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STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

DECLARATION OF UNIT OWNERSHIP
UNDER THE UNIT OWNERSHIP ACT OF THE
NORTH CAROLINA GENERAL STATUTES FOR
CHANNEL SIDE LANDING

THIS DECLARATION, and the exhibits which are attached hereto and made a part hereof by this reference, are made and executed this 25th day of April 1985, by BRIDGES-QUAINTANCE DEVELOPMENT CORP., a North Carolina corporation, hereinafter called the "Declarant", for itself, its successors, grantees and assigns, pursuant to the provisions of the North Carolina Unit Ownership Act, North Carolina General Statutes Chapter 47A, Article 1.

WITNESSETH:

WHEREAS, the Declarant is the owner of certain real property in Brunswick County, North Carolina, more particularly described and defined in Exhibit A attached hereto and made a part hereof; and

WHEREAS, the Declarant desires to submit this property described on Exhibit A to the provisions of the North Carolina Unit Ownership Act, North Carolina General Statutes Chapter 47A, Article 1, as amended, (hereinafter referred to as the "Act"), thereby creating a condominium known as CHANNEL SIDE LANDING Phase 1 (hereinafter referred to as "Channel Side"); and

WHEREAS, the Declarant has constructed multi-unit residential buildings and certain other improvements on the property identified on Exhibit A, and it is the desire and intention of the Declarant to divide such property into condominium units as those terms are defined under the provisions of the Act, and to sell and to convey the same to various purchasers subject to the covenants, conditions, obligations and restrictions herein reserved to be kept and observed;

NOW, THEREFORE, the Declarant does hereby publish and declare that all of the property identified on the attached Exhibit A, including the multi-unit residential buildings constructed thereon, are held, and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to the following restrictions, covenants, conditions, uses, limitations, and obligations, all of which are declared and agreed to be in furtherance of the plan for the division of such property into condominium units and shall be deemed to run with the land and shall be a burden and benefit to the Declarant, its successors and assigns, and any person acquiring and owning an interest in the real property and improvements, their grantees, successors, heirs, administrators, devisees and assigns. Every grantee of any interest in such property, by the acceptance of a deed or other conveyance of such interest, whether or not such person shall otherwise consent in writing, shall take subject to provisions of the Act and this Declaration, and shall be deemed to have assented to the same.

ARTICLE I.

STATUTORY PROVISIONS AND DEFINITIONS

1. Statutory Provisions. This Declaration is made pursuant to Chapter 47A, Article 1, of the North Carolina General Statutes, as amended, in effect as of the time of recording of this Declaration.
2. Definitions. Unless defined herein, or unless the context requires otherwise, the words defined in Section 3 of the Act, when used in this Declaration or any amendment hereto, shall have the meaning provided therein. The following words, when

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used in this Declaration or amendment hereto, unless the context requires otherwise, shall have the following meaning:

(a) "Act" means the Unit Ownership Act, North Carolina General Statutes, Chapter 47A, Article 1, as amended.

(b) "Assessment" means an Owner's share of the Common Expenses assessed against such Owner and his Unit from time to time by the Condominium Association in the manner hereinafter provided.

(c) "Board" or "Board of Directors" means the Board of Directors of the Condominium Association and "Director" or "Directors" means a member or members of the Board.

(d) "Bylaws" means the Bylaws of the Condominium Association contained in Exhibit B attached hereto and made a part hereof by this reference, which constitute the Bylaws governing administration of the Condominium Property as required by Section 47A-18 of the Act.

(e) "Common Areas and Facilities" or "Common Area" means all of the Condominium Property and every part thereof, excluding the Units, but including Limited Common Areas and Facilities.

(f) "Common Expense" means all or any of:

(1) All expenses incident to the administration, maintenance, and repair or replacement of the Common Areas and Facilities.

(2) Expenses determined by the Condominium Association to be common expenses and which are lawfully assessed against the Unit Owners.

(3) Expenses declared to be common expenses by the Act or the Condominium Documents, this Declaration or the Bylaws.

(4) All sums lawfully assessed against the Unit Owners by the Condominium Association.

(g) "Condominium Association" means Channel Side Homeowners Association, a nonprofit corporation formed under Chapter 55A of the North Carolina General Statutes, whose members are limited to and consist of all Owners of condominium units of Channel Side, including Declarant.

(h) "Condominium Documents" means and includes this Declaration, the Bylaws and Rules and Regulations as may be created pursuant to this Declaration, governing the use of the Condominium Property, all as may be amended from time to time.

(i) "Condominium Property" or "Property" means all of the property submitted to the Act by this Declaration being the property identified and described on Exhibit A of this Declaration; and the buildings and all other improvements situated thereon whether the same to Common Areas and Facilities or units or any part thereof, and all easements and rights appurtenant thereto.

(j) "Declarant" means Bridges-Quaintance Development Corp., a North Carolina corporation; or its successor in fee ownership of any remaining Units (more than one Unit) unsold to purchasers for use as residences. At no point in time may there be more than one "Declarant".

(k) "Declaration" means this Declaration of Unit Ownership under Chapter 47A, Article 1, of the North Carolina General Statutes for Channel Side.

(l) "Institutional Mortgage", sometimes referred to as

"first mortgage" herein, shall mean and refer to a first mortgage or deed of trust originally executed and delivered to or held through assignment or assignments by an institutional lender or any mortgage or deed of trust held by Declarant and its successors and assigns.

