONDOMINIUM UNITS.

PREPARED BY:
 BALLARD, MCKIN AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 16 OF 17 SHTS.

LEGEND:
 COMBO. UNIT INDICATES "CONDOMINIUM UNIT"
 DASHED LINE INDICATES BOUNDARY LINE OF CONDO. UNITS
 DOTTED LINE INDICATES COMMON PROPERTY LINES
 SOLID LINE INDICATES COMMON ELEMENTS & STRUCTURAL BOUNDARIES
 DOTTED LINE WITH DASHES INDICATES LIMITED COMMON ELEMENTS
 DOTTED LINE WITH DASHES AND ARROWS INDICATES UTILITY DRIVE EASEMENTS BEING AREAS & FACILITIES
 DOTTED LINE WITH DASHES AND ARROWS INDICATES AREAS & FACILITIES USED IN THE DECLARATION
 OF CONDOMINIUM & THE 37-LAWS ATTACHED HERETO &
 THE UNIT OWNERSHIP ACT

- TYPICAL HANDICAPPED UNIT -



ENCLOSURE BY AGREEMENT:
 This enclosure is prepared by the Architect for the use of the Unit Owner. It is not to be construed as a contract or as a representation of the Architect's liability. The Unit Owner is advised that the Architect is not responsible for the design or construction of the unit or for the safety of the unit. The Unit Owner is advised that the Architect is not responsible for the design or construction of the unit or for the safety of the unit. The Unit Owner is advised that the Architect is not responsible for the design or construction of the unit or for the safety of the unit.

SHELL ISLAND RESORT HOTEL
 SHELL ISLAND, WRIGHTSVILLE BEACH, N.C.
 LOCATION OF COMMON ELEMENTS,
 LIMITED COMMON ELEMENTS
 & CONDOMINIUM UNITS.
 PREPARED BY:
 BALLARD, MCKIN AND SAWYER-ARCHITECTS
 WILMINGTON, N.C.
 SHEET 17 OF 17 SMTS.

ARTICLE IPlan of Unit Ownership

1. The property described in the Declaration attached hereto has been submitted to the provisions of Chapter 47A of the North Carolina General Statutes by said Declaration and these By-Laws and any Amendments thereto. Shell Island Resort Hotel (hereinafter referred to as "Condominium") shall consist of that property as described on Exhibit "A" attached to said Declaration.

2. The provisions of these By-Laws are applicable to the property of the Condominium. The term "property", as used herein, shall include the lands, buildings and all improvements thereon (including the units, the common areas and facilities and the limited common areas and facilities), owned in fee simple absolute, and all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith, all of which are intended to be submitted to the provisions of Chapter 47A of the North Carolina General Statutes in the manner prescribed by the Declaration as to all phases of said Condominium.

3. All present and future owners, mortgagees, lessees and occupants of units and their employees, and any other persons who may use the facilities of the property in any manner, are subject to the Declaration, these By-Laws and Rules and Regulations made pursuant hereto and any Amendment to these By-Laws upon the same being passed and duly set forth in the minutes of Shell Island Homeowners' Association, Inc. when duly recorded in the Office of the Register of Deeds, New Hanover County, North Carolina.

The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a unit shall constitute an agreement that these By-Laws (and any Rules and Regulations made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE IIDefinitions

The following terms as used in these By-Laws shall have the following meanings:

1. DEVELOPER shall mean Shell Investments, Inc., and any successor in interest by merger or express assignment of the rights of DEVELOPER hereunder by instrument executed by DEVELOPER and recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.
2. UNIT OWNER shall refer to the owner(s) of one or more condominium units.
3. AGENT shall mean the management firm appointed by the Board of Directors to manage the affairs of the corporation.
4. OWNERS' ASSOCIATION shall mean the Shell Island Homeowners Association, Inc., or its successors.

ARTICLE IIIMembership and Voting Rights

1. All persons, firms, partnerships and corporations who shall become owners of any unit or units within the condominium shall automatically become members of Shell Island Homeowners' Association, Inc., a not for profit corporation, and shall be entitled to voting rights as hereinafter set forth. The interest of a member and the funds and assets of the corporation cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance

to his unit and/or interval. The funds and assets of the corporation shall be owned solely by the corporation subject to the limitations that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein.

On all matters on which the membership shall be entitled to vote, the unit owner shall have the following vote:

(a) The owner of a fee simple interest and title to a condominium unit(s) shall be entitled to one (1) vote for each unit so owned. The Developer shall be considered the owner of a fee simple title to a unit so long as the same has not been conveyed by the Developer to a third party.

(b) Unless otherwise provided, A quorum at members' meetings shall consist of persons entitled to cast a majority (fifty-one percent (51%) of the votes eligible to be cast) of the votes of the entire membership. The joinder of a member and the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purposes of determining a quorum.

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

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

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

(f) Except where otherwise required under the provisions of the Articles of Incorporation of the Association, or these By-Laws, or where the same may be otherwise required by law, the affirmative vote of the owners of the majority of the units represented at any duly called members' meetings in which a quorum is present shall be binding upon the members.

2. There shall be one person with respect to each unit ownership who shall be entitled to vote at any meeting of the unit owners. Such person shall be known and hereafter referred to as the "voting member". Such voting member may be the owner or one of the group composed of all of the owners of a unit or may be some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner. Such designation shall be made in writing to the Board and shall be revocable at any time by written notice to the Board by the owner or owners and the Board shall note such revocation, when received, in the minutes of the Board of Directors. Each voting member (including the Board of Directors and Shell Island Investments, Inc., or its respective designees, if either shall then hold title to one or more units) shall be entitled to one vote, that is to say, there shall be one vote per unit. If only one owner of a unit votes, in person or by proxy, it shall be presumed that he was the authorized voting member. Written designation as provided above shall rebut that presumption.

