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**DECLARATION OF CONDOMINIUM
 FOR
 BEACON TOWNES AT CAROLINA SHORES CONDOMINIUMS**

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DECLARATION OF CONDOMINIUM
FOR
BEACON TOWNES AT CAROLINA SHORES CONDOMINIUMS

TO ALL WHOM THESE PRESENT MAY COME:

WHEREAS, CENTEX HOMES (the "Declarant") is a Nevada general partnership having its principal place of business located at 2050 Corporate Centre Drive, Suite 200, Myrtle Beach, South Carolina 29577; and

WHEREAS, the Declarant is the owner of that certain real property in Brunswick County, North Carolina (the "Land") more fully described in Exhibit "A" attached hereto and located in Brunswick County, North Carolina; and

WHEREAS, the Declarant now deems it appropriate to organize a condominium by duly executing and recording this Declaration in the Office of the Register of Deeds ("ROD") for Brunswick County, North Carolina.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the Declarant hereby submits the Land more fully described in Exhibit "A" attached hereto and all improvements located thereon, together with all easements, rights and appurtenances thereunto belonging, to the provisions of North Carolina Condominium Act, N.C. Gen. Stat. § 47C-1-101, et seq. and hereby creates thereon a condominium to be known as Beacon Townes at Carolina Shores CONDOMINIUMS, subject to the following, **INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO WITHDRAW UNIMPROVED PORTIONS OF THE LAND PURSUANT TO SECTION 13.2:**

1. Definitions.

Unless defined herein or unless the context requires otherwise, the words defined in N.C. Gen. Stat. § 47C-1-103, when used in this Declaration or any amendment hereto, will have the meaning therein provided. The following words, as well as other defined terms set forth herein, when used in this Declaration or any amendment or supplement hereto, unless the context requires otherwise, will be deemed to include the singular and plural forms as the context requires and have the following meanings:

"Annual Assessment Period" means the fiscal year of the Association established by the Association's Board of Directors.

"Assessment" means the amount assessed against an Owner and his Unit from time to time by the Association in the manner provided herein.

"Assigned Value" means the value assigned to each Unit in accordance with Exhibit "C" attached hereto and utilized for purposes of computing the Percentage Interest appurtenant to such Unit, which Assigned Value will not constitute the sales price of the Unit or be relied upon as a representation of the actual value of the Unit.

"Association" means The Beacon Townes at Carolina Shores Condominium Association, Inc., being an association of Owners of Units located in the Condominium, in the form of a nonprofit, non-stock membership association, which will be incorporated in accordance with the Articles of Incorporation, attached hereto as Exhibit "D," and the Nonprofit Corporation Act.

"Board of Directors" or "Board" means the Board of Directors of the Association, and "director" or "directors" means a member or members of the Board.



"Building" means a structure containing Units.

"Bylaws" means the Bylaws of the Association attached hereto as Exhibit "E," as amended from time to time in accordance with the terms of the Bylaws and this Declaration.

"Common Element" means all of the Condominium property after excluding the Units, including the following:

1. Easements through the Units for conduits, ducts, plumbing, chimneys, wiring, and other facilities for the furnishing of utility services to Units and the Common Elements; provided, however, such easements through a Unit will be only according to the Plans for the Building, or as the Building is constructed unless otherwise approved by the Unit Owner.
2. An easement of support in every portion of a Unit that contributes to the support of a Building.
3. Easements through the Units and Common Elements for maintenance, repair and replacement of the Units and Common Elements.
4. Installation for the furnishing of utility services to more than one Unit or to the Common Elements or to a Unit other than the one containing the installation, which installation will include ducts, plumbing, wiring, and other facilities for the rendering of such services
5. The tangible personal property required for the maintenance and operation of the Unit, even though owned by the Association.
6. The Project's Storm Water Management System.
7. Gatehouse or other controlled access facilities.
8. Signage and access ways.
9. Any amenity or recreational facility constructed as part of the Project; provided, nothing herein shall obligate the Declarant to construct or install any such other amenities or recreational facilities, unless by separate agreement Declarant is obligated to do so.

When used herein, "Common Element" will be deemed to include any service provided by the Association in furtherance of the uses and purposes to which any of the aforesaid facilities are put.

"Common Expense(s)" means (a) all expenses incident to the administration of the Association and maintenance, repair and replacement of the Common Elements and the Limited Common Elements, after excluding there from such expenses which are the responsibility of an Owner pursuant to the terms and conditions hereof; (b) expenses determined by the Association to be Common Expenses and which are lawfully assessed against Owners; (c) expenses declared to be Common Expenses by the Condominium Act or the Condominium Documents; (d) reasonable reserves established for the payment of any of the foregoing; and (e) the costs and expenses of insuring the Project.

"Condominium" means the condominium established by this Declaration, including all appurtenances and incidents of ownership attendant therewith.



"Condominium Act" means the North Carolina Condominium Act, N.C. Gen. Stat., Section 47C-1-101 to Section 47C-4-120, as may be amended from time to time.

"Condominium Documents" means and includes this Declaration, all Exhibits hereto, the Articles of Incorporation of the , the Bylaws and the Rules and Regulations, all as amended from time to time in accordance with the provisions thereof or in accordance with the laws of the State of North Carolina.

"Declaration" means this document, as amended from time to time.

"Declarant" means Centex Homes, a Nevada general partnership, its successors and assigns. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized directors, officers, agents, employees and contractors.

"Institutional Mortgage" will mean and refer to a first lien Mortgage (prior to all other Mortgage liens) held by a bank, trust company, insurance company, or other recognized lending institution, or by an institutional or governmental insurer or purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation. Such term will also mean and refer to the insurer of any such Mortgage, as well as the holder of any Mortgage securing a loan made by the Declarant, its affiliates, successors, or assigns.

"Land" means the Land which is described in Exhibit "A" attached hereto, as said exhibit may be amended from time to time in accordance with the provisions of this Declaration to withdraw unimproved portions thereof from the Condominium, or to add thereto for the creation of additional Buildings and Units.

"Limited Common Element" means that portion of the Common Element set aside and allocated for the exclusive use of the Owner of the Unit to which attached or assigned, and will include that portion of any Common Element that is pierced by the Unit's interior stairs, if any; a Unit's chimney structure and flue, if any; air conditioner units and condensers and hot water heaters located outside of the Unit, and the spaces occupied by same; and the balcony adjacent to the Unit. The term shall specifically include the items discussed in Section 3.4.

"Member" means each Owner who is a member of the Association.

"Mortgage" will mean and refer to a mortgage, security deed, deed of trust, installment land sales contract, or other similar security instrument granting, creating, or conveying a lien upon, a security interest in, or a security title to a Unit.

"Mortgagee" will mean and refer to the holder of a Mortgage.

"Nonprofit Corporation Act" means and refers to the North Carolina Nonprofit Corporation Act, N.C. Gen. Stat. Sections 55A-1-01, et. seq., as amended.

"Owner" means the record owner, whether one or more persons, of fee simple title in and to any Unit; excluding, however, those persons having such interest merely as security for the performance of an obligation.

"Percentage Interest" means the undivided percentage interest owned by each Owner as a tenant-in-common in the Common Elements. "Total Percentage Interest" means the aggregate of all the Percentage Interests.

"Plans" mean and include the site plan and the floor plans of the Project which are filed as an attachment to this Declaration showing the boundaries of the Land, the horizontal and vertical location of the improvements and Common Elements of the Project thereon and certified by a licensed engineer or architect in accordance with the provisions of the Condominium Act.

"Project" means, collectively, the Land, the Building and all other improvements and structures located thereon, and all easements, rights and appurtenances belonging thereto, submitted to the Condominium Act by this Declaration, as amended from time to time in accordance with the provisions hereof.

"Rules and Regulations" means the rules and regulations from time to time promulgated by the Board of Directors governing the use of the Common Elements and Units.

"Storm Water Management System" means the system which is designed, constructed, and implemented for the Project to control discharges which are necessitated by rainfall events, incorporating methods to collect, convey, store, absorb, inhibit, treat, use or reuse water to prevent or reduce flooding, over-drainage, environmental degradation and water pollution, or otherwise affect the quantity and quality of discharges from the system, as permitted or required pursuant to the applicable requirements of the applicable governmental authorities. Such system shall include any lake, pond, lagoon, retention or detention area, any drainage easements and storm water piping systems, drains, catch basins and other related apparatus and facilities intended to provide storm water management and control for the Project.

"Transition Period" means the time period commencing on the date of recording of this Declaration and ending on the earlier of:

1. Five (5) years after the first Unit was conveyed to a Unit Owner; or
2. The date two (2) years after the Declarant has ceased to offer Units for sale in the ordinary course of business; or
3. One hundred twenty (120) days after the conveyance to persons other than a successor Declarant in the ordinary course of Declarant's business of seventy-five percent (75%) of the Units developed and that may be developed pursuant to Section 13.2 upon exercise of Declarant's reserved rights thereunder; or
4. The date two (2) years after the Declarant last exercised any reserved development right to add new Units; or
5. Three (3) months following the date the Declarant surrenders its authority to appoint and remove directors and officers of the Association by an express amendment to this Declaration executed and filed of record by Declarant.

"Trustee" means the Board of Directors acting as a fiduciary for the benefit of the Association and the Owners in holding certain funds and providing services as provided herein, or such bank or trust company authorized to do trust business in the State of North Carolina and appointed therefor by the Board of Directors.

"Unit" means that part of the Project intended principally for residential use by an Owner, and situate within the Unit boundaries described in this Declaration, including Exhibit "B" attached hereto, as amended from time to time in accordance with the provisions of this Declaration and constituting a "unit" as defined in the Condominium Act. Each Unit will be identified in the architect's floor plans



incorporated in and made a part of Exhibit "B" attached hereto by a specific letter, number or combination thereof, which identification will be sufficient to identify the Unit for all purposes. "Unit" will also mean all the components of ownership held by an Owner, including not only the rights and interests of the Owner in and to the Unit, but also the rights of use of and the undivided interest in the Common Element.

2. Administration.

2.1 The Association.

The administration of the Condominium will be the responsibility of the Association, which will be made up of all the Owners of Units in the Condominium. The Condominium Documents, as the same may be amended from time to time, will govern the Association and the Owners.

2.2 Membership.

Each Owner of a Unit, including the Declarant, will be a Member of the Association. Membership will be appurtenant to and may not be separated from ownership of a Unit and ownership of a Unit will be the sole qualification for such membership. In the event that fee title to a Unit is transferred or otherwise conveyed, the membership in the Association that is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include any Mortgagee or any other person who holds an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association.

2.3 Agreements.

The Association will be and hereby is authorized to enter into such contractual arrangements, including without limitation, management contracts, as it may deem necessary or desirable for the administration and operation of the Condominium, subject, however, to the following limitations:

(a) The Association will not enter into any of the following contractual arrangements without each such contractual arrangement providing that it is subject to termination without cause at any time after the expiration of the Transition Period without a penalty upon not more than ninety (90) days prior written notice from the Association, and failing to contain such a provision, the Association will not be bound directly or indirectly by such contractual: (1) any management contract, employment contract, or lease of recreational or parking areas or facilities, (2) any other contract or lease between the association and Declarant or an affiliate of Declarant, or (3) any contract or lease that is not bona fide or was unconscionable to the Unit Owners at the time entered into under the circumstances then prevailing.

(b) Notice of the substance of the provisions of Section 2.3(a) shall be set out in each contract entered into by or on behalf of the Association before expiration of the Transition Period, but the failure of the contract to contain such a provision shall not affect the rights of the Association under Section 2.3(a).

Except as otherwise limited herein, each Owner by acquiring or holding an interest in a Unit thereby ratifies and agrees to be bound by the terms and conditions of all such contractual arrangements entered into by the Board of Directors on behalf of the Association prior to the conveyance of the Unit to the Owner.



2.4 Books and Records.

The Association will keep full and accurate books of account and financial records showing all receipts and disbursements. In particular, the books will be maintained with a detailed account, in chronological order, of the receipts and expenditures affecting the Project and its administration, and specifying the maintenance and repair expenses of the Common Element as well as other expenditures incurred. Vouchers accrediting the entries made thereupon will also be maintained in chronological order.

2.5 Access to Information.

The Association will make available to Owners of any Unit and to any Mortgagee current copies of the Condominium Documents and the books, records, vouchers, contractual arrangements and financial statements of the Association. "Available" means available for reasonable inspection upon request during normal business hours or under other reasonable circumstances. The Association may charge reasonable copying costs for any requested copies or extracts. Any party entitled to the benefits of this Section 2.5 will be permitted to designate one or more agents who will be permitted to represent said party in connection with any and all reviews of the Condominium Documents and books, records, contractual arrangements and financial statements of the Association.

2.6 Rules and Regulations.

The Board of Directors will be entitled to promulgate reasonable Rules and Regulations from time to time, which will be binding on the Association and all Owners and lessees of Owners, their families, invitees and guests, regarding the use and enjoyment of Units and Common Elements. Copies of the current Rules and Regulations will be furnished to Owners and lessees of Owners upon request.

2.7 Professional Property Manager.

The Board of Directors may retain a professional property management company to manage the day-to-day affairs of the Association.

2.8 Collections and Remission of Optional Cable Television, Telephone and Other Charges; Master Utility Charges.

In the event the Association at any time secures any optional cable, telephone or other service, including broadband communications access, the Association will be entitled to collect fees charged to those Unit Owners who elect to receive such optional service made available to the Unit Owners through the Condominium and remit the same to the provider thereof on behalf of such Unit Owners. Such elective costs and expenses will not be deemed a Common Expense hereunder, but will be charged to the Units Owners separately from their Assessment. Furthermore, the Board of Directors will pay any master utility meter charge, base cable to all Units, or other blanket utility fee for services to all Units not otherwise separately metered or charged to individual Units and for which a master service agreement is in effect. Such master cost and expense will be a Common Expense hereunder; provided, however, in the event actual costs exceed the budgeted costs therefor, such unbudgeted excess may be prorated and charged to the Units Owners separately from their Assessment, and will not require payment thereof from any other budget line item surplus or a Special Assessment or other extraordinary measure of collection.