(m) "Institutional Lender" shall mean and refer to a bank or savings and loan association or an insurance company or a title insurance company or a pension trust or real estate investment trust or any other private or governmental institution which is regularly engaged in the business of mortgage financing (including the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association), or a subsidiary of any of the foregoing or a designee of any of the foregoing, or Declarant which owns a mortgage on one or more Units, or any of the foregoing which acquires an Institutional Mortgage as herein defined by assignment or through assignments from a non-institutional lender.

(n) "Limited Common Areas and Facilities" or "Limited Common Area" means these parts of the Condominium Property which are described in Section 5 of Article III of this Declaration, which are subject to this Declaration from time to time.

(o) "Majority" or "Majority of Unit Owners" means the owner or more than fifty percent (50%) of the aggregate Percentage Interests in the Common Areas and Facilities as established by this Declaration, assembled and voting at a duly called meeting of the Unit Owners.

(p) "Member" means a member of the Condominium Association.

(q) "Percentage Interest" means the percentage of undivided interest held by each Unit Owner in the Common Areas and Facilities as set forth on Exhibit D attached hereto.

(r) "Person" means any individual, corporation, partnership, association, trustee, fiduciary or other legal entity, and shall mean the plural or combination of the same where applicable.

(s) "Plans" means the site plan entitled Channel Side, dated April 2, 1985 and prepared by David D. Brown, Jr. Professional Engineer plus the Plans of the Units and buildings which are part of the Condominium Property entitled Channel Side dated April 2, 1985, and prepared by David E. Brown, Jr. Professional Engineer, all of which are attached hereto as Exhibit C.

(t) "Rules and Regulations" means all rules, regulations, requirements and policies which shall govern and limit the use of the Condominium Property, and which are duly adopted and promulgated by the Board of Directors in accordance with this Declaration.

(u) "Unit" means those parts of the Condominium Property which are described in Section 3 of Article III hereof, which are subject to this Declaration and which are shown and designated on the Plans as Units.

(v) "Unit Owner" or "Owner" means the record legal fee owner, whether one or more persons, or a Unit, specifically including contract sellers, but excluding any lender, trustee or creditor whose interest in the Unit is merely as security for the performance of an obligation.

ARTICLE II.
NAME, ADDRESS AND REGISTERED AGENT

1. Name and Address. The name of the property is Channel Side, and it is located at Dunn Street and Second Street, in the Town of Ocean Isle Beach, Brunswick County, North Carolina.

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be more or less than the estimated fair market value.

(c) Separability of Percentage Interest. The Percentage Interest cannot be separated from the Unit to which it appertains and shall automatically be conveyed or encumbered with the Unit, even though such interest is not expressly mentioned or described in the deed or other instrument of conveyance.

(d) Partition. The Common Areas and Facilities shall remain undivided and no right to partition the same or any part thereof shall exist except as provided in the Act, this Declaration and the Bylaws. Nothing contained herein, however, shall be deemed to prevent ownership of a Unit by more than one person, either as tenants by the entireties, or as tenants in common, or in any other form permitted by law.

(e) Use of Common Areas and Facilities. Subject to the provisions of Section 5 and 6 hereafter, each Unit Owner shall have the right to use the Common Areas and Facilities in accordance with the purposes for which they are intended, without hindering the exercise of or encroaching upon the rights of other Unit Owners. The Board shall, if any questions arises, determine the purpose for which any part of the Common Areas and Facilities is intended for use. The Board shall have the right to promulgate Rules and Regulations limiting the use of Common Areas and Facilities to Unit Owners, their tenants and guests, as well as providing for the exclusive use of a part of the Common Areas and Facilities by a Unit Owner, his tenants and guests for special occasions. Such exclusive use may be conditioned upon, among other things, payment of a fee. Any Unit Owner may delegate, in accordance with the provisions of this Declaration, the Bylaws and Rules and Regulations, his right to use Common Areas and Facilities to the immediate members of his family living in the Unit, to a limited number of guests or to tenants who reside in a Unit.

5. Limited Common Areas and Facilities. Ownership of a Unit shall entitle the Owner thereof to the exclusive use or use with others necessarily served thereby of the Limited Common Areas and Facilities appurtenant to such Unit and so designated herein or in the Plans. Such areas may be used for the storage of personal property, supplies, and for any other use permitted by the Board, provided no stored item or improvements is visible from outside such Limited Common Areas. Limited Common Areas and Facilities shall not be construed or interpreted to be separate and apart from the Common Areas and Facilities in general, being limited only with respect to the reserved use thereof by the Unit or Units served.

Exclusive use of the Limited Common Areas and Facilities may be delegated by an Owner to the immediate members of his family, his guests or tenants who reside in a Unit. Owners may place plants, furniture or other similar items within the Limited Common Areas and Facilities adjacent or appurtenant to the Unit, subject to Rules and Regulations duly adopted by the Board with respect thereto. No Owner shall build or construct any type of storage or workshop facility or other similar type of structure within the Limited Common Areas and Facilities, unless prior written approval is obtained from the Board of Directors.

PACKAGE SEWAGE TREATMENT PLANT. Channel Side shall have the right to use the package sewage treatment plant located at DOCKSIDE LANDING subject to the terms and conditions regarding the same pursuant to the Condominium Declaration of Dockside Landing and the bylaws and rules and regulations of Dockside Landing; provided Channel Side shall furnish the drain lines and fields as required by the Brunswick County Health Department and pay its pro rata cost of operation of the same as set out in said Condominium Declaration of Dockside Landing.