Any representative of Shell Investments, Inc., serving on the Board of Directors, shall not be required to disqualify himself upon any vote upon any management contract or other matter between Shell Investments, Inc. and the Association, where Shell Investments, Inc. may have a pecuniary or other interest. Similarly, Shell Investments, Inc., as a member of the Association, shall not be required to disqualify itself in any vote which may come before the membership of the Association upon any management contract or other matter between Shell Investments, Inc. and the Association where Shell Investments, Inc. may have a pecuniary or other interest.

3. In all elections for members of the Board of Directors, each voting member shall be entitled to vote on a cumulative voting basis and the candidates

receiving the highest number of votes with respect to the number of offices to be filled shall be deemed to be elected.

4. Any unit owner may, at any time, waive notice of any meeting of the owners in writing, and such waiver shall be deemed equivalent to the giving of each notice. Attendance by a unit owner at any meeting of the owners shall constitute a waiver of notice by him of the time and place thereof except where a unit owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the voting members are present at any meeting of the owners, no notice shall be required and any business may be transacted at such meeting.

5. Any action which may be taken at a meeting of the unit owners may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting (that is, the voting members), and filed with the Secretary of the Association to be kept in the Association Minute Book.

ARTICLE IV

Annual and Special Meetings of Membership

1. The Annual Members' Meeting shall be held at the office of the Association at 11:00 o'clock, A.M., Eastern Standard Time, on the fourth Saturday in March of each year for the purpose of electing Directors and of transacting any other business authorized to be transacted by the members; provided, however, that if that day is a legal holiday, the meeting shall be held at the same hour on the next succeeding Saturday.

2. Special Members' Meetings shall be held whenever called by the President or Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members of the Association owning a majority of the units.

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

3. At meetings of membership, the President shall preside, or in the absence of him, the membership shall select a chairman.

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

- i) Calling of the roll and certifying of proxies
- ii) Proof of notice of meeting or waiver of notice
- iii) Reading of minutes

- iv) Reports of Officers
- v) Reports of Committees
- vi) Appointment of Chairman of Inspectors of Elections
- vii) Election of Directors
- viii) Unfinished business
- ix) New business
- x) Adjournment

ARTICLE V

Board of Directors

1. The first Board of Directors of the Association and succeeding Boards of Directors shall consist of five (5) persons. At least a majority of the Board of Directors shall be members of the Association, or shall be authorized representatives, officers, or employees of a corporate member of the Association. The Declarant, its officers and employees, however, are expressly permitted to serve on the Board of Directors so long as any units remain unsold.

There shall be an "Initial Board" of Directors elected so as to provide staggering terms for the continuity and efficiency of the Board and its members. The "Initial Board" so elected at the Annual Meeting of the members shall be elected to serve for the following terms: one (1) director shall be elected to serve for a term of one (1) year; two (2) directors shall be elected to serve for a term of two (2) years; and two (2) directors shall be elected to serve for a term of three (3) years. The determination of the length of the term of each director shall be determined by the number of votes cast; the more votes being cast for each director by the members, the longer their term.

Upon the expiration of the term of any member of the "Initial Board", thereafter the Directors so elected as their successors at the Annual Meeting of the members each year shall be for a term of two (2) years. The two (2) years shall expire at the Annual Meeting following each Director's election unless removed in the manner elsewhere provided or as may be provided by law for the removal of Directors of North Carolina corporations not for profit.

2. Declarant Control: Declarant reserves the right to appoint and replace, from time to time, the members of the Board of Directors, as provided above, so long as the Declarant is the owner of five (5) or more units.

In any event, and no matter how many units are owned by Declarant, the rights given under this paragraph to appoint members to the board of directors shall expire on December 31, 1991, if not previously expired. Should any member of the first Board of Directors be unable to serve for any reason, Declarant shall have the right to select a designated party to act and serve as a director for the unexpired term of said director who is unable to serve.

3. Subject to Paragraph 2 above, the election of Directors shall be conducted in the following manner:

(a) All members of the Board of Directors shall be elected by a plurality of the votes cast at the Annual Meeting of the Members of the Association.

(b) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors.

(c) In the election of the Directors, there shall be appurtenant to each unit as many votes for Directors as there are Directors to be elected as set forth in Article III of these By-Laws.

4. The organization meeting of a newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and not further notice of the organization meeting shall be necessary, provided a quorum shall be present.

5. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

1339 0520

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

7. Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

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

9. The Presiding Officer of Directors' Meetings shall be the President. In the absence of the President, the Directors present shall designate one of their number to preside.

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

11. The Board of Directors shall manage and direct the affairs of the Association and subject to any restrictions imposed by law, or these By-Laws, may exercise all of the powers of the Association subject only to approval by the owners when such is specifically required of these By-Laws. The Board of Directors shall exercise such duties and responsibilities as shall be incumbent upon it by law, or these By-Laws, if it may deem necessary or appropriate in the exercise of its powers and shall include, without limiting the generality of the foregoing, the following:

(a) To make, levy and collect assessments against members and members' unit and/or interval to defray the costs of the Association and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

(b) The maintenance, repair, replacement, operation, surveillance and the management of the common areas, units and facilities wherever the same is required to be done and accomplished by the Association for the benefit of its members;

(c) The reconstruction of improvements after casualty and the further improvement of the property, real and personal;

(d) To make and amend regulations governing the use of the property, real and personal, so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Declaration or these By-Laws;

(e) To contract for the management of the areas and facilities in the project and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the By-Laws to have approval of the Board of Directors or membership of the Association.

(f) To enforce by legal means the provisions of the Articles of Incorporation and By-Laws of the Association, and the regulations hereinafter promulgated governing the use of the property.

(g) To pay all taxes and assessments which are liens against any part of the property governed by the Association, and to assess the same against the members and their respective units subject to such liens.

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(h) To carry insurance for the protection of the members and the Association against casualty and liability.

(i) To pay all costs of power, water, sewer and other utility services rendered to or for the benefit of the owners and not billed to the owners of the separate units; and

(j) To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association as well as the dismissal of said personnel.