3. Property Rights.

3.1 Units.

Each Unit will for all purposes constitute a separate parcel of real property which, subject to the provisions of this Declaration, may be owned in fee simple and which may be conveyed, transferred, leased and encumbered in the same manner as any other real property. Each Owner, subject to the provisions of the Condominium Act and this Declaration, will be entitled to the exclusive ownership and possession of his Unit.

3.2 Description of Units.

The dimensions, area and location of the Units are shown on the Plans and are further set forth on Exhibit "B" attached hereto, and are generally intended to include the following:

(a) Horizontal (Upper and Lower).

(i) The upper horizontal boundary of each Unit is the plane formed by the uppermost, unexposed surface of the wallboard or other material comprising a part of the ceiling in the uppermost story of the Unit.

(ii) The lower horizontal boundary of each Unit is the plane formed by the finished surface of the concrete slab or uppermost surface of the subflooring on which the lowermost story of the Unit is constructed.

(b) Vertical (Perimetric or Lateral).

The vertical boundaries of each Unit are the planes formed by the outermost, unexposed surface of the wallboard or other surface comprising the perimeter walls enclosing the Unit.

(c) Units Deemed to Include.

Notwithstanding the description of the boundaries set forth above, the Units shall be deemed to include the following: all portions of the plumbing, heating, electrical, and air conditioning systems (including furnaces, compressors, components, pipes, wires, conduits, ducts, and the like) serving only that Unit even if partially outside the boundaries of the Unit; all windows, glass surfaces, and doors (including window and door frames and the hardware thereof) serving the Unit; all window screens and screens on any screened balcony; and any fireplace or stove hearth, facing brick, tile or firebox; provided, however, that a Unit shall not include any of the structural components of the Building or utility or service lines within the Unit but serving more than one Unit. In interpreting deeds and plans, the existing physical boundaries of a Unit as originally constructed or of a Unit reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in any deed or plan, regardless of settling or lateral movement of the Building, and regardless of minor variance between the boundaries shown on the plans or in a deed and those of the Unit.

The ownership of each Unit shall include, and there shall pass with each Unit as an appurtenance thereto whether or not separately described in the conveyance thereof, that percentage of the right, title and interest in the Common Elements attributable to such Unit, together with membership in the Association and an undivided interest in the funds and assets held by the Association. Every portion of a Unit and all Limited Common Element contributing to the support of an abutting Unit shall be burdened with an easement of support for the benefit of such abutting Unit.

3.3 Modification of Units.

The Declarant, on behalf of itself, its successors and assigns, hereby reserves the right to modify or reconstitute, at any time and from time to time and irrespective of whether the Transition Period has expired, one or more Units owned by Declarant or its affiliates without the consent of the Association or any Owner other than those who may be directly affected; provided, however, any such modification shall be subject to the provisions of Section 13.2(c)(ii) below, and without regard to the limiting language of Section 13.2(c) regarding the exercise thereof only during the Transition Period. If Declarant makes any changes in Units pursuant to this Section 3.3 such changes will be reflected by an amendment of this Declaration, which will be duly recorded in the Brunswick County ROD. Such amendment will not require the consent of Owners other than the Declarant.

3.4 Common Element and Limited Common Element.

(a) Percentage Interest.

The Owners will own the Common Element as tenants-in-common, with each Unit having, appurtenant thereto, the Percentage Interest in the Common Elements set forth in Exhibit "C" attached hereto; provided, however, that the use of the Limited Common Element will be restricted as set forth in Section 3.4(e). The Percentage Interest appurtenant to each Unit has been determined by dividing the Assigned Value of the respective Unit as shown on Exhibit "C" by the aggregate Assigned Value of all Units as shown on Exhibit "C." The value assigned to any Unit in Exhibit "C" does not represent the sales price or market value of the Unit and will only be utilized for purposes of computing the Percentage Interest appurtenant to the respective Unit.

(b) Inseparability of Percentage Interests.

The Percentage Interest in the Common Element cannot be separated from the Unit to which it appertains and will be automatically conveyed or encumbered with the Unit even though such Percentage Interest is not expressly mentioned or described in the deed or other instruments.

(c) No Partition.

The Common Element will remain undivided and no right to partition the same or any part thereof will exist except as provided in the Condominium Act, the Bylaws and this Declaration. Any purported conveyance, encumbrance, judicial sale or other voluntary or involuntary transfer of an undivided interest in the Common Elements made without the consent of the Unit Owner to which that interest is allocated is void except as provided in the Condominium Act, the Bylaws and this Declaration.

(d) Use of Common Element.

The Common Element will be used in accordance with the intended purposes without hindering the exercise of or encroaching upon the rights of other Owners. The Board of Directors will, if any question arises, determine the purpose for which a part of the Common Element is intended to be used. All Owners and lessees of Owners, their families, invitees and guests will abide by all Rules and Regulations from time to time in effect governing the use of the Common Element.

(e) Use of Limited Common Element.

Anything to the contrary contained herein notwithstanding, ownership of each Unit will entitle the Owner or Owners thereof to the exclusive use of the Limited Common Element adjacent and appurtenant to such Unit, which exclusive use may be delegated by such Owner to persons



who reside in his Unit. All Owners and lessees of Owners, their families, invitees and guests will abide by all Rules and Regulations from time to time in effect governing the use of the Limited Common Element. Except as set forth in subparagraph (i) hereto regarding the Limited Common Element behind each Unit that the Owner does not use for expansion of the Owner's patio or enclosed porch or to provide his or her own landscaping to such area, an Owner will be responsible for maintenance and repair of the Limited Common Element appurtenant to his Unit as set forth in Section 8.2 below.

(i) Area at Rear of Unit for Patio Expansion.

As part of the original construction of a Building, the Declarant shall construct at the rear of each Unit a patio, which an Owner may enclose as a porch. There shall exist at the rear of each Unit a Limited Common Element adjacent to the enclosed porch originally constructed by the Declarant or added by the Owner, or from the originally constructed patio if not to be enclosed as a porch, and running perpendicular to the side of the existing or porch-converted patio and parallel with the rear of the Unit, and shown on the as-built survey that is a part of the Plans. An Owner may, upon review and approval of plans therefor pursuant to Section 7.1 below, add within the Limited Common Element a concrete patio no larger than the size indicated in Exhibit "C" under the column labeled "Max Patio Exp (d' x w')," which shows the maximum patio depth and width size. Furthermore an Owner may provide his or her own landscaping, approved pursuant to Section 7.1, to the Limited Common Element, and upon doing so, the Owner shall, pursuant to Section 8.2 below, be responsible for maintenance and repair of the Limited Common Element adjacent to the Unit and within which the Owner has expanded his or her Unit's patio or enclosed porch and/or provided landscaping. If an Owner does not expand his or her patio or enclosed porch or provide his or her own landscaping within the Limited Common Element, as evidenced by the architectural and landscaping review records maintained by the Board under Section 7.1, such unimproved Limited Common Element shall be maintained by the Association in the same manner as all other landscaped Common Elements at the rear of the Buildings.

(f) Common Elements Designated Limited Common Elements for Buried Gas Fire Place Tanks.

The Declarant may, but shall not be required to, offer as an option or upgrade to any Unit, a gas fireplace insert. In the event the Declarant does so offer such an option or upgrade and a buyer selects such option, the Declarant will set aside a portion of the Common Element as a Limited Common Element for the exclusive use and benefit of the Unit within which such fire place insert is to be installed for the purpose of installing an underground propane gas storage tank to serve such fireplace. The location of the Limited Common Element for such propane gas tank shall be designated on a survey thereof prepared at the sole cost of the Owner, which shall be filed as an amendment to Exhibit "B" and shown on the Plans by a numbering system corresponding to the number of the Unit to which assigned. All costs of maintenance, repair, propane gas service and other costs and expenses relating to the buried propane gas tank shall be the sole cost and expense of the Owner of the Unit to which such Limited Common Element is assigned. Such costs and expenses shall include a liability insurance policy and such policy shall name Beacon Townes at Carolina Shores Condominiums an additional insured thereunder and a current certificate of insurance therefor shall be delivered to the Association not later than ten (10) days following the policy's effective date and each renewal thereof. The Association shall be responsible for regular landscape maintenance to the Limited Common Element within which the propane tank is buried; provided, however, in the event an Owner is required to dig up any landscaping or grass turf in the performance of its maintenance, repair and replacement activities involving the buried propane tank, the Owner shall, at Owner's sole cost, restore the Limited Common Element to its condition prior to such work being performed. The Declarant shall have the unilateral right to amend this Declaration pursuant to Section 13.2(d) below to effect the foregoing. Furthermore, in the event any Owner requests a location within the Common Element within which to install a propane gas tank to serve an installed fireplace

after taking title to the Unit, the Declarant during the Transition Period, and thereafter the Association, will use all reasonable efforts to find and set aside a suitable location therefor, but shall have no absolute obligation to do so if, in its respective reasonable judgment, doing so would be of greater burden or hardship to the Project or other Owners of Units within the same Building. In the event a suitable location is provided, the Declarant during the Transition Period, and thereafter the Association by its President, shall have the unilateral right to amend this Declaration pursuant to Section 13.2(d) below to effect the foregoing.

(g) Reservation of Easements and Use Rights.

The Common Elements will be subject to all easements and use rights, if any, reserved by the Declarant hereunder.

3.5 Status of Title of Project.

The Declarant represents to the Association and all the Owners that, as of the effective date hereof, the Declarant has marketable, fee simple title to the Project. The rights and interests of all Owners in and to the Project will be subject only to (i) liens for real estate taxes for the current year and subsequent years; (ii) existing and/or recorded easements, conditions, covenants, declarations, reservations and restrictions including, without limitation, those set forth in this Declaration; (iii) easements and use rights, if any, reserved by the Declarant hereunder; and (iv) applicable governmental regulations, including zoning laws, which may be imposed upon the Project from time to time.

3.6 Limited Warranty From Declarant.

(a) Association's Obligation to Maintain.

The Association will perform necessary and regular maintenance and take care of the Common Elements so as to prolong the life of the Common Element's materials and construction. The Association, in cooperation with a professional property management company, shall develop a maintenance manual for the condominium project, which shall constitute the standards by which regular maintenance shall be performed.

(i) Budgeted Inspections.

As provided in Section 4.2 of this Declaration, in fixing the annual budget, the Board of Directors of the Association shall make appropriate allocations in the budget to implement the recommendations of an inspection and maintenance audit conducted by a professional inspector not less frequently than every three (3) years. The Board shall provide the Declarant with a copy of each such inspection report and maintenance audit findings within fifteen (15) days following receipt thereof by the Board. The Board shall not be relieved of its duty to contract for an inspection and maintenance audit, as aforesaid, by virtue of any inspections performed by the Declarant pursuant to any reserved right to do so herein.

(b) Limited Warranty.

FOR A PERIOD OF ONE (1) YEAR FROM THE DATE OF COMPLETION OF CONSTRUCTION (BEING THE LATER OF SUBSTANTIAL COMPLETION UNDER THE CONSTRUCTION CONTRACT, OR THE DATE A CERTIFICATE OF OCCUPANCY IS ISSUED THEREFOR), THE DEVELOPER SHALL AT NO COST TO THE ASSOCIATION REPAIR OR REPLACE (IN THE DEVELOPER'S DISCRETION) ANY PORTIONS OF THE COMMON ELEMENT (EXCEPT FIXTURES, ACCESSORIES AND APPLIANCES COVERED BY SEPARATE WARRANTIES OF THEIR RESPECTIVE MANUFACTURERS) WHICH ARE DEFECTIVE AS TO

MATERIALS OR WORKMANSHIP. THIS LIMITED WARRANTY IS IN PLACE OF ALL OTHER CONTRACTUAL OBLIGATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AND THE DEVELOPER DISCLAIMS ALL OTHER CONTRACTUAL OBLIGATIONS OR WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LIABILITY OF THE DEVELOPER SHALL BE LIMITED TO SUCH REPAIR OR REPLACEMENT AND THE DEVELOPER SHALL NOT BE LIABLE FOR DAMAGES OF ANY NATURE, WHETHER DIRECT, INDIRECT, SPECIAL OR CONSEQUENTIAL, REGARDLESS OF WHETHER SUCH DAMAGES ARE CLAIMED TO ARISE OUT OF THE LAW OF CONTRACT, TORT OR OTHERWISE, OR PURSUANT TO STATUTE OR ADMINISTRATIVE REGULATION. Each Owner, in accepting a deed from the Declarant or any other party to a Unit, expressly acknowledges and agrees that this Section 3.6 establishes the sole liability of the Declarant to the Association and the Owners related to defects in the Common Element and the remedies available with regard thereto. At the end of the one (1) year warranty period referred to hereinabove in this Section 3.6, the Declarant will assign to the Association in writing all of its rights, claims, causes of action and demands which it has or which may thereafter accrue against all other people who may be responsible for the design and/or construction of the Common Element.

(c) Limitation of Association's Remedies.

(i) The Association's only remedy under the Limited Warranty and for any other claim or cause of action related to the construction of the Condominium Project, to the exclusion of all other remedies, is limited to the repair or replacement, at the Declarant's sole option, of the defective condition of the Condominium Project in accordance with the Declarant obligations, outlined above. The Declarant has no obligation to reimburse the Association for work performed by the Association or for amounts the Association pays to a repairperson or subcontractor that the Declarant has not pre-approved, in writing.

(ii) In consideration for the Declarant's obligations and Limited Warranty herein, the Association waives its right to recover for any of the following, even in the event of an otherwise valid claim: (1) consequential or incidental damages; (2) damages for diminution or loss in value as a result of any valid claim made by the Association and remedied by the Declarant; (3) lost profits; (4) loss of use; or (5) punitive damages.

(d) Construction Standards.

In order to assist in defining the construction standards applicable to the Declarant's obligations described above, the Declarant incorporates by reference the instructive guidelines published by the National Association of Home Builders entitled, "Residential Construction Performance Guidelines" (the "Standards"), a copy of which shall be maintained in the records of the Association. The Standards instruct the Association as to what may be reasonably expected in terms of the construction of the Project and performance of the construction work and, specifically, what is considered a "defect." Additionally, the Association will find the Standards helpful in determining what is customary and "normal" in material or an aspect of the Declarant's construction process. If the Standards conflict with any standards in the Limited Warranty, the more stringent standard will control. If the Standards conflict with the Project plans and specifications, the plans and specifications shall control. Where specific standards are not listed or differ from those that are customary in the geographic area of the Project, the Declarant are entitled to take action based on building industry practices customary in the geographic area of the Project.