7. A copy of the plans for, all Units in Phase I is attached as Exhibit "C", and Buildings 1 and 2 are shown thereon as

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Upon approval of the alterations and modifications, the Unit Owner shall be required: (i) to complete expeditiously all alterations; (ii) to pay the full cost of performing all alterations without incurring any mechanics' or materialmen's liens; (iii) to pay all costs and expenses (including reasonable attorney's fees) incurred in connection with the preparation, review, execution and recording of any amendment to the Declaration (including the Plans) needed in order to reflect the condition of the building after completion of such alteration; and (iv) to refrain from making any alteration that will impair the structural integrity of the building or any mechanical or electrical system therein, adversely affect either the fire retardant or sound absorbent qualities of the building or lessen the support of any portion of the building, or in any way impair the soundness, safety, appearance or value of any portion of the Condominium Property. All costs and expenses incurred by the Board in connection with its approval or disapproval of such alteration or modification (including fees for such architectural, engineering, legal and other professional services as the Board may deem necessary to aid in its determination) shall be borne by the Unit Owner seeking such approval.

5. Motor Vehicles. No motor vehicle (other than private passenger vehicles which shall be currently licensed and inspected), boat, boat trailer, mobile home, motor home, trailer or any similar items shall be stored in or upon the Common Areas and Facilities, unless placed upon a portion of the Common Areas and Facilities which may be designated from time to time by the Board for the storage of such items. The Board shall have the right to charge a fee for such storage at rates competitive with legal storage rates. Motorcycles which do not contain adequate muffler systems (as determined by the Board in its sole discretion) shall not be permitted on the Condominium Property.

6. Signs. No signs or other advertising devices shall be displayed which are visible from the exterior of any Unit or on the Common Areas and Facilities, including "For Sale" or "For Rent" signs, without permission from the Board; except that the Declarant is exempt from this provision as provided above and this provision shall not limit the rights of Institutional Lenders.

7. Prohibitions on Use of Common Areas and Facilities. Except with the specific written approval of the Board and as permitted in Section 5 of Article III of this Declaration, the Common Area and Facilities, including Limited Common Areas, shall not be used for temporary or permanent storage of supplies, personal property, trash or refuse of any kind, other than in common trash receptacles placed at the direction of the Board, nor shall such areas be used in any way for the drying or airing of clothing, rugs or other objects. Entrances, sidewalks, yards, driveways, parking areas and stairways shall not be obstructed in any way. No activities shall be carried on nor condition maintained by any Unit Owner, either in his Unit or upon the Common Areas and Facilities, if such activities should despoil, or tend to despoil, the appearance of the Condominium Property. No "garage" or "attic sales" shall be permitted outside of a Unit. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all Owners of the Condominium Property and is necessary for the protection of the Unit Owners and is enforceable by the Board or by any one or more Unit Owners through the Board of Directors.

8. Animals. No animal shall be kept in or on the Condominium Property, except for small household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint as is necessary to prevent them from being or becoming obnoxious or offensive on account of noise, odor, unsanitary conditions or other nuisance. No savage or dangerous animal shall be kept or permitted in or on the Condominium Property. No more than two household pets may be housed within a Unit without written permission of the Board. No pets may be

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Property.

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

13. Restriction on Transfer of Common Areas. Except as provided by statute in case of condemnation or substantial loss to the Common Areas and Facilities, and except as permitted in Section 6 of Article III of the Declaration, the Condominium Association shall not, by act or omission abandon, partition, subdivide, encumber, sell or transfer any portion of the Common Areas and Facilities, without the written approval of Owners holding, and written approval of the holders of Institutional Mortgages then in force with respect to Units representing, no less than seventy-five (75%) percent of the total Percentage Interests and the unanimous approval of Owners of and holders of Institutional Mortgages on all Units having use of Limited Common Areas and Facilities thereby affected. The granting of easements for public utilities or other public purposes consistent with the intended use of the Common Areas and Facilities shall not be deemed a transfer within the meaning of this paragraph.

14. Rules and Regulations. The Board may, from time to time, promulgate Rules and Regulations respecting the restrictive covenants set out in this Article IV, but such Rules and Regulations shall be consistent with these restrictions and not in derogation or intended as an amendment thereof.

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ARTICLE V.
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EASEMENTS

1. Use and Enjoyment. Every Unit Owner, his or her family living in a Unit, tenant of a Unit Owner, and licensees, invitees, employees, and agents of a Unit Owners shall have a right and easement, of use and enjoyment in and to the Common Areas and Facilities, except Limited Common Areas and Facilities (including the right of access, ingress and egress to and from his and her Unit over those portions of the Condominium Property designated for such purpose), and such easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provision:

(a) The right of the Condominium Association to control the use and enjoyment thereof as provided in this Declaration and the Bylaws, and in the duly adopted Rules and Regulations of the Condominium Association, which shall include, but not be limited to, the right of the Condominium Association to limit use and enjoyment thereof to the Unit Owners, and their respective families living in the Unit, tenants and guests, as well as to provide for the exclusive use and enjoyment of specific portions thereof at certain designated times by Unit Owner, his or her family, tenants and guests.

(b) The right of the Condominium Association to limit the number of guests of Unit Owners.

(c) The right of the Condominium Association to suspend the voting rights and right to use of the Common Areas and Facilities other than the use of parking facilities, roadways, and easements for access, ingress and egress or facilities which the Condominium Association provides by a Unit Owner, his or her tenants and guests, for any period of time during which an assessment against such Owner's Unit remains unpaid or for infraction of its Rules and Regulations.

(d) The right of the Condominium Association to charge reasonable admission fees, unit fees or other fees for use of Common Areas and Facilities or for special uses that might be made of certain parts of the Common Areas and Facilities by Unit

Owners or by other.

(e) The right of the Condominium Association to limit the number of guests of Unit Owners as to the use of any part of the Common Areas and Facilities.