12. The undertakings and contracts authorized by said first Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by the first Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership and said Declaration has been recorded in New Hanover County Public records, so long as any undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable condominium documents.

ARTICLE VI

Additional Provisions About Meetings of Members and Directors

1. Notwithstanding anything contained in these By-Laws to the contrary, any meeting of members or Directors may be held at any place within or without the State of North Carolina or which notice is given in the notice of any such meeting or notice of which is waived by any person otherwise entitled thereto, at during or after any such meeting.

2. To the extent now or from time to time hereafter permitted by the laws of North Carolina the Directors may take any action which they might take at a meeting of Directors without a meeting, a record of any such action which they might take at a meeting of Directors without a meeting, a record of any such action so taken, signed by each Director, to be retained in the Association's Minute Book and given equal dignity by all persons to the minutes of meetings duly called and held.

ARTICLE VII

Officers

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

2. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the president of an association, including but not limited to the power to appoint committees from among the members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

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

4. The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments

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requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

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

6. The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as employee of the Association, nor preclude the contracting with a Director or other firm or individual for the management of the condominium.

ARTICLE VIII

Fiscal Management

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

1. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each unit. Such an account shall designate the name and address of the owner or owners, the amount of each assessment against the owners, the dates and amounts of each assessment against the owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

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

(a) Common expense budget, which shall include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of landscaping, street and walkways, office expense, swimming pool, utility services, casualty insurance, liability insurance, administration and reserves (operating and replacement), or the contractual costs attendant to the hiring of a professional management firm.

(b) Proposed assessments against each member. Copies of the proposed budget and proposed assessments shall be transmitted to each member on or before January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as condition precedent to the effectiveness of said budget and assessments levied pursuant thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors to at any time in their sole discretion levy an additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

3. The Board of Directors shall determine the method of payment of such assessments and the due date thereof and shall notify the members thereof. The assessments will initially be on a monthly basis unless changed by a vote of the majority of the Board of Directors.

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

5. An audit of the accounts of the Association shall be made annually by a Certified Public Accountant, and a copy of the report shall be furnished to each

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member not later than April 1 of the year following the year for which the report is made.

6. Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for Association funds. The amount of such bonds shall be determined by the Directors, but shall be at least the amount of the total annual assessments against members for common expenses. The premiums on such bonds shall be paid by the Association.

7. The keeping of records, payment of accounts, etc., may be delegated to an Agent employed for such purpose.

8. The Association shall have all those rights given to it in Article VI of the Declaration including, but not limited to, management, maintenance, insurance and collection of delinquent assessments, and said Article is incorporated herein by reference.

ARTICLE IX

Parliamentary Rules

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

ARTICLE X

Amendments to By-Laws

1. These By-Laws may be amended in the same manner as the Declaration may be amended, as provided in Article VI of the Declaration, and with the same restrictions on amendment thereon. No modification or amendment shall be valid unless set forth in, or annexed to, a duly recorded amendment to the Declaration. No amendment to these By-Laws shall be effective unless approved by Declarant, until such time as Declarant's right to amend the Declaration and/or the Declarant's right to control the Board of Directors has expired.

The foregoing were adopted as the By-Laws of the Association, a corporation not for profit under the laws of the State of North Carolina, at the first meeting of the Board of Directors on the 8th day of August, 19 86.

SHELL ISLAND HOMEOWNERS ASSOCIATION, INC.

BY: [Signature]
President



ATTEST:
[Signature]
Secretary

STATE OF South Carolina
COUNTY OF Horry

I, Stephanie S. Thompson, a Notary Public in and for the above named State and County, do hereby certify that personally appeared before me this day Paul J. Lohman, Jr., who being by me duly sworn, says that s/he is the Secretary of Shell Island Homeowners Association, Inc., and that s/he knows that Girard M. Blount, Jr. is the President, and that s/he knows the common seal of the said corporation; that the corporation's name was subscribed to the within By-Laws by its President and was attested by her/himself as its Secretary, with its corporate seal thereto affixed, and all by order of its Board of Directors duly given, and that the said instrument is the act and deed of said corporation.

BOOK PAGE

1339 0524
WITNESS my hand and notarial seal, this 8th day of August
19 86 .

Stephanie St. Louis
Notary Public



My Commission Expires:

September 2, 1986



State of North Carolina

Department
of the
Secretary of State

To all to whom these presents shall come, Greeting:

I, Thad Eure, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached (4 sheets) to be a true copy of

ARTICLES OF INCORPORATION

OF

SHELL ISLAND HOMEOWNERS ASSOCIATION, INC.

and the probates thereon, the original of which was filed in this office on the 16th day of July 1986, after having been found to conform to law.

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

Done in Office, at Raleigh, this 16th day of July in the year of our Lord 1986.



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

ARTICLES OF INCORPORATION
OF
SHELL ISLAND HOMEOWNERS ASSOCIATION, INC.

DOCUMENT # 38427
DATE 07/16/84 TIME 13:30
FILED
IN THE
SECRETARY OF STATE
NORTH CAROLINA

The undersigned natural person, being of the age of eighteen (18) years or more, does hereby make and acknowledge these Articles of Incorporation for the purpose of forming a non-profit corporation under and by virtue of the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled "Non-Profit Corporation," and the several amendments, thereto, and to that end does hereby set forth:

1. The name of the corporation is Shell Island Homeowners Association, Inc. (hereinafter sometimes referred to as the "Corporation" or the "Association").
2. The period of duration of the corporation is perpetual.
3. The objects and purposes for which the Corporation is formed are as follows:

(a) To provide for the administration, maintenance, and management of the condominium facility known as "Shell Island Resort Hotel", a condominium project, according to that certain "Declaration of Condominium" covering and regarding that certain tract of land described as:

See Attached Exhibit "A"

and to promote the health, safety and welfare of the owners of the condominium units in that condominium facility and the residents within said condominium facility;