4. Assessments.

4.1 Creation of Lien and Personal Obligation for Assessments.

Each Unit is and will be subject to a lien and permanent charge in favor of the Association for the Assessments set forth herein. Each Assessment, together with interest thereon and cost of collection thereof as hereinafter provided, will be a permanent charge and continuing lien upon the Unit against which it relates, and will also be the joint and several personal obligation of each Owner of such Unit at the time the Assessment comes due and upon such Owner's successor in title if unpaid on the date of the conveyance of such Unit, and each and every Owner by acquiring or holding an interest in any Unit thereby covenants to pay such amounts to the Association when the same will become due; provided, however, that no Owner acquiring title to any Unit at a foreclosure sale of any Institutional Mortgage, his successors and assigns, will have any personal obligation with respect to the portion of any Assessments (together with late charges, interest, fees and costs of collection) related to such Unit, the lien for which is subordinate to the lien of the Institutional Mortgage being foreclosed as provided in Section 4.9.

4.2 Annual Assessments.

At least thirty (30) days prior to the Association's next succeeding Annual Assessment Period the Board will adopt a budget for the next succeeding Annual Assessment Period by estimating the Common Expenses to be incurred during such Annual Assessment Period, including a reasonable allowance for contingencies and operating and replacement reserves, such budget to take into account the projected anticipated income which is to be applied in reduction of the amount to be collected as an assessment. The Common Expenses may, in the exercise of the Board's reasonable business judgment, either include a prepaid amount to cover the anticipated property and liability insurance premium at the next anniversary date of the policies, or the Board may specially assess an insurance special assessment pursuant to Section 4.4(a) below to cover any third-party financed premium as it becomes due. Upon adoption of the budget, a copy thereof will be delivered to each Owner. The Annual Assessment fixed against each Unit will be based upon said budget and in proportion to the respective Percentage Interests of each Unit subject to assessment, and the Board will give written notice to each Owner of the Annual Assessment fixed against his Unit for such next succeeding Annual Assessment Period. In fixing the annual budget, the Board of Directors shall reflect in the budget the recommendations of a maintenance audit conducted by a professional inspector at such frequency as the Board shall determine, but not less frequently than every three (3) years. The Board shall provide the Declarant with a copy of each such inspection report or maintenance audit findings within fifteen (15) days following receipt thereof by the Board. The Board shall not be relieved of its duty to contract for a maintenance audit, as aforesaid, by virtue of the Declarant's inspections pursuant to Section 11.5 below

Within thirty (30) days after adoption of the budget by the Board, the Board shall provide a copy of said budget or a summary thereof to each Owner and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) or more than thirty (30) days after mailing of the budget or summary to the Owners. There shall be no requirement that a quorum be present at the meeting. The budget is deemed ratified unless at the meeting the Owners entitled to vote cast sixty-seven percent (67%) of the total votes of the Association to reject the budget. In the event the Board fails to propose a budget or the proposed budget is rejected the annual budget last ratified or deemed ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board; provided, however, any premium charged to the Association for the current year in excess of the amount budgeted in the previous year for insurance, or to pay when due any financed insurance premium, shall be subject to a Special Assessment by the Board of Directors without a vote of the members, as further provided in Section 4.4(a) below.

The Annual Assessment will not be used to pay for the following:

- (a) Casualty insurance of individual Owners on their possessions within the Units, and their improvements and betterments, and liability insurance of such Owners insuring themselves and their families individually, which will be the sole responsibility of such Owners;
- (b) Ad valorem taxes assessed against Units; or
- (c) Other charges or expenses related solely to individual use or occupancy of any Unit.

It is anticipated that real property taxes and other governmental assessments, if any, upon the Project will be assessed by the taxing authority upon the Unit, and each assessment will include the assessed value of the Unit and of the undivided interest of the Owner in the Common Element; provided, however, that for the current calendar year, the ad valorem taxes will be based upon the condition of the Land as of January 1, and the Declarant will be liable for that portion of the taxes applicable to the period prior to the recordation of this Declaration. When current ad valorem taxes are due and payable, the remainder of the ad valorem taxes for the current calendar year will be prorated between the Declarant and each Owner based upon the Owner's Percentage Interest and based upon the number of days each owned the Unit as evidenced by the date of the Unit Deed. Any such taxes and governmental assessments upon the Project, which are not so assessed, will be included in the Association's budget as a recurring expense and will be paid by the Association as a Common Expense. Except as otherwise provided herein, each Owner is responsible for making his own return of taxes and such return will include such Owner's undivided interest in the Common Element as such undivided interest is determined by law for purposes of returning taxes.

EACH OWNER, IN ACCEPTING A DEED TO A UNIT FROM THE DECLARANT OR ANY OTHER PERSON, HEREBY ACKNOWLEDGES THAT THE CONDOMINIUM BUDGET AND ANNUAL ASSESSMENT THEREUNDER INITIALLY ESTABLISHED BY THE DECLARANT, AND AS MAY BE MODIFIED OR AMENDED BY THE BOARD OF DIRECTORS OF THE ASSOCIATION, MAY BE INADEQUATE TO FUND, AS MAY BE NEEDED, THE COSTS AND EXPENSES OF PREPARING THE PROJECT FOR AN IMPENDING HURRICANE OR STORM, INCLUDING, BUT NOT LIMITED TO, INSTALLING AND REMOVING STORM SHUTTERS. IN THE EVENT THE CONDOMINIUM IS REQUIRED TO INCUR COSTS AND EXPENSES PREPARING THE PROJECT FOR AN IMPENDING HURRICANE OR STORM IN EXCESS OF THE UNEXPENDED AMOUNT BUDGETED FOR A PARTICULAR YEAR, THE CONDOMINIUM MAY BE REQUIRED TO VOTE A SPECIAL ASSESSMENT UNDER SECTION 4.4 BELOW AGAINST THE OWNERS TO RAISE THE REQUIRED FUNDS TO PAY SUCH EXCESS COSTS AND EXPENSES. FURTHERMORE, IN THE EVENT THE CONDOMINIUM DOES NOT, FOR ANY REASON, APPROVE ANY SUCH SPECIAL ASSESSMENT, THE VALUE OF A UNIT MAY BE SUBSTANTIALLY AND MATERIALLY AFFECTED.

NOTHING HEREIN PROVIDED IS INTENDED, NOR SHALL IT BE DEEMED TO PROVIDE, THAT THE ASSOCIATION IS OBLIGATED TO INSTALL AND REMOVE ANY STORM SHUTTERS OR PLYWOOD WINDOW COVERING IN PREPARATION FOR ANY HURRICANE OR STORM. IN THE ABSENCE OF A SPECIFIC BUDGET ITEM THEREFOR OR THE ADOPTION OF A SPECIFIC RESOLUTION BY THE BOARD OF DIRECTORS TO SO PROVIDE SUCH

SERVICE, EACH OWNER SHALL BE SOLELY RESPONSIBLE FOR PREPARING THE UNIT FOR AN IMPENDING HURRICANE OR STORM, INCLUDING, BUT NOT LIMITED TO, INSTALLING AND REMOVING STORM SHUTTERS OR PLYWOOD WINDOW COVERINGS. OWNERS SHALL NOT INSTALL PLYWOOD WINDOW COVERINGS OR CLOSE ANY INSTALLED STORM SHUTTERS UNLESS AND UNTIL THE NATIONAL WEATHER SERVICE ISSUES A HURRICANE WATCH OR TROPICAL STORM WATCH, WITH ANTICIPATED DAMAGING WINDS, COVERING BEACON TOWNES AT CAROLINA SHORE, BRUNSWICK COUNTY, NORTH CAROLINA.

4.3 Rounding.

Annual Assessments charged by the Association will be rounded off to the nearest dollar.

4.4 Special Assessments.

In addition to the Annual Assessments, the Board of Directors may levy in any calendar year "Special Assessments" for the purpose (i) of supplementing the Annual Assessments if the same are inadequate to pay the Common Expenses and (ii) of defraying, in whole or in part, the cost of any reconstruction, repair, or replacement of the Common Element; provided, however, that any such Special Assessment which in the aggregate exceeds forty percent (40%) of the total budgeted Common Expense for such year will be approved by a majority of the votes cast by Members in a written ballot or in person or by proxy at a meeting at which a quorum is present, duly called for the express purpose of approving such Special Assessment.

(a) Insurance Special Assessment without Vote of Members.

Notwithstanding the foregoing, the Board may, without a vote of the members, levy a Special Assessment to pay any premium charged to the Association in excess of the amount budgeted for insurance, or levy an insurance Special Assessment to pay, when due, any third-party financed premium.

4.5 Date of Commencement of Annual Assessments; Due Dates.

Although the Annual Assessment is calculated on a yearly basis for the Annual Assessment Period, each Owner of a Unit will be obligated to pay to the Association or its designated agent such Assessment in advance in monthly, quarterly, semi-annual or annual installments as established by the Board. An installment shall be due and payable on the due date established by the Board, but in the absence of any such specific due date, the installment shall be due and payable in full on or before the last day of the month in which the Assessment is billed.

The obligations of Owners regarding the payment of monthly portions of the Annual Assessment provided for in this Section 4 will, as to each Unit, commence upon the recording of this Declaration. The first monthly payment of the Annual Assessment for each such Unit will be an amount equal to the monthly payment for the Annual Assessment Period in progress on such commencement date, divided by the number of days in the month of conveyance, and multiplied by the number of days then remaining in such month.

The Association will, upon demand at any time, furnish any Owner liable for any such Assessment a certificate in writing signed by an Officer of the Association or the property manager of the Association, setting forth whether the same has been paid. A reasonable charge, as determined by the Board, may be made for the issuance of such certificate. Such certificate will be conclusive evidence of



payment of any Assessment stated to have been paid as to any person or entity that has relied on the certificate to his or its detriment.

4.6 Individual Specific Assessments.

Any expenses incurred by the Association because of the actions of one or more Owners or occupants of an Owner's Unit, or because of their failure to act, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration or rules and regulations adopted hereunder, and any fines as may be imposed against an Owner in accordance with this Declaration will be specially assessed as a specific Assessment against each such Owner and the Owner's Unit. In addition, in the event that a specific Assessment is made for a judgment against the Association, such specific Assessment shall only be assessed against those who were Owners at the time the judgment was entered against the Association.

4.7 Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; Remedies of Association.

(a) Obligation of Owner.

If an Assessment is not paid on the date when due, as hereinabove provided in Section 4.5, then such Assessment together with such late charges and interest thereon and any costs of collection thereof as hereafter provided, will be a charge and continuing lien on the Unit to which it relates, and will bind such property in the hands of the Owner, his heirs, legal representatives, successors, and assigns. The personal obligation of the then Owner to pay such Assessment, however, will remain his personal obligation, and if his successors in title assume his personal obligation, such prior Owner will nevertheless remain as fully obligated as before to pay to the Association any and all amounts which he was obligated to pay immediately preceding the transfer. Furthermore, such prior Owner and his successor in title who assumes such liabilities will be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Owner and his successor in title creating the relationship of principal and surety as between themselves, other than one by virtue of which such prior Owner and his successor in title would be jointly and severally liable to pay such amounts.

(b) Assessment Late Charge, Interest and Lien Upon a Unit.

Any Assessment shall be due in full not later than the last day of the month in which the Assessment is billed, and any Assessment or portion thereof which is not paid when so due will be delinquent. Any delinquent Assessment will incur a late charge in an amount as may be determined by the Board from time to time, but not to exceed such limitation as shall be applicable under the Condominium Act, which limitation is currently the greater of twenty dollars (\$20.00) or ten percent (10%) of the amount of the unpaid assessment; and, upon adoption of a policy therefor by the Board of Directors, will also commence to accrue simple interest at the rate set by the Board of Directors from time to time, not to exceed eighteen percent (18%). A lien and equitable charge as herein provided for each Assessment installment shall attach simultaneously as the same will become due and payable, and if an Assessment installment has not been paid as aforesaid, the entire unpaid balance of the Assessment installments for the Annual Assessment Period then in effect remaining to be paid during the fiscal year may be accelerated by the option of the Board and be declared due and payable in full. Any Assessment levied against a Unit remaining unpaid for a period of 30 days or longer shall constitute a perfected lien on that Unit when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the Unit is located. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time the claim of lien is filed, a description of the Unit, and the amount of the lien claimed.

(c) Remedies of the Association.

The Association may bring legal action against the Owner personally obligated to pay the same or through judicial or nonjudicial foreclosure of its lien against the Unit to which it relates or pursue both such courses at the same time or successively, subject, nevertheless, to the limitations and requirements applicable thereto under the Condominium Act; provided, however, a lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing thereof in the office of the clerk of superior court. The Association will be entitled also to recover reasonable attorney's fees actually incurred and all other costs of collection, as the same may be limited under the Condominium Act. Each Owner, by his acceptance of a deed or other transfer of a Unit, vests in the Association or its agent the right and power to bring all actions against him personally for the collection of such charges as a debt and, as allowed by law, to foreclose the aforesaid lien in any appropriate proceeding at law or in equity. All Owners, to the fullest extent permitted by law, waive the right to assert any statute providing appraisal rights which may reduce any deficiency judgment obtained by the Association against any Owner in the event of such foreclosure and further, waive all benefits that might accrue to any Owner by virtue of any present or future homestead exemption or law exempting any Unit or portion thereof from sale. If the Association commences to foreclose its lien, the Owner may be required to pay a reasonable rental for the Unit after the commencement of the action and at its option the Association will be entitled to the appointment of a receiver to collect such rents. The Association will have the power to bid on the Unit at any foreclosure sale and to acquire, hold, lease, mortgage and convey the same. No Owner may be relieved from liability from the Assessment provided for herein by abandonment of his Unit or otherwise.

(d) Suspension of Voting Rights and Use of Recreational Areas.

During any period in which an Owner will be in default thirty (30) days or longer in the payment of any Assessment levied by the Association, after notice and an opportunity to be heard, the voting rights of the Owner and the rights of the Owner and lessees of the Owner, their families, invitees and guests, to use and enjoy the Common Elements (except access to the Owner's Unit) may be suspended by the Board of Directors until such time as the Assessment has been paid.