(f) The right of the Condominium Association to regulate, locate and direct access routes on the Common Areas and the location of the parking therein and to allocate parking spaces to each Unit, all to be done in a reasonable manner.

2. Maintenance and Repair. There shall be an easement in, over, under and through the Units and the Common Areas and Facilities for installation, maintenance, repair, replacement, inspection, upkeep, and improvement of the Units and the Common Areas and Facilities. Use of this easement shall be only during normal business hours, except that access may be had at any time in case of emergency.

3. Structural Support. Every portion of a Unit or the Common Areas and Facilities which contributes to the structural support of another Unit or any portion of the Common Areas and facilities shall be burdened with an easement of structural support.

4. Encroachments. If any portion of the Common Areas and Facilities encroaches upon any Unit or if any Unit encroaches upon any other Unit or upon any portion of the Common Areas and Facilities or the Limited Common Areas and Facilities as a result of settling or shifting of a building, or as the result of survey error or error in description, an easement for the encroachment and for the maintenance of the same so long as the building stands, shall exist. If any building, any Unit, any adjoining Unit, or any adjoining part of the Common Areas and Facilities or the Limited Common Areas and Facilities shall be partially or totally destroyed as a result of fire or other casualty or as a result of eminent domain proceedings, when such are rebuilt upon the original site and upon the same Plans as the original building, encroachments of parts of the Common areas and Facilities upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Areas and Facilities resulting from such rebuilding shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the subject improvement shall stand.

5. Utilities. There shall be a general easement upon, across, above and under all of the Condominium Property for ingress, egress, installation, replacing, repairing and maintaining all utilities including, but not limited to, water, sewer, telephone, cable television installation, and electricity or other community service (e.g., water, television antenna system or security system, installed) which the Declarant or the Condominium Association has installed or might determine to install to serve the Condominium Property by virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles and other necessary equipment on the Condominium Property and to affix and maintain wires, conduits, cables and the like on, above, across, under and through the roofs and exterior walls of the Units. Should any party furnishing any service covered by this general easement request a specific easement by separate recordable document, Declarant or the Condominium Association, as the case may be, shall have the right to grant such easement under the terms hereof.

6. Declarant's Easements. Declarant and its successors and assigns shall have a right and easement of use over and under those portions of the Common Areas and Facilities not located in a building, for all purposes related to the construction, development, leasing and sale of Units. This easement shall include, without limitation, the right of vehicular and pedestrian ingress and egress, the right to park motor vehicles and to engage in construction and marketing activities of any nature whatsoever, including the movement and storage of building

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materials and equipment, the conduct of sales activity, the maintenance of models and sales offices, and the erection and maintenance of directional and promotional signs. These easements and rights shall not be amended or changed prior to the date five years from the recording of this Declaration without the consent of Declarant so long as Declarant owns any Unit in Channel Side.

7. Other. There shall be a general easement in favor of the Condominium Association, its directors, officers, agents and employers (including, but not limited to, any manager employed by the Condominium Association) to enter upon the Condominium Property or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to and with the permission of any Unit Owner directly affected thereby which permission shall not be unreasonably withheld.

ARTICLE VI.

ADMINISTRATION

1. General Provisions. The administration of the Condominium Property, including but not limited to, the acts required of the Condominium Association, shall be performed by the Condominium Association, acting by and through its Board or as otherwise provided in this Declaration and the Bylaws. The membership of the Condominium Association shall be limited to and consist of all of the Unit Owners. The Condominium Association's activities shall be limited to administration, including management and operation of Channel Side, consistent with the Act, this Declaration and the Bylaws.

2. Amendment of Bylaws. The Bylaws are subject to amendment as herein and in the Act and Bylaws provided.

3. Duties and Powers. The duties and powers of the Condominium Association shall be those, and shall be exercised as, set forth in the Act, this Declaration and the Bylaws, together with those implied as reasonably necessary to effect the purposes of the Condominium Association and the administration of the Condominium Association and the administration of the Condominium Property.

4. Agreements. All agreements and determinations lawfully authorized by the Condominium Association shall be binding upon all Unit Owners, their heirs, legal representatives, successors, assigns and others having an interest in the Condominium Property or the privilege of possession and enjoyment of any part thereof. In furtherance of the foregoing limitation thereof, the Condominium Association shall have the authority to approve and enter into such management agreements as the Board of Directors shall deem necessary or desirable for the administration and operation of the Condominium Property. Any such management agreement shall provide that the same may be terminated by the Board of Directors for cause at any time upon thirty (30) days' notice to the manager. No such contract shall bind the Condominium Association in excess of one (1) year from the date of its inception. All costs and expenses incident to the employment of a manager shall be Common Expenses. During his or her tenure, the manager may, if authorized by the Board of Directors, exercise all of the powers and shall be responsible for the performance of all the duties specifically and exclusively reserved to the directors, officers or members of the Condominium Association by the Act, this Declaration or the Bylaws. The manager may be such individual, corporation or other legal entity as the Board of Directors shall determine and shall be bonded by a fidelity bond as provided in Section 2(c) of the Act of this Declaration.

5. Restrictions and Contracts. Neither the Condominium Association nor the Declarant shall enter into any contract, lease or other agreement, except contracts for the furnishing of

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utilities which shall bind the Unit Owners or Condominium Association for more than one (1) year after the date of the first annual meeting as required by the Bylaws. After the first annual meeting, the Board of Directors shall not enter into any contract, lease or other agreement which shall bind the Unit Owners or the Condominium Association for a period of more than one (1) year unless approved by Unit Owners holding a Majority of the total Percentage Interests.