(b) To hold, own, maintain, repair, replace and manage any and all real property, together with all improvements, fixtures, and appurtenances thereto, all personal property, all fixtures, and all rights and privileges, including riparian rights, and other possessory or use interest in land and facilities which may be conveyed to, or made available for use by the Corporation, by the Declarant of the condominium facility known as Shell Island Resort Hotel or by any other person, corporation or entity, or otherwise belonging to the Corporation, and to make same available for the use, enjoyment, health, safety and welfare of the owners and residents of that condominium facility in the manner provided in the By-Laws or in such rules and regulations as may be adopted by the Board of Directors of the Corporation and do all things necessary or incidental thereto;

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(c) To exercise all the powers and privileges and to perform all the duties and obligations of the Corporation as set forth in said Declaration of Condominium, hereinafter sometimes called the "Declaration," applicable to the property mentioned above and recorded or to be recorded in the Office of the Register of Deeds of New Hanover, North Carolina, and as the same may be amended or supplemented from time to time as therein provided, the Declaration being incorporated by reference herein as if fully set forth;

(d) To fix, levy, collect, and enforce payment by any lawful means all charges, assessments, penalties, fines and/or common expenses made pursuant to the terms of the Declaration or the By-Laws of the Corporation; to pay all expenses in connection therewith, and all office and other expenses incidental to the conduct of the business of the Corporation, including licenses, fees or governmental charges levied or imposed against the property owned, maintained, and/or managed by the Corporation.

(e) To have and to exercise any and all powers, rights, and privileges which a corporation organized under the non-profit corporation laws of the State of North Carolina may now or hereafter have or exercise.

4. The Corporation shall have members who shall only be the owners of the condominium units of Shell Island Resort Hotel, and membership into the Corporation may be transferred only as an incident to the transfer of the owner's condominium unit and his undivided interest in the common areas and facilities of Shell Island Resort Hotel, and any such transfer shall be subject to the procedures and matters set forth in the Declaration and other documents referred to therein.

5. No part of the net income or net earnings of the Corporation shall inure to the benefit of any officer, director or member of the Corporation; upon dissolution of this Corporation the assets thereof shall, after all of its liabilities and obligations have been discharged or adequate provision made therefor, be distributed to any corporation(s), organization(s), or association(s) organized for the purposes or engaged in activities substantially similar to those set forth in Paragraph 3 of these Articles of Incorporation, all as more particularly may be provided in the By-Laws of the Corporation.

6. The address of the initial registered office of the Corporation in the State of North Carolina is 115 Morehead Avenue, Post Office Drawer 3089, Carteret County, Atlantic Beach, North Carolina, 28512, and the name of its registered agent at such address is: John M. Harris.

7. The Board of Directors shall consist of not less than five (5) Directors

to be elected by the members 1338-0520 one time and in the manner which is explicitly prescribed in the By-Laws. The number of Directors constituting the initial Board of Directors shall be five (5); and the names and addresses of the persons who are to serve as the initial Directors are:

- Leslie M. Morris, Jr. 105 Rainbow Harbor
Myrtle Beach, SC 29577
- Girard Blount 105 Rainbow Harbor
Myrtle Beach, SC 29577
- Joseph Carter 105 Rainbow Harbor
Myrtle Beach, SC 29577
- Paul Lohman 105 Rainbow Harbor
Myrtle Beach, SC 29577
- Edward L. Harrington 105 Rainbow Harbor
Myrtle Beach, SC 29577

8. The name and address of the Incorporator is:

John M. Harris
ELLIS, HOOPER, WARLICK, WATERS & MORGAN
115 Morehead Avenue
P.O. Drawer 3089
Atlantic Beach, North Carolina 28512

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this 14th day of July, 1986.

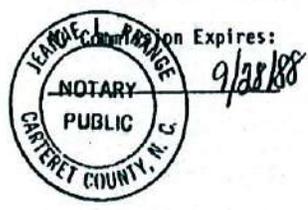
John M. Harris
JOHN M. HARRIS

STATE OF NORTH CAROLINA
COUNTY OF CARTERET

This is to certify that on the 14th day of JULY, 1986 before me, a Notary Public, personally came John M. Harris, who, I am satisfied is the person named in, and who executed the foregoing Articles of Incorporation of Shell Island Homeowners Association, Inc., and I having first made it known to him the contents thereof, he did acknowledge that he signed, sealed and delivered same as his voluntary act and deed for the purposes therein.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, this the 14th day of JULY, 1986.

James P. ...
Notary Public



Legal Description of Property SubmittedTRACT ONE:

BEING all of Tract 20 of North Shell Island Subdivision as shown on the plat thereof duly recorded in Map Book 25 at Page 20 in the Office of the Register of Deeds of New Hanover County, reference to which is hereby made for a more particular description.

TRACT TWO:

BEING all of the lands located between the property described in Tract Number One above, and the highwater mark of the Atlantic Ocean and being more particularly described as follows:

BEGINNING at a concrete monument at the eastern most corner of Tract Number One above and running thence south 36 degrees 01 minutes 40 seconds west 657.33 feet to a concrete monument at the southern most corner of said Tract Number One; thence south 48 degrees 16 minutes 19 seconds east 72.88 feet to a point; thence south 41 degrees 43 minutes 41 seconds west 22.5 feet to a point in the line of a 20-foot access easement; thence south 48 degrees 16 minutes 19 seconds east along said 20-foot access easement to the highwater mark of the Atlantic Ocean; thence northeastwardly along the highwater mark of the Atlantic Ocean to a point that bears south 49 degrees 37 minutes east from the BEGINNING point; thence north 49 degrees 37 seconds west to the point of BEGINNING; and being all of the land located eastward of the southeastern line of Tract Number One and bounded on the north by the southeasterly line of a 10-foot access easement and on the south by a proposed public parking area and a 20-foot access easement leading to the Atlantic Ocean.