4.8 Declarant's Unsold Units.

Anything contained in this Section 4 to the contrary notwithstanding, so long as the Declarant owns any Unit for sale, the Declarant may annually elect either to pay the regular Assessment for each such Unit or to pay the difference between the amount of Assessments collected on all other Units not owned by the Declarant and the sum of (a) the amount of actual operating expenditures by the Association during the fiscal year, and (b) the amount of reserves budgeted to be funded during the year, but not in a sum greater than its regular Assessment. Unless the Declarant otherwise notifies the Board in writing at least sixty (60) days before the beginning of each fiscal year, the Declarant will be deemed to have elected to continue paying on the same basis as during the immediately preceding year. Furthermore, so long as the Declarant owns any Unit for sale, the Declarant may, but will not be obligated to, reduce the regular Assessment for any year to be paid by Owners of Units, which may be a contribution to the Association, an advance against future regular Assessments due from said Owners, or a loan to the Association, in the Declarant's sole discretion. The amount and character (contribution, advance or loan) of such subsidy will be conspicuously disclosed as a line item in the budget and will be made known to the Owners. The payment of such a subsidy in any year will under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant. Notwithstanding the foregoing, and whether or not the Declarant has elected, or shall have been deemed to have elected, to pay the difference between the amount of Assessments collected on all other Units not owned by the Declarant and the sum of actual operating costs and budgeted reserves, the Declarant shall not be required to pay any amount by



which the premium charged to the Association exceeds the amount budgeted for insurance, or is a result of paying, when due, any third-party financed insurance premium, which amounts shall be subject to an insurance Special Assessment by the Board of Directors without a vote of the members, as further provided in Section 4.4(a) above.

4.9 Subordination of the Charges and Liens to Institutional Mortgages, Taxes and Other Governmental Assessments.

(a) The lien and permanent charge for the Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to any Unit is hereby made subordinate to the lien of any holder of an Institutional Mortgage or his assigns placed on such Unit, and all Assessments with respect to such Unit having a due date on or prior to the date such Institutional Mortgage is filed for record have been paid. The lien and permanent charge for the Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to any Unit is also hereby made subordinate to a lien for taxes or other governmental assessments owed for such Unit ("Governmental Assessments"). The lien and permanent charge hereby subordinated is only such lien and charge as relates to Assessments authorized hereunder having a due date subsequent to the date such Institutional Mortgage or Governmental Assessment is filed for record and prior to the satisfaction, cancellation or foreclosure of such Institutional Mortgage or the satisfaction or cancellation of such Governmental Assessment.

(b) Such subordination is merely a subordination and will not relieve the Owner of the mortgaged Unit of his personal obligation to pay all Assessments coming due at a time when he is the Owner; will not relieve such Unit from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished against a Mortgagee or such Mortgagee's assignee or transferee by foreclosure); and no sale or transfer of such Unit to the Mortgagee or to any other person pursuant to a foreclosure sale will relieve any previous Owner from liability for any Assessment coming due before such sale or transfer.

(c) To the extent any subordinated lien and permanent charge for any Assessment is extinguished by foreclosure of any Institutional Mortgage, then the amount or amounts otherwise secured thereby which cannot otherwise be collected will be deemed a Common Expense collectible from all Owners, including the person who acquires title through the foreclosure sale.

4.10 Reserves.

The Board of Directors will establish and maintain an adequate reserve fund for the periodic repair and replacement of the Common Element. The Board of Directors will include amounts needed to maintain an adequate reserve fund in its estimation of the Common Expenses for each fiscal year and will cause deposits to the reserve fund to be made in connection with the collection of the Annual Assessment.

4.11 Working Capital Collected at Initial Closing.

Notwithstanding anything to the contrary in this Declaration, a working capital fund will be established for the Association by collecting from each Owner who acquires title to his Unit from the Declarant a working capital amount equal to 2/12ths of the Annual Assessment then in effect, which Assessment will be due and payable at the time of transfer of each Unit by the Declarant to any other Owner. Each such Owner's share of working capital, as aforesaid, will be transferred to the Association at the time of closing the conveyance from the Declarant to the Owner. Such sum is and will remain separate and distinct from the Annual Assessment and will not be considered advance payment of the Annual Assessment. The working capital receipts may be used by the Association in covering operating



expenses as well as any other expense incurred by the Association pursuant to this Declaration and the Bylaws.

4.12 Surplus Funds.

All funds paid into the Association by the Owners which remain after payment for Common Expenses, prepayment of reserves or any other expense, cost or fee defined herein shall be paid to the Owners in proportion to their Percentage Interests or credited to them to reduce future assessments.

4.13 Unit Owner's Share of Prepaid Insurance.

As indicated herein, the budgeted Common Expenses may include prepayment of the estimated premium for property and casualty insurance at the next anniversary date of the policies. Upon conveyance of a Unit, the selling Owner shall be entitled to a credit for the selling Owner's Percentage Interest in the amount of the prepaid insurance collected from the selling Owner by the Association to the date of the Unit closing.

5. Insurance and Casualty Losses.

5.1 Hazard Insurance.

(a) The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a "master" or "blanket" type policy or policies of property insurance covering the entire Project, except (x) land, foundation, excavation, or other items normally excluded from coverage; and (y) the items set forth in Section 5.1(a)(i) below. Such coverage will also insure supplies, equipment and other personal property of the Association. All policies of property insurance will be single entity condominium insurance coverage. The master insurance policy will afford, at a minimum, protection against loss or damage by fire and other perils normally covered by standard extended coverage endorsements, to include earthquake coverage; and all other perils which are customarily covered with respect to condominium projects similar in construction, location and use, including all perils normally covered by a standard "special coverage" endorsement, where such is available, and to include earthquake coverage. The total amount of insurance after application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the Project, exclusive of land, foundations, excavation, and other items normally excluded from coverage. A "deductible amount" not to exceed twenty percent (20%) of the replacement cost of the Project may be included at the discretion of the Board of Directors if available and if a material savings, as determined by the Board in its sole discretion, in premium cost results therefrom, but the deductible amount will be considered a Common Expense and borne by the Association regardless of the number of Owners directly affected by the loss and reserves will be established therefor.

(i) In addition to the items identified in clause (x) of Section 5.1(a) above to be excluded, there shall be excluded from the Association's hazard insurance policy (A) all improvements and betterment made to Units by Owners at their expense; (B) personal property of Owners and lessees of Owners, their families, invitees and guests; (C) the finished wood, vinyl, tile, carpet or other finish surface lying above the subfloor constituting the lower horizontal boundary of a Unit; (D) all paint, wallpaper, vinyl paper, tile, and other finish surface covering the unexposed surface of the wallboard or other surface comprising the perimeter walls enclosing a Unit; (E) all appliances; (F) all lighting and plumbing fixtures and all cabinetry and built-in improvements within a Unit. Insurance covering the items listed in clauses (A) through and including (F) of this Section 5.1(a)(i) shall be maintained by the Owner and proof of such insurance shall be provided to the Association by the Owner upon the Association's written request.



(b) The name of the insured under the master policy will be substantially as follows: "The Beacon Townes at Carolina Shores Condominium Association, Inc. for the use and benefit of the Individual Owners of Units in Beacon Townes at Carolina Shores Condominiums." Loss payable provisions will be in favor of the Association and the Trustee, as a trustee for each Owner, and each such Owner's Mortgagee as the interests of such parties may appear. Each Owner and his respective Mortgagee, if any, will be beneficiaries of the policy in a percentage equal to the Percentage Interest attributable to the Unit owned by such Owner. All policies will contain a standard mortgagee clause, or equivalent endorsement (without contribution), which is commonly accepted by Institutional Mortgage investors in the area in which the Project is located, and which appropriately names all Mortgagees or their servicer in such form as requested by such Mortgagees or their servicer.

(c) All policies will be written with a company holding a general policyholder rating of "A" or better by Best's Insurance Reports and in a financial category of Class VI or better in Best's Key Rating Guide. Policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against the Association, Owners, Mortgagees or the designees of Mortgagees; (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders or members; or (iii) the policy includes any limiting clause (other than insurance provisions) which could prevent Mortgagees or Owners from collecting insurance proceeds. Policies may not be cancelable, deemed nonrenewable or substantially modified by any party without at least thirty (30) days prior written notice to the Association and each Mortgagee, which is listed as a scheduled holder of a first Mortgage in the insurance policy. Policies should also contain a "special condominium endorsement" or its equivalent which provides for the following: recognition of any insurance trust agreement; a waiver of the rights of subrogation against Owners individually; the insurance is not prejudiced by any act or negligence of individual Owners which is not under the control of the Association or such Owners collectively; and the policy is primary in the event the Owner has other insurance covering the same loss.

(d) The Association will provide to Owners and/or Mortgagees requesting the same in writing a certificate of insurance, or a copy of the certificate of insurance, for the Condominium, for which the Association may charge reasonable copying costs.

(e) Each Owner shall obtain at his sole cost and expense hazard insurance coverage on the items set forth in Section 5.1(a)(i) above, and may obtain additional insurance at his own expense; provided, however, that no Owner will be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Association, on behalf of all of the Owners and their Mortgagees, may realize under any insurance policy which the Association may have in force on the Project at any particular time. Any diminution in insurance proceeds otherwise payable under the Association's policies that results from the existence of any Owner's policy will be chargeable to the Owner who acquired such other insurance. Any Owner who obtains an individual insurance policy covering any portion of the Project, other than the personal property belonging to such Owner, will file a copy of such policy with the Association within thirty (30) days after purchasing such insurance. Each Owner, at his own expense, may obtain on his Unit or the contents thereof, title insurance, homeowner's liability insurance, theft and other insurance covering improvements, betterment and personal property damaged and lost. In addition, risk of loss with respect to any improvements made by an Owner within his Unit shall be that of the Owner. Betterments coverage or "improvements insurance" shall be secured solely by an Owner wishing such coverage of his risk of loss, and the Association shall have no liability therefor.

(f) If any part of the Project's improvements are in a special flood hazard area designated as A, AE, AH, AO, AR, A1-A30, A-99,V,VE,V1-30, or VO on the Flood Insurance Rate Map,

the Association shall maintain a master or blanket policy of flood insurance and provide for the premiums to be paid as a Common Expense.

5.2 Liability Insurance.

The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a policy of comprehensive general liability insurance coverage covering at a minimum all of the Common Element. Coverage limits will be in amounts generally required by private Institutional Mortgage holders for projects similar in construction, location and use to the Project; provided, however, that such coverage will be for at least \$1,000,000 for bodily injury, including death of persons, and property damage arising out of a single occurrence. Coverage under this policy will include, without limitation, legal liability to the insured for property damage, bodily injury and death of persons in connection with the operation, maintenance and use of the Common Element and legal liability arising out of law suits related to employment contracts in which the Association is a party. If the policy does not include "severability of interest" in its terms, an endorsement will be included which precludes the insurer's denial of the claims of an Owner because of the negligent acts of the Association or another Owner. Such policy must provide that it cannot be canceled or substantially modified, by any party, without at least thirty (30) days prior written notice to the Association and each Mortgagee listed as a scheduled holder of a first Mortgage in the insurance policy.

5.3 Fidelity Bonds and Other Insurance.

The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all officers, directors, trustees, employees and manager of the Association and all other persons handling or responsible for funds belonging to or administered by the Association, including any professional management company assisting with the administration of the Condominium. The total amount of the fidelity bond coverage required will be based upon the best business judgment of the Board of Directors and will not be less than the estimated maximum funds, including reserve funds, in the custody of the Association or a professional management company, as the case may be, at any given time during the term of each bond; provided, however, that in no event will the aggregate amount of such bonds be less than a sum equal to 2/12ths of the total Annual Assessments plus reserve funds. Fidelity bonds will meet the following requirements: the Association will be named as an obligee; the bonds will contain waivers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and the bond will provide that it may not be canceled or substantially modified (including cancellation for nonpayment of a premium) without at least ten (10) days prior written notice to the Association and each Mortgagee listed as a scheduled holder of a first Mortgage in the fidelity bond.

The Association will obtain, maintain and pay the premiums, as a Common Expense, on a policy of directors and officers liability insurance in such amounts as determined by the Board of Directors.

The Board of Directors will be authorized on behalf of the Association to obtain and maintain such other and further insurance as the Board of Directors may determine from time to time.

5.4 Authority to Adjust Loss.

The exclusive authority to negotiate, settle and otherwise deal in all respects with insurers and adjust all losses under policies provided for herein will be vested in the Board of Directors or its duly authorized agent for the benefit of all Owners and Mortgagees; provided, however, that all Owners and Mortgagees having an interest in such loss will be advised in advance of all actions anticipated to be taken of a material nature related to the adjustment of the loss. Each Owner, in accepting a deed to a Unit, expressly appoints the directors, and each of them, his due and lawful attorneys-in-fact, with full power of



substitution, to act on behalf of the Owner as fully as the Owner could act in person on all matters related to the authority granted in this Section 5.4, including executing all documents required in connection therewith on behalf of the Owner.

5.5 Trustee.

(a) The Board of Directors may, from time to time, designate a third party Trustee hereunder. The Trustee, whether the Board of Directors acting in said capacity, or a third-party designated by the Board, will serve the Association and the Owners and their Mortgagees (as their interests may appear) as provided herein. Any third-party Trustee, but not the Board of Directors acting in such capacity, will be entitled to receive reasonable compensation for services rendered which will be a Common Expense of the Association.

(b) All insurance policies obtained by the Association will name the Association and the Trustee as loss payees. Immediately upon the receipt by the Association of any insurance proceeds, the Association will endorse the instrument by means of which such proceeds are paid and deliver the instrument to the Trustee. The Trustee will not be liable for payment of premiums, for the renewal or the sufficiency of the policies or for the failure to collect any insurance proceeds. Nor will the Trustee have any obligation to inspect the Project to determine whether a loss has been sustained or to file any claim or claims against any insurer or any other person.

(c) Among other things, the duties of the Trustee will be to receive proceeds delivered to it, hold such proceeds in trust for the benefit of the Owners and their Mortgagees, and disburse the proceeds as hereinafter provided.