6. Execution of Documents. When any agreement, contract, conveyance or other document is executed by the President and Secretary of the Condominium Association, a third party without knowledge or reason to know to the contrary may rely on such document as being duly authorized and executed.

7. Property. All funds received and title of all properties acquired by the Condominium Association and income earned and accrued thereof and the proceeds thereof, after deducting therefrom the costs incurred by the Condominium Association in acquiring the same, shall be held for the benefit of the Unit Owners as herein provided and for the purposes herein stated. The Condominium Association may acquire and hold, for the benefit of the Unit Owners, tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in such personal property and the income earned and accrued thereon and the proceeds thereof shall be held by the Unit Owners in the same proportions as their respective Percentage Interests in the Common Areas and Facilities. A transfer of a Unit shall vest in the transferee ownership of the transferor's beneficial interest in such personal property.

The Condominium Association shall not deposit, invest or reinvest any funds, unless such funds are invested in government securities, or deposited in banks which are members of the Federal Deposit Insurance Corporation, or savings and loan association which are members of the Federal Savings and Loan Insurance Corporation.

8. Notices. Notices or demands, for any purpose, shall be given by the Condominium Association and Unit Owners in the manner provided for notices of meetings to Members of the Condominium Association shall be made in the manner provided in Rules and Regulations made by the Condominium Association.

9. Enforcement. The failure of the Condominium Association or any Unit Owner to enforce any covenant or provision of the Act, Declaration, Bylaws or Rules and Regulations affecting the Condominium Property shall not constitute a waiver of the right to do so thereafter.

10. Rules and Regulations. Reasonable regulations concerning the use of the Units, apartments thereto and Common Areas and Facilities, not in derogation of this Declaration, may be made, amended, and repealed from time to time by the Condominium Association; provided that copies of such regulations and amendments thereto shall be furnished to all Unit Owners. Such regulations shall be binding upon the Owners, their families, tenants, guests, invitees, licensees; and agents, until and unless such regulation, rule or requirement be specifically overruled and canceled in a regular or special meeting by the vote of a Majority of the Unit Owners.

11. Violation of Rules and Regulations. Failure to abide by any such rules or regulations or requirements shall be grounds for an action, brought by the Condominium Association or any aggrieved Unit Owner, to recover damages or obtain injunctive and equitable relief, or both. In addition to these remedies, in the event of violation by an Owner of any rules or regulations, such Owner's voting and rights to use the Common Areas and Facilities other than use of parking facilities, roadways, and easements for access, ingress, and egress or facilities which the Condominium Association provides may be suspended by the Board after a hearing at which the general requirements of due process shall be

3. Restrictions on Unit Owners. No Unit Owner shall perform or cause to be performed any maintenance, repair or replacement work upon a Unit which disturbs the rights of other Unit Owners or jeopardizes the soundness or safety of the Condominium Property. If a Unit Owner shall cause any work so performed, which in the sole opinion of the Board violates the terms of this paragraph, it shall be immediately corrected and such Owner shall refrain from recommencing or continuing any such work without written consent of the Board. A Unit Owner shall not repair, alter, replace or move any of the Common Areas and Facilities located within a Unit without the prior written consent of the Board. A Unit Owner shall not paint or otherwise decorate or change the outside appearance of the building in which a Unit is located, including doors and windows and storm doors and windows, or any appurtenance thereto or Limited Common Area serving a Unit without the written consent of the Board. Unit Owners shall hang only drapes, sheers or manufactured blinds on windows. All Unit Owners must use the type of number and letter, if applicable, for use in identifying the street address of his or her Unit.

4. Duty of Report. Each Unit Owner shall promptly report to the Board or its agent any defect or need for repairs or replacement, the responsibility for which is that of the Condominium Association.

5. Alterations to Common Areas and Facilities. The Condominium Association is authorized to make minor improvements and alterations to the structures located in and on the Common Areas and Facilities as a common expense, however, no major or structural improvements to or alterations of the Common Areas and Facilities, or improvements or alterations costing in excess of \$15,000.00, shall be made by the Condominium Association without first obtaining approval of Unit Owners holding at least sixty percent (60%) of the Percentage Interests, except when such improvements are made pursuant to Article IX hereof. It is understood that this Section does not apply to required repair, maintenance and/or replacement of Common Areas and Facilities.

6. Approval of Payment Vouchers. All vouchers for payment of expenses incurred by the Condominium Association in the maintenance, repair, alteration and replacement of the Common Areas and Facilities shall be approved in writing jointly by the President and Treasurer of the Condominium Association. In the absence or disability of the President, the Vice President may perform the duties herein of the President, and the Assistant Treasurer may perform the duties of the Treasurer herein in the absence or disability of the Treasurer. Notwithstanding the foregoing, the Board may authorize any officer, Member, committee or independent manager to approve or disapprove all vouchers for payment of routine expenses incident of the maintenance, repair, alteration or replacement of the Common Areas and Facilities, so long as the resolution granting such authority specifically limits the maximum amount which may be authorized on each occasion and so long as the subject resolution describes the items which may be so authorized.

ARTICLE VIII.

ASSESSMENTS

1. Initial Assessment; Maximum Amount. The Declarant shall establish the Initial assessment which shall remain in effect until June 30, 1985. The monthly assessment for the first initial period shall be as follows:

occupied).