TOGETHER WITH a 60-foot wide easement beginning at the existing north end of North Lumina Avenue in Wrightsville Beach, North Carolina, as said avenue is shown on a map entitled "Division Map Property of Beane Realty Co., Thomas N. Wright, Jr. and Parmele, Inc. - Tenants in Common", made by Henry von Oesen & Associates and recorded in Map Book 23, Page 89 in the New Hanover County Registry, and running from said beginning point northwardly to the northern line of Tract 4 as shown on said map. The center line of said 60-foot easement or right-of-way is as shown on said map recorded in Map Book 23, Page 89 in the New Hanover County Registry.



State
of
North Carolina

NOTICE
The issuance of a corporate charter to any corporation or a certificate of authority to any foreign corporation, shall not be valid until the same has been recorded in the office of the Secretary of State. The Secretary of State is hereby notified that the following corporation has been organized and its charter is being recorded in the office of the Secretary of State. The name of the corporation is _____, and its principal office is located at _____, _____, North Carolina. The Secretary of State is hereby notified that the following corporation has been organized and its charter is being recorded in the office of the Secretary of State. The name of the corporation is _____, and its principal office is located at _____, _____, North Carolina.

Certified Copy
from
The Department of The
Secretary of State
to be Recorded
with the
Register of Deeds
of County of _____
Recorders Office

STATE OF NORTH CAROLINA 1353 1752

COUNTY OF NEW HANOVER

AMENDMENT TO DECLARATION OF SHELL ISLAND RESORT HOTEL

WHEREAS, Shell Investments, Inc. did record a Declaration creating unit ownership of property in New Hanover County, North Carolina under the provisions of Chapter 47A of the General Statute of the State of North Carolina said Declaration having been recorded in Book 1339, beginning at Page 0473 of the New Hanover County Register of Deeds Office; and

WHEREAS, Article 10, paragraph 4 of the above-mentioned Declaration allows the declarant the right to amend the Declaration so long as certain conditions are met; and

NOW, THEREFORE, the Declaration recorded in Book 1339, beginning at Page 0473 is hereby amended, changed and corrected as follows:

On the seventh line of Article 1V, paragraph 2 entitled "Units", sub-paragraph B, the same being located on page 6 and 7 of the Declaration as recorded in Book 1339, at Page 0478 and 0479 the following language is deleted:

"Where a party owns one condominium unit and leases same, the lessee shall be entitled to the use of the recreational facilities and said lessee's rights thereto shall be the same as though said lessee were the unit owner and during the term of the lease, the unit owner and his family shall not be entitled to the use of the recreational facilities."

5-1 There shall be inserted in lieu of the deleted sentence the following:

"Where a party owns a condominium unit and leases or rents the same either through the condominium rental pool or otherwise the lessee or renter shall be entitled to the use of the recreational facilities and amenities of the condominium and said lessee's or renter's rights thereto shall be the same as those of the unit owner during the term of the lease or rental period. In addition to the lessee or renter, the unit owner and his family shall be entitled to use of the recreational facilities and amenities of Shell Island Resort Hotel even though their unit may be rented or leased."

The terms and conditions of this amendment to the Declaration shall become a part of the Declaration as though included at the time of the original recording.

IN WITNESS WHEREOF, the declarant has caused this amendment to the Declaration to be executed in the name of the corporation by its duly authorized officers and its corporate seal to be hereunto affixed, this the 3rd day of November, 1986.



Secretary
SOUTH
STATE OF NORTH CAROLINA
HARRI
COUNTY OF KARRKRRK

Shell Investments, Inc.

By: [Signature]
President

RECORDED AND VERIFIED
REBECCA P. TUCKER
REGISTER OF DEEDS
NEW HANOVER CO. NC

Dec 10 12 28 PM '86

I, Stephanie S. Thompson, a Notary Public in and for the State and County aforesaid, certify that Tom E. Baugh, Jr., personally came before me this day and acknowledged that he/she is Secretary of SHELL INVESTMENTS, 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 Secretary.

WITNESS my hand and official stamp or seal, this the 3rd day of November, 1986.

[Signature]
Notary Public

My Commission Expires:
September 2, 1996

083196

RETURNED TO John Harris
PO Box 3089, ATLANTIC BEACH, NC
28512

JOINDER AND CONSENT OF TRUSTEE AND BENEFICIARY/MORTGAGEE

THE CITIZENS AND SOUTHERN NATIONAL BANK and N. BRUCE BONEY, JR. as Trustee join in execution of this amendment to the Declaration of Shell Island Resort Hotel for the sole purpose of subjecting, submitting and subordinating any and all right, title and interest in the property described on Exhibit "A" of the aforementioned Declaration and this amendment that they have or either of them has, or may have, by virtue of those Deeds of Trust recorded in Book 1309 at Page 1505 and Book 1326 at Page 0610 of the New Hanover County Registry, said Declaration, this amendment and every provision thereof.

IN WITNESS WHEREOF, THE CITIZENS AND SOUTHERN NATIONAL BANK has caused this Joinder and Consent to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this the 4th day of December, 1986.

THE CITIZENS AND SOUTHERN NATIONAL BANK

BY: J. Tony Tott
Vice President



ATTEST: Charles R. Kelley
Charles R. Kelley, Asst. Secretary
STATE OF NORTH CAROLINA GEORGETA

COUNTY OF ~~CARTERET~~ DEKALB
I, Theresa L. Tucker, a notary public of the aforesaid County and State, do hereby certify that personally appeared before me this day Charles R. Kelley, who being by me duly sworn says that s/he is the Asst. Secretary of The Citizens and Southern National Bank and that s/he knows that J. Tony Tott is the Vice President, that s/he knows the common seal of the said Corporation; that the Corporation's name was subscribed to the within Amendment by its Vice President and was attested by him/herself as its Asst. Secretary with its corporate seal thereto affixed, and all by order of its Board of Directors duly given, and that the said instrument is the act and deed of said Corporation.

WITNESS my hand and notarial seal, this the 4th day of December, 1986.