(d) Proceeds of insurance policies received by the Trustee will be disbursed as follows:

(i) If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purposes, will be disbursed in payment for such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs will be paid to the Association for the benefit of all Owners and their Mortgagees, if any;

(ii) If it is determined, as provided in Section 5.6, that the damage or destruction for which the proceeds are paid will not be repaired or reconstructed, such proceeds will be disbursed to such persons as therein provided;

(iii) Any and all disbursements of funds by the Trustee for any purpose whatsoever will be made pursuant to and in accordance with a certificate of the Association signed by the President and attested by the Secretary directing the Trustee to make the disbursements;

(iv) If the damage or destruction is to the Common Element and is to be repaired or reconstructed, two days prior written notice of each disbursement will be given to the Mortgagee known by the Trustee from the records of the Association to have the largest interest in or lien upon such Common Element; and if the damage or destruction is to one or more Units and is to be repaired or reconstructed, said notice will also be given to the Mortgagee or Mortgagees known to the Trustee from the records of the Association to have an interest in or lien upon such Unit or Units.

(e) The Trustee will not incur liability to any Owner, Mortgagee or other person for any disbursements made by it in good faith pursuant to and in accordance with the foregoing requirements.



5.6 Damage and Destruction.

(a) Immediately after all or any part of the Project covered by insurance is damaged or destroyed by fire or other casualty, the Board of Directors or its duly authorized agent will proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this Section 5.6, means repairing or restoring the damaged property to substantially the same conditions in which it existed prior to the fire or other casualty, with each Unit and the Common Element having the same vertical and horizontal boundaries as before.

(b) Any such damage or destruction to the Project will be repaired; provided, however, that any such damage which requires reconstruction will not be undertaken if repair or reconstruction is disapproved by Owners holding eighty percent (80%) of the Percentage Interests, including 100% of the Owners whose units will not be rebuilt, vote to disapprove repair or reconstruction, by Referendum or at a duly held meeting of Members called for the purpose of disapproving the repair or reconstruction, which percentage will also constitute the quorum required for any such meeting. If the entire Project is not reconstructed, all insurance proceeds will be delivered in accordance with the provisions of Section 5.6(c) below. Except as otherwise provided, any such damage or destruction which renders any Unit untenable or uninhabitable, or any such damage or destruction to the Common Element, will be repaired and reconstructed as promptly as practicable. No Mortgagee will have any right to restrict the use of insurance proceeds otherwise available for repair, reconstruction or rebuilding.

(c) In the event that it is determined by the Association in the manner prescribed above that the entire damage or destruction will not be repaired, reconstructed or rebuilt, then and in that event:

(i) the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Project;

(ii) the insurance proceeds attributable to Units and Limited Common Elements that are not rebuilt must be distributed to the Owners of those Units and to the Owners of those Units to which said Limited Common Elements were allocated, or to their lienholders, as their interests may appear; and

(iii) the insurance proceeds remaining must be distributed to all of the Owners and their lienholders, as their interests may appear, in proportion to the Owner's Percentage Interests.

If the Unit Owners vote not to rebuild any Unit, that Unit's allocated Percentage Interest is automatically reallocated upon the vote not to rebuild or reconstruct as if the Unit had been condemned, as provided in Section 6.1 below, and the Association promptly shall prepare, execute, and record an amendment to this Declaration reflecting the reallocations.

5.7 Insufficient Proceeds to Repair.

(a) If the damage or destruction for which the insurance proceeds are paid to the Trustee is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, or if no insurance proceeds exist with respect to such damage or destruction, the Board of Directors will levy an Assessment against the Owners of damaged or affected Units in sufficient amounts to provide funds to pay costs in excess of insurance proceeds for repair or reconstruction. Additional Assessments may be made at any time during or following the completion of any repair or reconstruction. That portion of such Assessments levied against each Owner will be equal to that percentage computed by dividing the



Percentage Interest appurtenant to such Owner's Unit by the aggregate Percentage Interests appurtenant to all Units damaged or affected.

(b) Any and all sums paid to the Association under and by virtue of those Assessments provided for in subsection (a) of this Section 5.6(c) will be deposited by the Association with the Trustee. Such proceeds from insurance and Assessments, if any, received by the Trustee will be disbursed as provided in Section 5.5.

6. Condemnation.

6.1 Unit Condemnation With No Practical or Lawful Use Remaining.

If a Unit is acquired by eminent domain, or if part of a Unit is acquired by eminent domain leaving the Unit Owner with a remnant which may not practically or lawfully be used for any purpose permitted by this Declaration, the award shall compensate the Unit Owner for his Unit and its interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides, that Unit's Assigned Value shall automatically be reallocated to the remaining Units in proportion to the respective Percentage Interests of those Units before the taking exclusive of the Unit taken, and the Association shall promptly prepare, execute, and record an amendment to this Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken under this subsection is thereafter a Common Element.

6.2 Condemnation of Part of Unit with Some Practical or Lawful Use Remaining.

Except as provided in Section 6.1 above, if part of a Unit is acquired by eminent domain, the award must compensate the Unit Owner for the reduction in value of the Unit and of its Percentage Interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides, (1) that Unit's Assigned Value shall be reduced in proportion to the reduction in the size of the Unit, and (2) the portion of the Assigned Value divested from the partially acquired Unit shall automatically be reallocated to that Unit and the remaining Units in proportion to the respective Assigned Values of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Assigned Value.

6.3 Condemnation of Common Element.

If part of the Common Elements is acquired by eminent domain, the portion of the award not payable to Unit Owners under Section 6.1 above shall be paid to the Association and distributed in accordance with the provisions of Section 5.6 as if such condemnation were damage or destruction which will not be repaired or reconstructed. Unless otherwise provided in this Declaration, any portion of the award attributable to the acquisition of a Limited Common Element must be apportioned among the Owners of the Units to which that Limited Common Element was allocated at the time of acquisition.

6.4 Recording Condemnation Decree.

The court decree shall be recorded in the ROD of Brunswick County.

6.5 Claims.

The Board of Directors of the Association shall have exclusive authority to negotiate and settle on behalf of the Owners all claims arising from condemnation of any portion or all of the Units or Common Elements and the Owners hereby appoint the Board of Directors as their attorney in fact for this purpose.

7. Architectural Control.

7.1 Approval Required for Unit Changes and Interior Features.

To preserve the original architectural appearance of the Project, the structural integrity thereof and the Unit designs, including architectural and engineering aspects therein, no construction, reconstruction or Unit modification of any nature whatsoever, except as specified in the Condominium Documents, will be commenced or maintained upon or within, the Building, including without limitation within a Unit and a Limited Common Element, nor will there be any change, modification or alteration of any nature whatsoever of the design and appearance of any surfaces or facades, nor will any Owner paint any gate, fence or roof, nor will any Owner change the design or color of the exterior lights, nor will any Owner install, erect or attach to any part of the exterior any addition or change until after the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same will have been submitted to and approved in writing as to harmony of design, color and location in relation to the surrounding features by the Board of Directors and pursuant to original plans and specifications or Design Guidelines adopted therefor. Furthermore, such required approval by the Board of Directors shall extend to any interior features or aesthetic elements that are proposed to be changed. The failure of an Owner to secure the required approval of the Board of Directors as aforesaid, or to take such action, remedial or otherwise, as the Board of Directors shall at any time determine to be required hereunder shall be subject to the authority and enforcement powers of the Board of Directors as set forth Section 17.6(a) below. The Board of Directors may delegate the architectural review functions to a committee, but enforcement of all violations shall remain with the Board of Directors.

8. Maintenance.

8.1 Responsibility of Association.

Except as specifically provided to the contrary herein, the Association will maintain, repair and replace as necessary, the Common Elements in first class condition in accordance with proper maintenance procedures applicable thereto and will enforce all warranties with respect thereto. Except as otherwise provided herein, the cost of such will be charged to the Owners as a Common Expense. For purposes of defining the Association's obligations for regular cleaning and minor repairs, the terms and conditions of Section 8.2(a) below shall apply notwithstanding the fact that items described therein may otherwise be defined in this Declaration as part of a Unit and not a Common Element.

(a) Access to Units.

The Association will have the irrevocable right, to be exercised by the Board of Directors or its agent, which term includes the Association manager, to have reasonable access to each Unit from time to time as may be necessary for the periodic inspection and application of termite and other bug control treatment for which the Association may contract, from time to time; to undertake such action as it may determine to prepare and secure the Building and the Unit in anticipation of storm or hurricane provided the Association shall be under no obligation to an Owner to do so; and for the inspection, maintenance, repair or replacement of any of the Common Element accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the Common Element or to other Units.

8.2 Responsibility of Owner.

In the event that the Board of Directors should determine that the need for maintenance or repairs by the Association as provided for in this Section 8 is caused through the willful or negligent act of an Owner or the lessee of an Owner, their families, invitees or guests, or the Owner's allowed pet under Section 10.1 below, the cost of which is not covered or paid for by insurance, then the cost, both



direct and indirect, of such maintenance or repairs will be added to and become a part of the Assessment to which such Owner and his Unit are subject. Each Owner will maintain, repair or replace at his own expense all portions of his Unit which may become in need thereof, including the heating and air-conditioning system components within such Unit, all bathroom and kitchen fixtures and appliances, light fixtures, interior non-loadbearing walls, carpeting, drapes, doors, windows, screens, window and door hardware, and other items within the Unit. Further, each Owner will, at his own expense, maintain, repair and replace, when necessary, that portion of the heating and air-conditioning system exclusively servicing his Unit, which is located outside his Unit. Each Owner will, at his own expense, keep the Limited Common Element to which his Unit has exclusive access and to which he has exclusive use clean and neat, and will conduct maintenance and repair thereto as necessary. If the Owner does not make those repairs required to be made by him within thirty (30) days from the date of receipt of written demand from the Association, the same may be repaired by the Association and the cost thereof will be assessed against the Owner and Unit owned by such Owner.

(a) Outside Window Cleaning & Window Screen Repair.

An Owner shall be solely responsible for the periodic window cleaning and repair of window screens accessible by the Unit's Owner from the Unit's porch, balcony or terrace. Except as herein provided, periodic cleaning of outside windows and repair of outside window screens shall be the responsibility of the Association pursuant to Section 8.1 above, and for purposes of said Section, such outside windows and window screens shall be deemed to be Common Elements notwithstanding any contrary provision of this Declaration.

9. Access, Ingress and Egress.

All Owners, by accepting title to a Unit, waive all rights of uncontrolled and unlimited access, ingress, and egress to and from such property and acknowledge and agree that such access, ingress, and egress will be limited to roadways, sidewalks and walkways located within the Project from time to time, provided that pedestrian and vehicular access to and from all such property will be provided at all times. There is reserved unto Declarant, the Association, and their respective successors and assigns the right and privilege, but not the obligation, to maintain guarded or electronically-monitored gates controlling vehicular access to and from the Project, provided that access may be granted to any person who gives reasonable evidence satisfactory to entry guards, if there are any, that entry is with the specific permission of the Owner, or his duly authorized agent. Neither the Declarant nor the Association will be responsible, in the exercise of its reasonable judgment, for the granting or denial of access to the Project in accordance with the foregoing.

NEITHER THE DECLARANT NOR THE ASSOCIATION SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF ANY CONTROLLED ACCESS TO THE PROJECT OR SAFETY MEASURES UNDERTAKEN WITH RESPECT THERETO BY EITHER OR BOTH OF THEM AND WHETHER OR NOT SUCH ACTIVITIES OR UNDERTAKINGS ARE REFERRED TO AS "SECURITY" MEASURES, NOR SHALL EITHER OR BOTH BE LIABLE FOR ANY LOSS OR DAMAGE RESULTING FROM ANY FAILURE TO PROVIDE CONTROLLED ACCESS OR SAFETY MEASURES, OR FROM LEAVING ANY CONTROLLED ACCESS OPEN, AS PERMITTED UNDER SECTION 9.1 BELOW, OR FROM A FAILURE OR INEFFECTIVENESS OF ANY SUCH CONTROLLED ACCESS OR SAFETY MEASURES UNDERTAKEN BY EITHER OR BOTH OF THEM. NO REPRESENTATION, WARRANTY OR COVENANT IS GIVEN TO ANY OWNER OR OCCUPANT BY EITHER OR BOTH OF THE DECLARANT AND THE ASSOCIATION THAT ANY CONTROLLED ACCESS OR SAFETY MEASURES

INSTALLED OR UNDERTAKEN CANNOT BE BYPASSED OR COMPROMISED, OR THAT THEY WOULD, IN FACT, AVERT DAMAGE OR LOSS RESULTING FROM THAT WHICH THEY ARE DESIGNED TO PREVENT, AND EACH OWNER BY ACCEPTANCE OF A DEED TO A UNIT AND EACH OCCUPANT THEREOF SHALL INDEMNIFY AND HOLD THE DECLARANT AND ASSOCIATION HARMLESS FROM ANY DAMAGE AND COSTS AND EXPENSES, INCLUDING ATTORNEY FEES, INCURRED BY EITHER OR BOTH OF THEM AS A RESULT OF ANY SUCH ASSERTION OR DETERMINATION.

9.1 Declarant's Right to Develop.

Notwithstanding anything herein contained to the contrary, the Declarant hereby reserves unto itself, and for its successors and assigns, the right and option to control any access to the Project and to leave any controlled access in an open position for the unobstructed and uncontrolled passage of construction personnel and equipment engaged for or used in infrastructure and building construction activities. The within right by the Declarant will terminate upon completion of construction activities following expiration of the Transition Period.

(a) Development and Construction Activities; Inconveniences.

The Project is located in an area that may be subject to or near ongoing development and construction activities (the "Construction Activities"). The Construction Activities are expected to generate an unpredictable amount of visible, audible and odorous impacts and disturbances. The Construction Activities may include, without limitation: (a) construction traffic (including, without limitation, construction vehicles, equipment and vehicles used or owned by Declarant or Declarant's designee, the owner(s) and/or operator(s) of the nearby recreational facilities, adjacent landowners, and the employees, agents and contractors of any of them; and (b) construction activities (including, without limitation, grading, excavation, clearing, site work and construction of improvements) relating to the Project.