ARTICLE IX
INSURANCE

1. Authority to Purchase. The Board shall have the authority and obligation to and shall obtain a master insurance policy upon the Condominium Property for the benefit of the Condominium Association, the Unit Owners and their mortgagees as their interests may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of the Unit Owners. The original of such policy and endorsements thereto shall be deposited with the Condominium Association, as insurance trustee, and Unit Owners may inspect such policy at any time during reasonable working hours and after reasonable notice to the Board.

2. Coverage.

(a) Master Casualty Policy. The buildings and all other improvements upon the land and all personal property included in the Common Areas and Facilities, and originally installed fixtures, cabinets, and wall and floor coverings of the Units shall be insured in an amount equal to the full replacement value (i.e., 100% of the "replacement costs"), exclusive of foundations and excavation. Such coverage shall afford protection against (i) loss or damage from all hazards and risks normally covered by a standard "all-risk" policy, including fire and lightning; and (ii) such other risks as from time to time shall customarily be covered with respect to improvements similar in construction, location and use, including but not limited to, vandalism, malicious mischief, and windstorm damages. If necessary and available, insurance against water or flood damage shall also be obtained and kept in force. The Board of Directors shall review such insurance and its limits annually.

(b) Public Liability. The liabilities of the Condominium Association shall be insured in such amounts as shall be required by the Board and each Unit Owner and his or her immediate family, Declarant, its agents and employees shall be named as additional insureds, but only with respect to liability arising out of the ownership, maintenance, use or repair of the Common Areas and Facilities. Such insurance shall include endorsements covering cross-liability claims of one insured against another, including the liability of the Unit Owners as a group to a single Unit Owner. The Board of Directors shall review such insurance and its limits annually. Such public liability insurance shall be in amounts not less than \$500,000.00 per person and not less than \$1 million per occurrence for liability for bodily injury, including death resulting therefrom, and \$500,000.00 per occurrence for liability for damage to property, including loss of use thereof.

(c) Fidelity Insurance. The Condominium Association shall procure and maintain, or cause to be maintained, a policy or policies of insurance coverage to protect against dishonest acts on the part of officers, directors, volunteers, managers and employees of the Condominium Association and any other persons who handle or are responsible for the handling of funds of the Condominium Association. Such fidelity insurance coverage shall, at least: (i) name the Condominium Association as an obligee thereunder; (ii) be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating expenses of the Condominium Association plus any reserves; and (iii) contain waivers of any defense bond upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

(d) Other. The Condominium Association may obtain such other insurance coverages as the Board determines from time to time to be desirable, including directors' and officers'

Each Owner may obtain a "Homeowner's Policy" or its equivalent to insure against loss or damage to personal property used in or incidental to occupancy of said Owner's Unit, additional leasing (hotel) expenses, vandalism or malicious mischief, theft, personal liability and the like. Such policy should include a "condominium unit owner's endorsement" or equivalent, covering losses to improvements and betterments to the Unit made or acquired at the expense of the Unit Owner. Duplicate copies of any such policy or policies procured by an Owner or his mortgagee shall be furnished to the Condominium Association within ten (10) days of the effective coverage of such insurance.

6. Receipt of Proceeds Insurance Trustee. All insurance policies purchased by the Condominium Association shall be for the benefit of the Condominium Association, Unit Owners and their mortgagees, and Declarant, as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the Condominium Association, as insurance trustee. The duty of the Condominium Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes hereinafter stated and for the benefit of Declarant, the Unit Owners and their mortgagees in the following shares:

(a) Common Areas and Facilities. An undivided share of the proceeds received by the Condominium Association on account of damage to the Common Areas and Facilities shall be held for each Unit Owner and such share shall be determined by the subject Unit Owner's Percentage in the Common Areas and Facilities.

(b) Units. Proceeds received by the Condominium Association on account of damage to Units shall be held for the Unit Owners of the damaged Units in proportion to the cost of repairing the damage suffered by each Unit Owner, which cost shall be determined by the Board of Directors. When the building is not to be restored as provided in Section 11 of this Article IX, an undivided share shall be held for each Unit Owner and his or her mortgagee, such share being determined in accordance with Section 11 of this Article IX.

(c) Mortgages. In the event a mortgagee endorsement has been issued for 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 that no mortgagee shall have the right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired.

7. Distribution of Proceeds. Proceeds of insurance policies received by the Condominium Association as insurance trustee shall be distributed to or for the benefit of the Owners of the Condominium Property in the following manner:

(a) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be paid to defray the cost thereof as provided above. All proceeds remaining after defraying such costs shall be distributed to the Condominium Association. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by such mortgagee.

(b) Failure to Reconstruct or Repair. If it is determined as provided in Section 11 that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial owners of the Condominium Property as set forth in Section 11. Any remittances to Unit Owners and their mortgagees shall be paid jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by such mortgagee.

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8. Condominium Association as Agent. The Condominium Association hereby is irrevocably appointed agent for each Unit Owner and for each mortgagee or holder of a lien upon a Unit and for each owner of any other interest in the Condominium Property to adjust all claims arising under insurance policies purchased by the Condominium Association, to execute and deliver releases upon the payment of claims and to receive all insurance settlement checks in the name of the Condominium Association as Insurance Trustee. The Board of Directors is authorized to carry out all such adjustments of claims and execution and delivery of documents for the Association.

9. Waivers of Subrogation and Cancellation Notices. All policies of physical damage insurance obtained by the Board pursuant to this Article shall contain waivers of subrogation against Unit Owners, their tenants, employees, guests and having an interest in the Condominium Property. Such policies shall provide that they may not be canceled or substantially modified without at least thirty (30) days' prior written notice to any and all insured parties named therein.