Theresa L. Tucker
Notary Public

My Commission Expires:
Notary Public, Georgia, State at Large
My Commission Expires June 5, 1988

N. Bruce Boney, Jr. (Seal)
N. Bruce Boney, Jr., as Trustee

STATE OF NORTH CAROLINA
COUNTY OF ~~CARTERET~~ Mecklenburg

I, Mary D. Flowers, a notary public of the aforesaid County and State, do hereby certify that N. BRUCE BONEY, JR., Trustee, personally appeared before me this day and acknowledged the due execution of the foregoing Amendment in his capacity as trustee.

WITNESS my hand and notarial seal, this 5th day of December, 1986.

Mary D. Flowers
Notary Public

My Commission Expires:
6-22-91

STATE OF NORTH CAROLINA
New Hanover County
The Foregoing Certificate of Mary D. Flowers, Theresa L. Tucker, and Stephen S. Thompson, Notary Public is certified to be correct.

This the 10 day of Dec, 19 86
Rebecca P. Tucker, Register of Deeds
By Mary Sue Peter, Clerk

000068

Prepared by: Kenneth A. Shanklin
Attorney at Law BOOK
P.O. Box 1347
214 Market Street 651
Wilmington, NC 28402
(919) 762-9400
B01228.DOC

PAGE

0607

RECORDED AND VERIFIED
MARY SUE JOYTS
REGISTER OF DEEDS
NEW HANOVER CO. NC
93 MAR 19 PM 2 45

91147.001

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

SECOND AMENDMENT TO DECLARATION OF CONDOMINIUM
FOR SHELL ISLAND RESORT HOTEL

THIS SECOND AMENDMENT TO DECLARATION OF CONDOMINIUM ("Amendment") made this 20th day of June, 1992, by Shell Island Homeowners Association, Inc. (hereinafter referred to as the "Association"), a non-profit organization organized under the Laws of the State of North Carolina, which is the mandatory Association of all unit owners at Shell Island Resort Hotel Condominium, a condominium formed pursuant to the provisions of Chapter 47A of the North Carolina General Statutes, as amended, known as the Unit Ownership Act, as modified by the North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes.

WITNESSETH

THAT WHEREAS, by instrument duly recorded in Book 1339 at Page 473 of the New Hanover County Registry, Shell Investment, Inc., (hereinafter referred to as the "Declarant") being the Declarant and original owner in fee simple of the property described in that document submitted certain property to a condominium ownership scheme pursuant to Chapter 47A of the North Carolina General Statutes, as Amended, known as the Unit Ownership Act, (hereinafter referred to as the "Original Declaration"); and

WHEREAS, by instrument recorded in Book 1339 at Page 516 of the New Hanover County Registry, certain Bylaws were enacted and recorded with respect to the Association, which had filed Articles of Incorporation with the Secretary of State of North Carolina on the 16th day of July, 1986, a true copy of the Articles being recorded in Book 1339 at Page 525 and Book 1339 at Page 472 of the New Hanover County Registry; and

WHEREAS, by instrument recorded in Book 1353 at Page 1752 of the New Hanover County Registry, the Original Declaration was first amended (both the original Declaration and the First Amendment being hereinafter referred to collectively as the "Condominium Documents"); and

RETURN TO:
KENNETH A. SHANKLIN
P. O. BOX 1347
WILMINGTON, N. C. 28402
(919) 762-9400

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WHEREAS, at the annual meeting during March 1991, the Declarant relinquished control of the Board of Directors of the Association as had been previously required pursuant to the Condominium Documents and the Bylaws (Article V), permitting the unit owners of the Association to acquire control the Board as a result of the annual meeting of the membership held during March of 1991; and

WHEREAS, after study and review of the Original Declaration and the By-Laws, the Board of Directors of the Association met at a duly scheduled meeting on October 26, 1991 and passed a resolution requesting that the members of the Association adopt an Amendment to the Condominium Documents authorizing the Board of Directors to have direct control and authority over the rental agent of Shell Island Resort Hotel to provide for a more efficient operation of the resort hotel; and

WHEREAS, a special meeting was called for and held during December of 1991 and as a result of that special meeting, a committee was formed by the unit owners to study the issue of a modification of the Condominium Documents, which committee gave a report to the membership at its annual meeting during March of 1992; and

WHEREAS, on May 17, 1992 and in accordance with the provisions of Section 2 of Article IV of the By-Laws recorded in Book 1339 at Page 516 of the New Hanover County Registry, the Board of Directors called a special meeting of the members of the Association to be held at Shell Island Resort Hotel at Wrightsville Beach, North Carolina, on June 20, 1992 at 10:00 a.m. daylight savings time for the purpose of receiving a report from the special committee appointed at the last homeowners' meeting in March of 1992 regarding efforts to review the proposed rental contracts with Sands Properties, Inc., the manager of the resort hotel and vote on a proposed change to the Condominium Documents for the inclusion of a new Item f under Section 5 of Article VI of the Original Declaration recorded in Book 1339 at Page 473 of the New Hanover County Registry, the purpose of which proposed Declaration change was to allow the Board of Directors more authority to deal with the rental agent, whomever that may be, for a more efficient operation of Shell Island Resort Hotel and secondly, for the benefit of the homeowners; and

WHEREAS, the special meeting of the members of the Association and unit owners of Shell Island Resort Hotel was held at Shell Island Resort Hotel at Wrightsville Beach, North Carolina, on June 20, 1992 at 10:00 a.m. daylight savings time, at which time upon motion duly made and seconded, Item f under Section 5 of Article VI of the Original Declaration creating unit ownership for property of Shell Island Resort Hotel dated August 8, 1986 and recorded in book 1339 at Page 473 of the New Hanover County Registry was approved by

121 votes for the Amendment and 28 votes against, by those voting in person and by proxy; and

WHEREAS, the prerequisite vote for the Amendment was approved affirmatively by more than 67% in number and in common ownership of all unit owners cast in person or by proxy at a meeting duly held in accordance with the By-Laws of the Association in accordance with the provisions of Article X of the Original Declaration recorded in Book 1329 at Page 473 of the New Hanover County Registry; and