9.2 Waiver, Release and Indemnification.

The impacts and disturbances generated by the development and construction activities of the Declarant and others, as well as those generated by the nearby operation of recreational facilities, may occur in and around the Project. Each Owner forever waives and releases any claims such Owner, and its successors and assigns, may have against Declarant, Declarant's managers, officers, agents, designees and contractors, the owner(s) and/or operator(s) of the recreation facilities, and the Association, and their respective officers, directors, agents and contractors and their respective successors and assigns, that in any way arise out of such impacts and disturbances, and from any liability for damage or injury caused thereby. Each Owner agrees to indemnify and hold Declarant, Declarant's managers, officers, agents, designees and contractors, the owner(s) and/or operator(s) of the recreation facilities, and the Association, and its officers, directors, agents and contractors and their respective agents, employees, officers, successors and assigns, harmless from and against any and all claims, actions, cost or liabilities arising from any damage or injury caused directly or indirectly by the aforesaid impacts and disturbances.

10. Unit Restrictions.

All Units will be, and the same are hereby restricted exclusively, for residential use, provided, however, a Unit may be used as a combined residence and executive or professional office by the Owner thereof so long as such use does not interfere with the quiet enjoyment by other Owners and does not include visitation by clients, or unreasonable levels of mail, shipping, storage or trash requirements. No immoral, improper, offensive or unlawful use will be made of any Unit and no use or condition will be



permitted which is a source of unreasonable noise or interference with the peaceful possession and quiet enjoyment of any other portion of the Project by other Owners or lessees of Owners, their families, invitees and guests. All Units will be kept in a clean and sanitary condition and no rubbish, refuse or garbage will be allowed to accumulate. No fire hazard will be allowed to exist and no use or condition will be permitted which will increase any rate of insurance related to the Project. In addition, all Owners and lessees of Owners, their families, invitees and guests will abide by all Rules and Regulations in effect from time to time governing the use of Units.

10.1 Animals and Pets.

No animals, livestock or poultry of any kind will be raised, bred or kept on any part of the Project, except that dogs, cats or other normal household pets may be kept by the respective Owners inside their respective Units provided that:

(a) the following types of dogs (whether pure bred or mix breed) are prohibited from being kept upon the Property: those known as Pit Bulls (American Staffordshire Terriers, American Pit Bull Terriers or Staffordshire Bull Terriers), Rotweillers, Doberman Pinschers, Chows, Presa Canarios, German Shepherds, wolf hybrids and any dog trained to attack persons, property or other animals or dogs trained to guard persons or property, and are deemed not to be normal household pets;

(b) the Board of Directors may prohibit the keeping of any dog with a prior history of causing bodily injury established through insurance claims records, or through the records of local public safety, law enforcement or other similar regulatory agency;

(c) the Board of Directors may, in its sole discretion, establish by rule that dogs of other breed are potential hazards to the Condominium and its occupants, and may not be kept upon the Property;

(d) the Board of Directors may establish reasonable rules and regulations to insure that all permitted pets are properly licensed and inoculated for rabies and such other disease for which inoculation is customary for that breed of pet;

(e) the Board of Directors may require that an Owner execute a written indemnification and hold harmless agreement in favor of the Condominium and the Condominium's management company, in form and content satisfactory to counsel for the Board, prior to bringing the Owner's pet upon the Property;

(f) permitted pets shall not kept, bred or maintained for any commercial purpose and do not create any health hazard or, in the sole discretion of the Board of Directors, unreasonably disturb the peaceful possession and quiet enjoyment of any other portion of the Project by other Owners and lessees of Owners, their families, invitees and guests;

(g) the Board may establish reasonable rules to limit the number of such allowed pets. Pets shall be kept on a leash at all times when outside of a Unit, and shall be under personal control when outside a unit, on the Common Elements, patios, balconies, etc; and the Owner shall clean up after his or her pet;

(h) the Board shall have the right at any time and in its sole and absolute discretion to require the Owner of a particular pet to remove such pet from the Condominium if such pet is determined by the Board to be a nuisance or to be in violation of these restrictions; and



(i) the Board shall have the power to levy fines for violation of these pet restrictions or of any additional rule or regulation adopted by the Board therefor, and any such fine or the cost of the Association to repair any damages to Common Element caused by a pet shall be assessed against the Owner and Unit as a specific Assessment..

If, for any reason whatsoever, the Association needs to detain, incarcerate, capture, or tranquilize any animal or animals which may roam free, and it is found that said animals are the property of an Owner, then all fees necessary to cover such detainment, incarceration, capture, or tranquilization shall be levied against the Owner of said animal.

Notwithstanding the use of the word, "Owner" hereunder, the terms and provisions hereof shall extend to an Owner's family members, guests, tenants, lessees, and the Owner shall be fully responsible hereunder for the pets thereof on the same basis as the Owner would be for its owned animal.

10.2 Antennas.

No television antenna, radio receiver, or other similar device will be attached to or installed on any portion of the Condominium by an Owner, except as required by the Telecommunications Act of 1996 and implementing rules therefor issued by the Federal Communications Commission and by the Association in conformity with rules or guidelines of the Federal Communications Commission; provided, however, the Declarant and the Association, and their successors and assigns, will not be prohibited from installing equipment necessary for master antenna, security, cable television, mobile radio, or other similar systems within the Condominium.

10.3 Leasing of Units.

An Owner of a Unit will have the right to lease or rent his Unit; provided, however, that all leases and rental contracts will be for a duration of 2 nights or more and will be in writing and will require the lessee to abide by all conditions and restrictions placed on the use and occupancy of the Unit and the Common Element by the Condominium Documents. The Board of Directors will have the right to approve the form of all such leases and rental contracts at any time if it elects to do so. Permitted occupancy by a tenant or renter under any such approved form of lease or rental contract is subject to continuing approval of the Board thereunder, which may be removed at any time by the Board for any violation by any such tenant or renter of the Rules and Regulations of the Association.

10.4 Motor Homes, Trailers, Boats, Etc.

All vehicles will be parked in spaces within the Common Element designated therefor. There will be no storage or parking upon any portion of the Project of any mobile home, trailer (either with or without wheels), motor home, tractor, truck (other than pick-up trucks), commercial vehicles of any type, camper, motorized camper or trailer, boat or other watercraft, boat trailer, motorized bicycle, motorized go-cart, or any other related forms of transportation devices. Motorcycles will be permitted in the Project if garaged while not being driven.

10.5 Signs.

Except as may be required by law or by legal proceedings, no signs or advertising posters of any kind, including, but not limited to, "For Rent," "For Sale," political signs, and other similar signs, shall be erected by an Owner, the Association, or any agent, broker, contractor or subcontractor thereof, nor shall any sign or poster be maintained or permitted on any window, or within a Unit and viewable through any window, or on the exterior of any improvements or on any unimproved portion of property located within the Project, without the express written permission of the Declarant during the Transition



Period, and thereafter without the written permission of the Board of Directors. The approval of any signs and posters, including, without limitation, name and address signs, shall be upon such conditions as may be from time to time determined by party entitled to approve the same and may be arbitrarily withheld. Notwithstanding the foregoing, the restrictions of this Section 10.5 shall not apply to the Declarant or to any person having the prior written approval of the Declarant. In addition, the Association shall have the right to erect reasonable and appropriate signs on any portion of the Common Elements in accordance with architectural design standards adopted therefor and approved by governmental authority with jurisdiction thereof. The provisions of this Section 10.5 shall also apply to the display of the flag of the United States or the State of North Carolina.

10.6 Grills.

The use of individual grills (charcoal, gas or electric) is a fire hazard and is strictly prohibited within five (5') feet of the Building. Provided that an Owner uses the grill five (5') feet or more from the Building, an Owner may use a grill in accordance with any Rules or Regulations specially adopted therefor, pursuant to applicable codes and ordinances from time to time existing, and within the Limited Common Element patio of such Owner's Unit further described in Section 3.4(e)(i) above.

11. Easements.

11.1 Encroachments.

If any portion of the Common Element encroaches upon any Unit or any Unit encroaches upon any other Unit or upon any portion of the Common Element as a result of settling or shifting of the Building or variances from the Plans, an easement will exist for the encroachment and for the maintenance of the same so long as the Building stands. If the Building, any Unit, and/or any adjoining part of the Common Element will be partially or totally destroyed as a result of fire or other casualty or a result of eminent domain proceedings, and then rebuilt, encroachments of parts of the Common Element upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Element due to such rebuilding, will be permitted, and valid easements for such encroachments and the maintenance thereof will exist so long as the Building will stand.

11.2 Easement for Air Space.

The Owner of each Unit will have an exclusive easement for the use of the air space occupied by said Unit as it exists at any particular time and as said Unit may be altered or reconstructed from time to time pursuant to this Declaration.

11.3 Utilities, etc.

During the Transition Period, the Declarant, and thereafter the Association, shall have an appurtenant, transferable easement upon, across, over and under all the Project for ingress, egress, installation, replacing, repairing and maintaining a master television antenna or CATV system and all utilities, including, but not limited to water, gas, sewers, telephones and electricity, and other forms of telecommunication and technology cabling, now existing or developed in the future. Such easements shall be for the purpose of granting to appropriate utility companies the right to erect and maintain the necessary poles and other necessary equipment on the Project and to affix and maintain utility wires, circuits and conduits on, above, across and under the roofs and exterior walls of the Units. In addition, the Board of Directors will be entitled to grant additional permits, licenses and easements over the Common Element for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance and operation of the Project.



11.4 Easement for Construction.

During the Transition Period, the Declarant, and thereafter the Association, shall have an appurtenant, transferable easement to enter upon and cross over the Common Elements for purposes of ingress and egress to all portions of the Project; to use portions of the Common Elements and, in the case of the Declarant, any Units owned by the Declarant for construction or renovation related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project; and to maintain and correct drainage of surface, roof or storm water.

11.5 Easement for Inspection by Declarant.

Notwithstanding anything herein to the contrary, Declarant and persons designated by the Declarant will have an easement to enter upon and cross over the Common Elements for purposes of ingress and egress to all portions of the Project; as well as an easement for reasonable access to each Unit as the Declarant may find desirable, for the inspection of the whole or any portion of the Project, its Units and Common Elements, the components and structural parts thereof, as well as the their maintenance requirements and the maintenance performed thereon to the date of any such inspection. Nothing herein shall require the Declarant to perform any such inspection, but if the Declarant does undertake any such inspection, Declarant shall provide to the Board of Directors a copy of its findings or the inspection report produced therefrom. Nothing herein shall relieve the Board from engaging a professional inspector to perform an annual maintenance audit as part of the Board's annual budgeting process under Section 4.2 above.

11.6 Easement for Sales Purposes.

Declarant and persons designated by the Declarant will have an easement to maintain one or more sales offices, management offices and models throughout the Project and to maintain one or more advertising signs on the Common Elements while the Declarant is selling Units or has the right to expand the Project and add additional Buildings and Units. Declarant reserves the right to place models, management offices and sales offices in any Units owned by Declarant and on any portion of the Common Element in such number, of such size and in such locations as Declarant deems appropriate. So long as Declarant will be selling Units, Declarant will have the right to restrict the use of a reasonable number of parking spaces, for purposes including, but not limited to, the providing of spaces for use by prospective Unit purchasers, Declarant's employees and others engaged in sales, maintenance, construction or management activities.

11.7 No View Easements.

No view easements, express or implied, will be granted to any Owner in connection with the conveyance of a Unit to such Owner.

11.8 Other.

There is hereby granted to the Association, its directors, officers, agents and employees and to any manager employed by the Association and to all policemen, firemen, ambulance personnel, and all similar emergency personnel, an easement to enter upon the Project or any part thereof in the proper performance of their respective duties. Except in the event of emergencies, the rights under this Section 11.8 will be exercised only during reasonable daylight hours, and then, whenever practicable, only after advance notice to the Owner or Owners affected thereby.



11.9 Unit Access.

Each Unit Owner shall have the unrestricted right of ingress and egress to and from the Unit Owner's Unit. This right shall be perpetual and shall pass with the Unit as transfers of ownership of the Unit occur. In addition, the conveyance, encumbrance, judicial sale or other transfer (voluntary or involuntary) of any individual Percentage Interest in the Common Element will be void unless the Unit to which that Percentage Interest is allocated is also transferred.

12. Assigned Value and Voting Rights.

12.1 Units, Assigned Values, and Percentage Interests.

The Schedule of Percentage Interests contained in Exhibit "C" attached hereto shows the Assigned Value of each Unit as of the date of this Declaration and the Percentage Interest appurtenant to such Unit for all purposes, and the aggregate Assigned Values of Units in Buildings of all phases which may be added to the Condominium pursuant to Section 13.2(a)(ii). The aggregate Assigned Values of Units in a Building to be added to the Condominium in a future phase may be changed by the Declarant by amendment hereto at the time Declarant submits said Building and its Units to this Declaration, provided that following such submission the total Assigned Values of all Units in the Project, if all phases are constructed and submitted, will not be greater than the total permitted under Exhibit "C".

12.2 Voting Rights.

Members and the Declarant will be entitled to a vote in the Association and for all other purposes herein in accordance with the provisions of the Association's Articles of Incorporation attached hereto as Exhibit "D," and the By-Laws of the Association attached as Exhibit "E," and as the same may be hereafter amended.

(a) Voting by Multiple Owners.

When any Unit is owned in the name of two or more persons, other than husband and wife, or entities, whether fiduciaries, or in any manner of joint or common ownership, the vote for such Unit will be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting; or the vote will be exercised by such co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners recorded in the ROD Office for Brunswick County, a copy of which will be delivered to the Secretary of the Association and will remain effective for all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

13. The Development Plan For The Project.

13.1 The Condominium.

The Condominium is initially composed of one (1) Building, known as Building 14, and the Common Elements, as more fully described in the Condominium Documents and on Exhibit "B" attached hereto. Building 14 has five (5) Units, as described on Exhibit "B."

13.2 Reservation of Development Rights to Expand, Contract and Convert.

(a) Expansion of the Condominium.

Anything to the contrary contained in this Declaration notwithstanding, at any time during the Transition Period, the Declarant will be entitled to expand the Condominium to a total of



one hundred fifty-two (152) Units added to the Condominium in accordance with these expansion rights as provided in this Section 13.2.

(i) Additional Land Added to Condominium.

The Declarant is entitled, but not obligated, to expand the Condominium during the Transition Period by adding additional land to the Condominium, which may then be converted to Buildings and Units as further provided in Section 13.2(a)(ii) below.

(ii) Expansion; Conversion of Common Elements to Additional Units.