10. Duty to Repair. In the event of damage to or destruction of any improvement on the Condominium Property as result of fire or other casualty, unless the Condominium Property is partitioned as provided in Section 11, the Board shall arrange for the prompt repair and restoration of such improvement (including any damaged Unit but not including any wall, ceiling or floor decoration or coverings or other furniture or furnishings, fixtures or equipment in the Unit, unless the subject insurance policy covers a portion or all of such loss to the Unit, in such event, the Condominium Association shall repair or replace such contractors engaged in such repair or restoration in appropriate progress payments. Any cost of such repairs and restoration in excess of the insurance proceeds shall constitute a Common Expense.

11. Partition. If the improvements on the Condominium Property shall be more than two-thirds (2/3) destroyed by fire or other disaster and the Owners holding at least seventy-five percent (75%) of the total Percentage Interests duly resolve not to proceed with repair or restoration, then, and in that event:

(a) The entire Condominium Property shall be deemed to be owned by the Unit Owners as tenants in common.

(b) The undivided interest in the Condominium Property owned by each Unit Owner shall be the same interest as his Percentage Interest in the Common Areas and Facilities previously appurtenant to his Unit or Units.

(c) Any liens or encumbrances affecting any Unit shall be deemed transferred in accordance with the existing priority to the percentage of undivided interest of the subject Unit Owner in the Condominium Property, as hereinabove provided.

The determination of whether the improvements are "more than two-thirds (2/3) destroyed" for the purposes herein stated shall be made as follows: an appraisal of the value of the improvements (excluding land) as of the day immediately preceding the damage shall be obtained by the Board from two appraisers who are members of the American Institute of Real Estate Appraisers, the American Society of Appraisers, the Society of Real Estate Appraisers or a comparable professional association of appraisers. The cost of repairs and restoration shall then be determined by the Board of Directors by securing not less than three independent bids in writing from three reputable building contractors in the community of their proposed cost for making such repairs or restoration. The lowest of which shall be deemed to be the cost. If the costs so estimated shall exceed two-thirds (2/3) of the appraised value prior to the damage, the improvements shall be deemed more than two-thirds (2/3) destroyed.

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The Unit Owners may "duly resolve" not to proceed with repair or restoration only when written instruments to that effect signed by Unit Owners holding at least seventy-five percent (75%) of the Percentage Interests have been delivered to the Secretary of the Association, who shall record such instrument in the records of the Condominium Association.

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ARTICLE X
ARCHITECTURAL CONTROL

1. Approval Required for Changes. To preserve the original architectural appearance of the Condominium Property, except as otherwise expressly specified in the Declaration, after the purchase of a Condominium Unit from Declarant, its successors or assigns, no exterior construction of any nature whatsoever shall be commenced or maintained by or on behalf of any Unit Owner upon any improvement, including without limitation the Limited Common Areas and Facilities; nor shall there be any change, modification or alteration of any nature whatsoever of the design and appearance of any of the exterior surfaces or facades; nor shall any Owner paint, decorate or change the color of any exterior surface, gate, fence, door or roof; nor shall any Owner change the design or color of the exterior lights; nor shall any Owner install window air conditioners, exhaust fans, or any other item which protrudes through any window serving a Unit; nor shall any Owner install, erect or attach any awning, canopy, shutters, flags or televisions antennas upon the exterior walls or roof of a building; nor shall any Owner install, erect or attach to any part of the exterior any sign of any kind whatsoever; nor shall any exterior addition or change, including without limiting of the generality of the foregoing, the erection or construction of any fence or wall be made unless and until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of exterior design, color and location in relation to the surrounding structures by the Board. The approval of the Board may be withheld or conditioned in the Board's sole discretion. The Declarant shall be exempt from the provisions of this Article until thirty (30) of the Units have been conveyed.

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ARTICLE XI
CONDEMNATION

1. General. Whenever all or any part of the Condominium Property shall be taken by any authority having the power to condemn or against domain, each Owner shall be entitled to notice thereof and to participate in the proceedings incident thereto unless otherwise prohibited by law. The award made for such taking shall be payable to the Condominium Association. Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed by the Condominium Association as hereinafter provided in this Article.

2. Common Areas. If the taking is confined to the Common Areas and Facilities on which improvements shall have been constructed and if Owners holding at least seventy-five percent (75%) of the total Percentage Interests shall decide within sixty (60) days after such taking (the date of the "taking" being defined as the date on which the condemning authority has paid the award and the same has been accepted by the Condominium Association, either voluntarily or as a result of exhaustion of appeal rights) to replace such improvements, or any part thereof, on the remaining land included in the Common Areas and Facilities and according to plans therefor to be approved by the Condominium Association, then the Board shall arrange for such replacement and the Condominium Association shall disburse the proceeds of such award in the same manner as they are required to disburse insurance proceeds where damage or destruction to the Condominium Property is to be repaired or reconstructed as provided in Article IX hereof; subject, however, to the right hereby reserved

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amend Exhibit D hereof so as to establish the percentage of interest in the Common Areas and Facilities which the owners of all Units within the Buildings on the Condominium Property will have at the time of such amendment or amendments, which percentage shall be, with respect to each Unit, in the proportion that the fair market value of each Unit at the date said amendment is filed or record bears to the then aggregate value of all the Units within the Buildings on the Condominium Property, which determination shall be made by Declarant and shall be conclusive and binding upon all Unit Owners. Declarant expressly agrees, however, that there will not be constructed on the Condominium Property more than a total of 20 Dwelling Units, and that the buildings and Dwelling Units constructed in any subsequent phase shall be architecturally compatible with the existing buildings and Dwelling Units. Declarant, on its own behalf as the owner of all Units in the Condominium Property and on behalf of all subsequent Unit Owners, hereby consents and approves, and each Unit Owner and his mortgagees by acceptance of a deed conveying such Ownership Interest or a mortgage encumbering such Ownership Interest as the case may be, thereby consents to and approves, the provisions of this Article XVI, including without limiting the generality of the foregoing, the amendment of this Declaration by Declarant in the manner provided in Article XIII hereof and all such Unit Owners and their mortgagees, upon request of Declarant shall execute and deliver from time to time all such instruments and perform all such acts as may be deemed by Declarant to be necessary or proper to effectuate said provisions.