WHEREAS, the Secretary of the Association, Dottie Schnabel certified the vote and the passage of the Amendment to the Original Declaration, which Amendment is set forth as follows:

(F) Recommendation and supervision of rental agent or agents at Shell Island Resort Hotel. Because the unit owners at Shell Island Resort Hotel generally rent their units through a central rental agent on a year to year basis, it has become apparent that the unit owners need the Board of Directors of the Association to oversee the operation of the facility by the rental agent and to approve a standard routine contract to be submitted, approved and executed by each individual or corporate unit owner renting his or its unit with the approved central rental agent for the Shell Island Resort Hotel. At the annual meeting of the Association, or at such other meeting of the Association as is designated by the Board of Directors, the Board shall recommend for the approval of the members of the Association for the rental of units a central rental agent. Prior to recommending a rental agent for approval of the Association at its annual meeting, (or such other meeting as aforesaid) the Board shall have the expressed authority to require any agent or proposed agent desiring to qualify as an approved agent for Shell Island Resort Hotel to submit a copy of the proposed rental agreement to be used by such agent, a copy of a proposed maintenance agreement to maintain each individual room, a financial statement showing the financial strength of the rental agent, a copy of a proposed operating budget and such other documentation as may be reasonably required by the Board to inquire into the ability of the proposed agent to operate effectively Shell Island Resort Hotel. The Board may require, as a condition of approval, that the standard rental contracts incorporate such standard procedures as may be required to minimize problems of security, maintenance, quality and operation of the common areas and facilities of the property. Furthermore, the Board shall have the expressed authority to negotiate with the proposed rental agent(s) the standard

schedule of fees to be charged by the approved control rental agent(s); provided, however, any recommendation by the Board of Directors to the Association shall not be binding upon any unit owner with respect to the schedule of fees the individual unit owner desires in his or its specific contract with said rental agent. At its annual meeting (or such other meeting) of the members of the Association to approve the central rental agent, the members shall also approve the standard rental contract and schedule of fees to be charged by the rental agent to the unit owners, subject, however, to the absolute right of any unit owner to negotiate any other terms of the standard agreement that he desires to be included in the rental agreement, and to alter the rent schedule of fees to be paid to the rental agent by said unit owner. The schedule of fees recommended by the Board and approved by the membership of the Association shall only be a recommendation for a proposed standard for the members involved in the rental program and nothing more. Each owner shall have the absolute right to enter into any direct rental, lease or sale arrangement with renters, lessees or purchasers which shall be consistent with the Declaration and Bylaws of the Association and such other regulations as from time to time are promulgated by the Association and/or the Board of Directors. Nothing herein shall be construed as creating or authorizing any rental pooling or as requiring the rental of a unit by an owner or as restricting the owner's use of his unit except as otherwise provided for in the Declaration and the Bylaws.

If any Court of law or governmental regulatory body having appropriate jurisdiction over the Association or legal counsel for the Association determine that any portion of this provision is unlawful or would require registration of an offering of any unit as a security, then said portion of the Declaration shall be automatically invalid until such requirement is eliminated formally by the Association. Such partial invalidity shall not affect the remainder of this provision.

NOW, THEREFORE, in consideration of the premises, the authority granted in the Condominium Documents and the By-Laws for the Association and pursuant to the duly called special meeting of the Association held on June 20, 1992 at Shell Island Resort Hotel, Wrightsville Beach, North Carolina, the Association does hereby certify the Amendment and does hereby amend the Original Declaration of Condominium for Shell Island Resort Hotel recorded in Book 1339 at Page 473 of the New Hanover county Registry as follows:

1. Section 5 Entitled "Management and Maintenance" of Article VI Entitled "The Association" is amended by adding a new

paragraph or Item (f) entitled "Recommendation and Supervision of Rental Agent or Agents at Shell Island Resort Hotel" as follows:

(f) Recommendation and supervision of rental agent or agents at Shell Island Resort Hotel. Because the unit owners at Shell Island Resort Hotel generally rent their units through a central rental agent on a year to year basis, it has become apparent that the unit owners need the Board of Directors of the Association to oversee the operation of the facility by the rental agent and to approve a standard routine contract to be submitted, approved and executed by each individual or corporate unit owner renting his or its unit with the approved central rental agent for the Shell Island Resort Hotel. At the annual meeting of the Association, or at such other meeting of the Association as is designated by the Board of Directors, the Board shall recommend for the approval of the members of the Association for the rental of units a central rental agent. Prior to recommending a rental agent for approval of the Association at its annual meeting, (or such other meeting as aforesaid) the Board shall have the expressed authority to require any agent or proposed agent desiring to qualify as an approved agent for Shell Island Resort Hotel to submit a copy of the proposed rental agreement to be used by such agent, a copy of a proposed maintenance agreement to maintain each individual room, a financial statement showing the financial strength of the rental agent, a copy of a proposed operating budget and such other documentation as may be reasonably required by the Board to inquire into the ability of the proposed agent to operate effectively Shell Island Resort Hotel. The Board may require, as a condition of approval, that the standard rental contracts incorporate such standard procedures as may be required to minimize problems of security, maintenance, quality and operation of the common areas and facilities of the property. Furthermore, the Board shall have the expressed authority to negotiate with the proposed rental agent(s) the standard schedule of fees to be charged by the approved central rental agent(s); provided, however, any recommendation by the Board of Directors to the Association shall not be binding upon any unit owner with respect to the schedule of fees the individual unit owner desires in his or its specific contract with said rental agent. At its annual meeting (or such other meeting) of the members of the Association to approve the central rental agent, the members shall also approve the standard rental contract and schedule of fees to be charged by the rental agent to the unit owners, subject, however, to the absolute right of any unit owner to negotiate any other terms of the standard agreement that he desires to be included in the

rental agreement, and to alter the rent schedule of fees to be paid to the rental agent by said unit owner. The schedule of fees recommended by the Board and approved by the membership of the Association shall only be a recommendation for a proposed standard for the members involved in the rental program and nothing more. Each owner shall have the absolute right to enter into any direct rental, lease or sale arrangement with renters, lessees or purchasers which shall be consistent with the Declaration and Bylaws of the Association and such other regulations as from time to time are promulgated by the Association and/or the Board of Directors. Nothing herein shall be construed as creating or authorizing any rental pooling or as requiring the rental of a unit by an owner or as restricting the owner's use of his unit except as otherwise provided for in the Declaration and the Bylaws.