The Declarant is entitled, but not obligated, to expand the Condominium during the Transition Period by constructing additional Units on all or any portion of the Common Elements and to submit said real property (or any portion thereof) and all improvements constructed thereon, to the Condominium, from time to time, by filing one or more amendments to this Declaration (including amendments to the Exhibits, including Exhibit "C" to reflect any required change in the Percentage Interests pursuant thereto and Section 12.1). Improvements as shall be so constructed by Declarant shall be consistent with the quality and structure type of those constructed at the time this Declaration is filed of record in the ROD, although additional Units may be laid out in different configurations or plans and different classes of accessory Units may be provided.. An amendment will be executed solely by the Declarant, for itself and as attorney in-fact for all Owners. An amendment will be effective upon recording such amendment in the ROD. Any real estate that may be added to the Condominium or any real estate that may be converted to Buildings and Units by Declarant shall be so labeled on the Plans in accordance with the Condominium Act. No assurances are made with respect to the expansion of the Condominium or with respect to the order of any such allowed expansion by the Declarant.

(b) Contraction of the Condominium; Withdraw of Unimproved Common Elements.

During the Transition Period, the Declarant is entitled to subdivide portions of the Common Elements from the Project, which are unimproved with structures, and to remove the subdivided portion from the application of this Declaration by filing one or more amendments to this Declaration (including amendments to the Exhibits). An amendment will be executed solely by the Declarant for itself and as attorney in-fact for all Owners. An amendment will be effective upon recording such amendment in the ROD Office for Brunswick County.

(c) Conversion of Units to Additional Units, Common Elements or Limited Common Elements.

During the Transition Period, the Declarant is entitled to convert a unit previously created into additional Units, Common Elements, Limited Common Elements, or any combination thereof by an amendment to the Declaration. Such amendment will not require the consent of Owners other than the Declarant.

(i) Conversion to Common Elements or Limited Common Elements.

If the Declarant converts a Unit entirely to Common Elements or Limited Common Elements, the amendment to the Declaration must reallocate all the allocated Percentage Interests of that Unit among the other Units as if that Unit had been taken by eminent domain.

(ii) Conversion into Two or More Units.

If the Declarant converts the Unit into two or more Units, whether or not any part of the Unit is converted into Common Elements or Limited Common Elements, the amendment to the Declaration must reallocate all the allocated Percentage Interests of the Unit among the Units created by the subdivision in any reasonable manner prescribed by the Declarant.

(d) Conversion of Common Element to Limited Common Elements for Buried Propane Gas Tank.

During the Transition Period, the Declarant, and thereafter the Association, may, but shall not be obligated, to install a propane gas tank upon the Common Element and survey the location thereof and show the same on the Plans as a Limited Common Element for the exclusive use and benefit of the Owner of the Unit to which such buried tank is assigned, as described in Section 3.4(f) above, and to file one or more amendments to this Declaration (including amendments to the Exhibits, including Exhibit "C" to reflect the Unit assignment of such designated Limited Common Element, said amendment being executed solely by the Declarant or by the President of the Association, as the case may be, as provided in such Section 3.4(f). Such amendment will be effective upon recording such amendment in the Brunswick County ROD.

(e) Conversion of Common Element to Limited Common Element for Patio Expansion.

During the Transition Period, the Declarant, and thereafter the Association, may, but shall not be obligated, to designate a portion of the Common Element at the rear of a Unit for patio expansion pursuant to Section 3.4(e) and show the same on the Plans as a Limited Common Element for the exclusive use and benefit of the Owner of the Unit to which assigned, and to file one or more amendments to this Declaration (including amendments to the Exhibits, including Exhibit "C" to reflect the Unit assignment of such designated Limited Common Element, said amendment being executed solely by the Declarant or by the President of the Association, as the case may be. Such amendment will be effective upon recording such amendment in the Brunswick County ROD.

13.3 Assignability of Rights.

The Declarant will be entitled to assign the rights reserved in this Section 13 to any person or entity by an instrument recorded in the Brunswick County ROD.

13.4 Application to Declaration.

Upon the filing of the amendment prescribed by Section 13.2 hereof, all definitions contained in this Declaration will be deemed amended to the extent necessary to cause the additional real property and the improvements described in such amendment to be treated as fully an integral part of the Condominium as if said real property and improvements constituted a portion of the Project as of the effective date hereof.

13.5 Annual Assessments for Additional Units and Working Capital Reserve.

The Annual Assessment with respect to the Units added to the Condominium pursuant to Section 13.2 will be equal to the then current Annual Assessment applicable to existing Units with equivalent Percentage Interests, pro rated on a per diem basis; provided, however, that as to any type of Unit being added to the Condominium for which there is currently no Annual Assessment, the Annual Assessment will be proportionately increased or decreased based upon the Percentage Interest of such



Units. Assessments regarding all of the additional Units will commence upon the recording of the amendment prescribed by Section 13.2 hereof.

All obligations with respect to working capital provided for in Section 4.11 will be applicable upon the transfer of the additional Units by the Declarant.

13.6 No Consent Required.

Subject to the time limit set forth in Section 13.2 hereinabove, the Declarant, its successors and assigns, will have the absolute right to effect an expansion or contraction of the Condominium in accordance with this Section 13 and to file amendments to this Declaration without any action or consent on the part of any Owner or Mortgage holder; provided, however, that to the extent any action on the part of any Owner is required by any third party to assure an expansion or contraction of the Condominium as provided in this Section 13, each Owner, in accepting a deed to a Unit, agrees to undertake such actions and/or provide such consents as are reasonably requested, and expressly appoints the Declarant his due and lawful attorney-in-fact, with full power of substitution, to execute all documents reasonably required to evidence the requisite action or consent.

13.7 Multiple Ownership.

No Unit in the Condominium will be used for or subject to any type of Time Share Program as defined by the North Carolina General Statutes, as amended, Section 93A-39, et. seq., or any subsequent laws of this State dealing with that or similar type of ownership by a Unit Owner, or which is used for, in conjunction with and/or as an advertised part of any time share exchange program which makes available as accommodations the Unit and which is not otherwise registered as a Time Share Program or which utilizes the Unit as accommodations for time share sale prospects of any Person, without the prior written consent of the Declarant during the Transition Period and thereafter by the Board of Directors of the Association. The Declarant specifically reserves the right in its sole discretion, to time share any additional phase added to the Condominium pursuant to this Section 13.

14. Transition Provisions.

14.1 Appointment of Directors and Officers.

(a) Except as set forth in Sections 14.1(b) and 14.1(c) immediately following, the Declarant shall have the right to appoint or remove any or all members of the Board of Directors and any or all officers of the Association until such time as the first of the following dates: (i) five (5) years after the first Unit was conveyed to a Unit Owner; or (ii) the date two (2) years after the Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) conveyance to persons other than a successor Declarant in the ordinary course of Declarant's business of seventy-five percent (75%) of the Units developed and that may be developed pursuant to Section 13.2 upon exercise of Declarant's reserved rights thereunder; or (iv) the date two (2) years after the Declarant last exercised any reserved development right to add new Units; or (v) three (3) months following the date the Declarant surrenders its authority to appoint and remove directors and officers of the Association by an express amendment to the Declaration executed and filed in the Brunswick County Register of Deeds office, Brunswick County, North Carolina.

(b) Within sixty (60) days after the conveyance by the Declarant, in the ordinary course of business to persons other than a successor Declarant, of twenty-five percent (25%) of the maximum number of Units to be contained in all phases of the Project, the Owners shall have the right to elect at least one member and not less than twenty-five percent (25%) of the Board.



(c) Within sixty (60) days after the conveyance by the Declarant, in the ordinary course of business to persons other than a successor Declarant, of fifty percent (50%) of the maximum number of Units to be contained in all phases of the Project, the Owners shall have the right to elect not less than thirty percent (30%) of the Board.

(d) Within sixty (60) days following the termination of the Transition Period, the Owners shall elect the entire Board and the majority of the Board shall be Owners.

14.2 Special Meeting to Elect Board.

Within sixty (60) days after the date on which Owners other than the Declarant become entitled pursuant to Section 14.1 to elect members of the Board of Directors of the Association, the Association will call, and give not less than thirty (30) days' and not more than sixty (60) days' notice of, a special meeting of the Members to elect the members of the Board of Directors to which the Members are entitled under Section 14.1.

14.3 Cooperation.

The Association will cooperate with the Declarant to the extent reasonably requested by the Declarant during and after the Transition Period to promote the orderly development and marketing of Units planned for the Project.

14.4 Controlling Provisions.

In the event of any inconsistency between this Section 14 and the other provisions of the Condominium Documents, this Section 14 will be controlling and binding on all parties having an interest in the Condominium.

15. Alternative Dispute Resolution.

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

The Declarant, Association, and Owners (collectively, the "Parties" and singularly, a "Party"), agree that any dispute, controversy or claim among them, including counterclaims and crossclaims, whether based upon contract, tort, statute, common law or otherwise (collectively, a "Dispute"), arising from or relating directly or indirectly to the Condominium Documents or the Project, including, without limitation, Disputes relating to the design and construction of the Project, or any portion thereof, or interpretation, application or enforcement of the Condominium Documents, except for "Exempt Claims" under Section 15.2, are subject to arbitration, as defined by the North Carolina Revised Uniform Arbitration Act and the Federal Arbitration Act, in lieu of civil proceedings and governed by the procedures set forth in Section 15.3.

15.2 Exempt Claims.

The following are exempt from the provisions of Section 15.3 and are "Exempt Claims":

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

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



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

(d) any suit in which an indispensable party is not a party to the action, provided that any suit involving a Dispute between or among the Declarant, the Association, one or more Owners, the Project architect, engineer or other design professional shall be resolved by non-jury trial, the Parties expressly hereby waiving all resort to trial-by-jury of any and all issues otherwise so triable; and

(e) any suit which otherwise would be barred by any applicable statute of limitation; and

(f) any suit involving a matter which is not an Exempt Claim but as to which matter the otherwise applicable Parties waive the mandatory provisions of Section 15.3 below.

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

15.3 Mandatory Procedures for Non-Exempt Claims.

(a) Parties to be Joined.

The Parties agree to arbitrate all Disputes with each other and with the Project architect, engineer, other design professionals to the extent those entities have agreed to participate in and be subject to arbitration of all Disputes.

(b) Mediation.

Prior to and as a precondition to any demand for arbitration, if the Dispute cannot be settled through direct discussions, the Parties shall endeavor to resolve the Dispute between themselves, as well as between the Parties and the Project architect, engineer, other design professional, by participating in a mediation before a mediator mutually agreed upon by the Parties.

(c) Arbitration.

Any Dispute that cannot be settled by negotiation or mediation shall be settled by binding arbitration before a single arbitrator, mutually agreed upon by the Parties, who is a person with substantial experience in the subject matter of the Dispute. Arbitration will be governed by the commercial or construction arbitration rules of the American Arbitration Association (AAA), whichever is applicable, but will not be administered by the AAA unless the Parties so agree.

(d) The Arbitrator.

If the Parties cannot agree on a single arbitrator, each Party will pick an arbitrator who is a person with substantial experience in the subject matter of the Dispute. Those two arbitrators will then pick a third arbitrator who is a person with substantial experience in the subject matter of the Dispute, and the panel of three (3) arbitrators will decide the arbitration. If there is an impasse in the selection of arbitrators, whether by the Parties or because one or more persons to be joined do not agree with such selection, any Party may make a motion to compel arbitration with the superior court for Mecklenburg County, North Carolina and ask the court to resolve the selection of arbitrators.



(e) Arbitrability.

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

(f) Situs of Mediation and Arbitration.

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

(g) Judgment on the Award.

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

15.4 Litigation.

No judicial or administrative proceeding with an amount in controversy exceeding \$25,000.00, will be commenced or prosecuted by the Association unless approved by seventy-five percent (75%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required for any such meeting. This Section will not apply, however, to (a) actions brought by the Association to enforce the collection of assessments, including the foreclosure of liens, as well as the enforcement of other provisions of the Condominium Documents, except where it is asserted that the Declarant is in violation of any provision of the Condominium Documents other than a violation of its requirement to pay Assessments or to fund operating shortfalls in accordance with Section 4.8; (b) proceedings involving challenges to ad valorem taxation; (c) counterclaims brought by the Association in proceedings instituted against it; or (d) actions brought by the Association to enforce written contracts with its suppliers and service providers. This Section will not be amended unless the amendment is approved by both the Declarant and the requisite percentage of votes of Members of the Association, and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision will apply in addition to the alternative dispute resolution provisions of this Section 15, if applicable.

15.5 Miscellaneous Alternative Dispute Resolution Provisions.

(a) Conflicting Provisions.

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

(b) TIME IS OF ESSENCE.

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

16. Mortgagee Protection.

16.1 Introduction.

This Section establishes certain standards and covenants that are for the benefit of the holders, insurers and guarantors of certain mortgages. This Section is supplemental to, and not in substitution for, any other provisions of the Declaration, the Bylaws of the Association and the Articles of Incorporation of the Association (the "Constituent Documents"), but in the event of conflict, this Section shall control. Unless the Board of Directors shall vote to suspend this provision, the Board shall periodically amend this Section from time to time, to be consistent with generally applicable requirements of the Federal National Mortgage Association governing mortgage approval requirements.

16.2 Eligible Mortgagees.

Wherever in the Constituent Documents the approval or consent of a specified percentage of "Eligible Mortgagees" is required, it shall mean the approval or consent of the Institutional Mortgagees holding or insuring first lien Mortgages on Units which have provided to the Association written requests, stating their names and addresses and the street addresses of the Units to which their Mortgages relate, to receive written notice of the matters for which they are entitled to vote, and which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Units then subject to first Mortgages held by Eligible Mortgagees.

16.3 Notice of Actions.

The Association shall give prompt written notice to each Eligible Mortgagee of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit in which there is a first security interest held, insured, or guaranteed by such Eligible Mortgagee;

(b) Any delinquency in the payment of Assessments owed by an Owner whose Unit is subject to a first Mortgage held, insured, or guaranteed, by such Eligible Mortgagee, which remains unpaid for a period of sixty (60) days.

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

(d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in Section 16.4; and

(e) Any judgment rendered against the Association.