IN WITNESS WHEREOF the Declarant has caused this Declaration to be executed in its corporate name and its corporate seal to be hereunto affixed as of the day and year first above



BRIDGES-QUAINTANCE DEVELOPMENT CORP.
BY: W. R. [Signature]
PRESIDENT

Richard Quaintance
SECRETARY

United Carolina Bank, Beneficiary, a North Carolina corporation with an office in Shallotte, Brunswick County, North Carolina, and Leo Johnson, Jr., Trustee of Brunswick County, North Carolina, join to this Declaration of Unit Ownership for the sole purpose of subordinating the lien of the deed of trust dated December 20, 1984, recorded in Book 591, page 194 in the Brunswick County Public Registry; said deed of trust to otherwise remain in full force and effect.



UNITED CAROLINA BANK
[Signature]
PRESIDENT

[Signature]
LEO JOHNSON, JR., TRUSTEE

STATE OF NORTH CAROLINA
COUNTY OF Brunswick

This 3rd day of May, 1985, personally came before me [Signature] President of BRIDGES-QUAINTANCE DEVELOPMENT CORP. and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by him in behalf of said writing was signed and sealed by him in behalf of said corporation by

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amend Exhibit D hereof so as to establish the percentage of interest in the Common Areas and Facilities which the owners of all Units within the Buildings on the Condominium Property will have at the time of such amendment or amendments, which percentage shall be, with respect to each Unit, in the proportion that the fair market value of each Unit at the date said amendment is filed or record bears to the then aggregate value of all the Units within the Buildings on the Condominium Property, which determination shall be made by Declarant and shall be conclusive and binding upon all Unit Owners. Declarant expressly agrees, however, that there will not be constructed on the Condominium Property more than a total of 20 Dwelling Units, and that the buildings and Dwelling Units constructed in any subsequent phase shall be architecturally compatible with the existing buildings and Dwelling Units. Declarant, on its own behalf as the owner of all Units in the Condominium Property and on behalf of all subsequent Unit Owners, hereby consents and approves, and each Unit Owner and his mortgagees by acceptance of a deed conveying such Ownership Interest or a mortgage encumbering such Ownership Interest as the case may be, thereby consents to and approves, the provisions of this Article XVI, including without limiting the generality of the foregoing, the amendment of this Declaration by Declarant in the manner provided in Article XIII hereof and all such Unit Owners and their mortgagees, upon request of Declarant shall execute and deliver from time to time all such instruments and perform all such acts as may be deemed by Declarant to be necessary or proper to effectuate said provisions.

IN WITNESS WHEREOF the Declarant has caused this Declaration to be executed in its corporate name and its corporate seal to be hereunto affixed as of the day and year first above



BRIDGES-QUAINTANCE DEVELOPMENT CORP.
BY: W. R. [Signature]
PRESIDENT

Richard Quaintance
SECRETARY

United Carolina Bank, Beneficiary, a North Carolina corporation with an office in Shallotte, Brunswick County, North Carolina, and Leo Johnson, Jr., Trustee of Brunswick County, North Carolina, join to this Declaration of Unit Ownership for the sole purpose of subordinating the lien of the deed of trust dated December 20, 1984, recorded in Book 591, page 194 in the Brunswick County Public Registry; said deed of trust to otherwise remain in full force and effect.



UNITED CAROLINA BANK
[Signature]
PRESIDENT

[Signature]
LEO JOHNSON, JR., TRUSTEE

STATE OF NORTH CAROLINA
COUNTY OF Brunswick

This 3rd day of May, 1985, personally came before me [Signature] President of BRIDGES-QUAINTANCE DEVELOPMENT CORP. and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by him in behalf of said writing was signed and sealed by him in behalf of said corporation by

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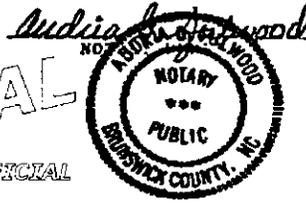
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its authority duly given. And the said Kathy W. Aquino acknowledged the said writing to be the act and deed of said corporation.

MY COMMISSION EXPIRES:

7-30-89

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STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

This 3 day of May, 1985, personally came before me, Leo Johnson, President of UNITED CAROLINA BANK, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by him in behalf of said corporation by its Assistant authority duly given. And the said Sandra L. Tapp acknowledged the said writing to be the act and deed of said corporation.



MY COMMISSION EXPIRES:

8-18-86

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, a Notary Public of the aforesaid County and State, certify that LEO JOHNSON, JR., Trustee, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

IN WITNESS my hand and official stamp or seal, this 3 day of May, 1985.



MY COMMISSION EXPIRES:

8-18-86

STATE OF NORTH CAROLINA, BRUNSWICK COUNTY
The foregoing Certificate(s) of

Andrea G. Fulwood & Linda Walters, Notaries Public

(is) (are) certified to be correct.

Recorded this 3rd day of May, 1985 at 3:39 o'clock P.M.

ROBERT J. ROBINSON, REGISTER OF DEEDS

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