If any Court of law or governmental regulatory body having appropriate jurisdiction over the Association or legal counsel for the Association determines that any portion of this provision is unlawful or would require registration of an offering of any unit as a security, then said portion of the Declaration shall be automatically invalid until such requirement is eliminated formally by the Association. Such partial invalidity shall not affect the remainder of this provision.

IN WITNESS WHEREOF, the Association has caused this Amendment to be executed in its corporate name by its President and attested by its Secretary and its corporate seal to be affixed as duly authorized by its Board of Directors and by more than 67% in number and in common ownership of all unit owners and members of the Association at the special meeting called for and held on June 20, 1992 at 10:00 a.m. at Shell Island Resort Hotel, Wrightsville Beach, North Carolina, all as of the 20th day of June, 1992.



SHELL ISLAND HOMEOWNERS
ASSOCIATION, INC.

BY: Forest H. Beckhield
Forest H. Beckhield
President

Dottie Schabel
Dottie Schabel
Secretary

STATE OF NORTH CAROLINA BOOK PAGE
COUNTY OF Mecklenburg 1651 0613

I, Judy K. Sides, a Notary Public of the County of Mecklenburg and State aforesaid, certify that Dottie Schnabel, personally came before me this day and acknowledged that she is secretary of Shell Island Homeowners Association, Inc., a North Carolina non-profit corporation, and that by authority duly given and as the act of the non-profit corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by herself as its Secretary.

Witness my hand and official seal or stamp, this the 14 day of August, 1992.



Judy K. Sides
Notary Public

Commission Expires: 10-12-93
12, 1993

STATE OF NORTH CAROLINA
New Hanover County
The foregoing / Attached Certificate(s) of

Judy K. Sides

Notary (Notarial Public) is/ are certified to be correct.

This the 19 day of MARCH 1992

Mary Sue Oak, Register of Deeds
Linda P. Allen
Deputy / Assistant

3)
7208

REGISTRATION REGISTER OF DEEDS
REBECCA T. CHRISTIAN
NEW HANOVER COUNTY, NC
2002 NOV 26 03:57:06 PM
BK: 3540 PG: 785-789 FEE: \$20.00
INSTRUMENT # 2002060648

THIRD AMENDMENT TO THE DECLARATION OF CONDOMINIUM FOR SHELL
ISLAND RESORT HOTEL AMENDING THE BY-LAWS OF
SHELL ISLAND HOMEOWNERS' ASSOCIATION, INC.

THIS THIRD AMENDMENT TO THE DECLARATION OF CONDOMINIUM
FOR SHELL ISLAND RESORT HOTEL AMENDING THE BY-LAWS OF
SHELL ISLAND HOMEOWNERS' ASSOCIATION, INC. ("Amendment") by Shell Island
Homeowners' Association, Inc. ("the Association"); and all UNIT OWNERS of Units within
Shell Island Resort Hotel, a condominium established and described by the "DECLARATION
CREATING UNIT OWNERSHIP OF PROPERTY UNDER THE PROVISIONS OF
CHAPTER 47A OF THE GENERAL STATUTES OF THE STATE OF NORTH CAROLINA,
recorded in Book 1339, at Page 473 in the office of the Register of Deeds of New Hanover
County, North Carolina (the "Declaration").

RECITALS:

WHEREAS, the By-Laws of the Association, which are recorded in Book 1339,
at Page 516 in the office of the Register of Deeds of New Hanover County, North Carolina,
provide in Article X thereof a procedure by which amendments to the By-Laws may be proposed
and adopted, and

WHEREAS, the Board of Directors of the Association (the "Board of Directors"),
by a unanimous affirmative vote, approved and adopted the amendments hereinafter set forth
amending the By-Laws of the Association, and resolved that the same be submitted to a vote of
the Unit Owners at a special meeting on October 26, 2002, and

WHEREAS, the special meeting duly noticed was held of the Unit Owners on
October 26, 2002 at which Unit Owners owning greater than sixty-seven percent (67%) in

number and in common ownership of all unit owners voted in person or by proxy to approve the amendments to the By-Laws as adopted by the Board of Directors and as hereinafter set forth in this Amendment, all in accordance with the Declaration and the By-Laws of the Association.

NOW, THEREFORE, the By-Laws of the Association have been and the same hereby are duly amended by the aforesaid amendments approved by the Board of Directors and the Unit Owners, said amendments being as follows:

1. The Association's By-Laws hereby are amended by deleting the first sentence of Article V, Section 1 (Board of Directors) thereof and inserting in lieu thereof a new sentence as hereinafter set forth:

"The number of directors constituting the Board of Directors of the Association shall be seven (7)."

2. The Association's By-Laws hereby are amended by adding a new third paragraph to Article V, Section 1 (Board of Directors) thereof as hereinafter set forth:

"The initial two (2) director vacancies created in the Board of Directors by the adoption of the amendment to the By-Laws of Shell Island Homeowners' Association, Inc. increasing the number of directors constituting the Board of Directors to seven (7) shall be filled by the Unit Owners by election at the special meeting of Unit Owners held on October 26, 2002. The directors elected at such special meeting shall be subject to reelection (for a standard two (2) year term) at the next Annual Meeting of the Unit Owners following the October 26, 2002 special meeting."

The undersigned officer certifies on behalf of the Association that this Amendment was duly adopted as aforesaid and that the By-Laws are amended as set forth herein.

SHELL ISLAND HOMEOWNERS' ASSOCIATION, INC.

By: Forrest H. Deshields
Forrest H. Deshields, President