16.4 Consents Required; Constituent Documents' Changes.

Notwithstanding any lower requirement permitted by the Constituent Documents or the Nonprofit Corporation Act, no amendment of any material provision of the Constituent Documents by the Owners described in this Section 16.4 may be effective without the vote of sixty-seven percent (67%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), or any greater vote required in the Constituent Documents or the Nonprofit Corporation Act, and until approved in writing by at least fifty-one percent (51%) of the Eligible Mortgagees (or any greater Eligible Mortgagee approval required by the Constituent Documents). The foregoing approval requirements do not apply to amendments effected by the exercise of any rights of the Declarant to amend the Constituent Documents until

expiration of the Transition Period. Consent of an Eligible Mortgagee is deemed granted if no denial is received within thirty (30) days after the Eligible Mortgagee receives notice of the proposed changes. Material provisions requiring such Members' vote and Eligible Mortgagees' approval include, but are not limited to, any provision affecting:

- (a) Assessments, assessment liens, or subordination of assessment liens;
- (b) Voting rights;
- (c) Reserves for maintenance, repair and replacement of the Common Elements;
- (d) Responsibility for maintenance and repairs;
- (e) Reallocation of interests in the Common Elements or Limited Common Elements except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and only the Eligible Mortgagees, which hold Mortgages on such Units, must approve such action;
- (f) Rights to use Common Elements and Limited Common Elements;
- (g) Boundaries of Units except that when boundaries of only adjoining Units are involved, or a Unit is being subdivided, then only those Unit Owners and the Eligible Mortgagees holding mortgages on such Unit or Units must approve such action.
- (h) Convertibility of Units into Common Elements or Common Elements into Units, except pursuant to Declarant's right to modify Units reserved in Section 3.3;
- (i) Expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium, or conversion of Common Elements to Limited Common Elements, except pursuant to Declarant's development rights pursuant to Section 13.2;
- (j) Insurance or fidelity bonds;
- (k) Leasing of Units;
- (l) Imposition of restrictions on a Unit Owner's right to sell or transfer his or her Unit;
- (m) Establishment of self-management when professional management had been required previously by the Constituent Documents or by an Eligible Mortgagee;
- (n) Restoration or repair of the Property after a hazard damage or partial condemnation in a manner other than that specified in the Constituent Documents;
- (o) Termination of the legal status of the Condominium after occurrence of substantial destruction or condemnation; and
- (p) Any provision that expressly benefits Eligible Mortgagees.

16.5 Actions.

Notwithstanding any lower requirement permitted by the Constituent Documents or the Nonprofit Corporation Act, the Association may not take any of the following actions without the

approval of at least fifty-one (51%) of the Eligible Mortgagees or such higher percentage as set forth herein:

(a) The conveyance or encumbrance of the Common Elements or any portion thereof, as to which at least a sixty-seven percent (67%) approval by Eligible Mortgagees is required. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements for the benefit of the Condominium shall not be deemed a conveyance or encumbrance within the meaning of this clause;

(b) The restoration or repair of the Property after damage or a partial condemnation in a manner other than that specified in the Constituent Documents;

(c) The termination of the legal status of the Condominium for reasons other than substantial destruction or condemnation, as to which at least sixty-seven percent (67%) approval by Eligible Mortgagees is required;

(d) The alteration of any partition or creation of any aperture between adjoining Units when Unit boundaries are not otherwise being affected, in which case only the owners of Units affected and Eligible Mortgagees of those Units need approve the action;

(e) The merger of the Association with any other common interest community;

(f) The granting of any easements, leases, licenses and concessions through or over the Common Elements excluding, however, any utility easements serving or to serve the Condominium and excluding any leases, licenses or concessions for no more than one year;

(g) The assignment of the future income of the Association, including its right to receive Common Expense Assessments; and

(h) Any action taken not to repair or replace the Property.

The foregoing consents do not apply to the exercise of any right reserved by the Declarant in the Constituent Documents.

16.6 Change From Monthly Assessment.

The Association may not change the period for collection of regularly budgeted Common Expenses Assessments to other than monthly without the consent of all Eligible Mortgagees.

16.7 Declarant's Reserved Rights.

No rights reserved by the Declarant may be voluntarily abandoned or terminated by the Declarant unless all persons holding security interests in the Declarant's reserved rights consent to the abandonment or termination.

16.8 Inspection of Books.

The Association shall permit any Eligible Mortgagee to inspect the books and records of the Association during normal business hours.



16.9 Financial Statements.

The Association shall provide any Eligible Mortgagee, which submits a written request, with a copy of an annual financial statement within one hundred twenty (120) days following the end of each fiscal year of the Association. Such financial statement shall be audited by an independent certified public accountant if the number of Units is 50 or more, or if the number of Units is less than 50 and no audited statement is otherwise required under the Constituent Documents, any Eligible Mortgagee may have an audited statement prepared at its own expense.

16.10 Enforcement.

The provisions of this Section 17 are for the benefit of Eligible Mortgagees and their successors, and may be enforced by any of them by any available means, at law, or in equity.

16.11 Attendance at Meetings.

Any representative of an Eligible Mortgagee may attend any meeting that a Unit Owner may attend.

17. General Provisions.

17.1 Adherence to Provisions of Declaration, Bylaws and Rules and Regulations.

Rules and Regulations of the Association shall be provided to every renter of a Unit. Any rental agency handling an Owner's rental must further agree to abide by the Rules and Regulations and will be responsible for informing persons renting through its agency of any breaches of the Rules and Regulations by said persons and for taking any and all necessary corrective action. Should a particular agency or person continue not to take corrective action against the renters it has contracted with, or refuse to cooperate with the Association in the enforcement of its Rules and Regulations or other provisions of the Condominium Documents, the Association may require the Owner to cease using the services of that particular rental agency. Refusal to do so may result in fines against the Owner in an amount to be determined by the Board of Directors. Any fines will be added to and become a part of the Assessment against the Unit and Owner.

17.2 Amendment.

Amendments to this Declaration, except as herein expressly provided to the contrary, including, but not limited to amendments pursuant to Section 13 which may be made without the consent or approval of either the Board or the Members, will be proposed by the Board of Directors in accordance with the following procedure:

(a) Notice.

Notice of the subject matter of the proposed amendment or amendments will be included in the notice of the meeting of the Association at which such proposed amendment or amendments are to be considered.

(b) Adoption.

The Declaration may be amended at any time and from time to time at a meeting of the Association called in accordance with the Bylaws and this Declaration upon the vote of Members holding sixty-seven percent (67%) or more of the total vote in the Association; provided, however, that if the Association will vote to amend the Bylaws in any respect, such amendment will be set forth in an



amendment to this Declaration and will be valid only when approved by Members holding more than fifty percent (50%) of the total vote in the Association.

(c) Nondiscrimination.

Irrespective of the foregoing, no amendment will (i) alter the Percentage Interest applicable to each Unit (except as permitted in accordance with Sections 3.3, 6 and 12.1 hereof); or (ii) discriminate against any Owner or against any Unit or class or group of Units, unless in each instance all Owners adversely affected thereby expressly consent thereto in writing. Notwithstanding any Rule or Regulation or other restriction, the Board of Directors of the Association will make reasonable accommodations in its Rules and Regulations or other restrictions as may be necessary to afford a handicapped person equal opportunity to use and enjoy his Unit and the Common Element, and in furtherance thereof is authorized and empowered to assign Common Element parking spaces for handicap parking generally or to assign same for exclusive use of a Person as handicap parking.

(d) Necessary Amendments.

Notwithstanding any other provisions of this Declaration to the contrary, if any amendment is necessary in the judgment of the Board to cure any ambiguity or to correct or supplement any provisions of the Condominium Documents that are defective, missing or inconsistent with any other provisions thereof, or if such amendment is necessary to conform to the requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or other secondary Mortgage market lenders, guarantors or insurers with respect to condominium projects, then at any time and from time to time the Board may effect an appropriate corrective amendment so long as written objection to such amendment is not received from Members representing more than fifty percent (50%) of the total votes of the Association within twenty (20) days after written notice of the proposed amendment is given to all Members.

(e) Recording.

A copy of each amendment provided for in this Section 17.2 will be certified by the Association as having been duly adopted and will be effective when recorded. If the Amendment to be recorded reallocates certain portions of the Condominium, the Amendment shall not be recorded unless and until construction of those portions have been substantially completed according to plans and specifications, as evidenced by a recorded certificate of completion executed by an architect licensed under the provisions of Chapter 83A of the North Carolina General Statutes or an engineer registered under the provisions of Chapter 89C of the North Carolina General Statutes.

(f) Approval of the Declarant.

In recognition of the fact that certain provisions of this Declaration are for the benefit of the Declarant, no amendment in derogation of any right reserved or granted to the Declarant by provisions of this Declaration may be made without the written approval of the Declarant.

17.3 Termination.

The Condominium may be terminated and the Project removed from the provisions of the Condominium Act in the following manner:

(a) By Agreement.

All of the Owners may remove the Project from the provisions of the Condominium Act by an instrument to that effect, duly recorded in the same manner as this Declaration,



subject to the Mortgagee Protection provisions of Section 16 of this Declaration. The instrument shall state a date by which it must be recorded and, if not recorded by that date, the instrument will be void.

(b) Due to Destruction.

In the event it is determined in the manner provided in Section 5.6 that the Project will not be repaired or reconstructed after casualty, the Condominium will be terminated and the Condominium Documents revoked. The determination not to repair or reconstruct after casualty will be evidenced by a certificate of the Association certifying as to the facts effecting the termination.

17.4 Sale Following Termination of the Condominium.

Following termination of the Condominium, the Association, on behalf of the Owners, may contract for the sale of real estate in the Condominium, but such contract shall not be binding on the Owners until approved by unanimous agreement of all Unit Owners and the termination agreement described in Section 17.3 above reflects such approval and is recorded as required. For purposes of any such sale following termination, title to that real estate, upon approval of sale, shall be deemed vested in the Association as Trustee for those holding an interest in the Units and the Common Elements. Thereafter, the Association shall have all powers necessary and appropriate to effect the sale. Until the same has been concluded, and the proceeds thereof distributed, the Association shall continue in existence with all powers vested in the Association before the termination. Proceeds of the sale must be distributed to the Owners and lienholders, as their interests may appear, in proportion to the Percentage Interests in the Common Elements of the Owners and their mortgagees. All remittances to Owners and lienholders shall be payable jointly to them. Unless otherwise specified in the termination agreement, as long as the Association is deemed to hold title to the real estate, each Owner and his successors in interest shall have an exclusive right to occupancy of the portion of the real estate that formerly constituted his Unit. During the period of that occupancy, each Owner and his successors in interest shall remain liable for all assessments and other obligations imposed on Owners by law and under this Declaration. In the event the real estate constituting the Condominium is not to be sold following termination, title to the Common Elements and to all real estate in the Condominium shall vest in the Owners as tenants in common in proportion to each Unit's Percentage Interest, and all liens on such Units shall shift accordingly. While such tenancy in common exists, each Owner and his successors in interest shall have an exclusive right to occupancy of the property that formerly constituted his Unit.

17.5 Covenants Running With the Land.

All provisions of this Declaration will be construed to be covenants running with the land, and with every part thereof and interest therein, including, but not limited to, every Unit and the appurtenances thereto; and each and every provision of this Declaration will bind and inure to the benefit of the Declarant and all Owners and claimants of the Condominium or any part thereof or interest therein, and their heirs, executors, administrators, successors and assigns.

17.6 Enforcement.

Each Owner will comply strictly with the Bylaws and with the Rules and Regulations of the Association, as either of the same may be lawfully amended from time to time, and with the covenants, conditions and restrictions set forth in this Declaration and in the deed to his Unit. Failure to comply with any of the same will be grounds for an action to recover sums due, for damages or injunctive relief, or for all three, maintainable by the Board of Directors on behalf of the Association or by any aggrieved Owner. In addition, the rights of any Owner or lessee of an Owner, their families, invitees or guests to use and to enjoy the Common Element may be suspended by the Board of Directors for

continued violation of the Rules and Regulations. Failure by the Association or any Owner to enforce any of the foregoing will in no event be deemed a waiver of the right to do so thereafter.

(a) Authority and Enforcement

Subject to the provisions of Section 17.6(b) hereof, upon the violation of this Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation, the failure to timely pay any Assessments, the Board will have the power (i) to impose reasonable monetary fines which will constitute an equitable charge and a continuing lien as a specific Assessment, (ii) to suspend an Owner-Member's right to vote in the Association, or (iii) to suspend an Owner's or Unit occupant's right to use any of the Common Elements. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property over the private roads and streets constituting Common Elements will not be terminated hereunder. An Owner or Unit occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or Unit occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.

(b) Procedure.

Except with respect to the failure to pay Assessments, the Board will not suspend voting rights, or infringe upon or suspend any other rights of an Owner or other occupant of the Project for violations of the Declaration, By-Laws, or any rules and regulations of the Association, or impose a fine in excess of \$100 per occurrence of the event or condition giving rise to the imposition of a fine for each day more than five (5) days after a decision is rendered following the hearing provided in Section 17.6(b)(iii) below, until the following procedure is followed:

(i) Demand to Cease and Desist. Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

(A) The alleged violation;

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

(C) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the By-Laws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

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

(A) The nature of the alleged violation;

(B) The time and place of the hearing, which time will be not less than ten (10) days from the giving of the notice;

(C) An invitation to attend the hearing and produce any statement, evidence, and witnesses on his behalf; and

(D) The proposed sanction to be imposed.



(iii) Hearing. The hearing will be held in executive session of the Board of Directors pursuant to the notice and will afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if the officer, director, or other individual who delivered such notice enters a copy of the notice together with a statement of the date and matter of delivery. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any.

17.7 Severability.

All provisions of this Declaration and all of the Condominium Documents will be construed in a manner that complies with the Condominium Act and North Carolina law to the fullest extent possible. If all or any portion of any provision of this Declaration or any other Condominium Documents will be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision hereof or thereof, and such provision will be limited and construed as if such invalid, illegal or unenforceable provision or portion thereof were not contained herein or therein.

17.8 Gender or Grammar.

The singular whenever used herein will be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, will in all cases be assumed as though in each case fully expressed. In addition, the use of the terms "herein" or "hereof" will mean this Declaration and not merely the Section or paragraph in which such term is utilized.

17.9 Headings.

All Section headings are utilized merely for convenience and will not restrict or limit the application of the respective Sections.

17.10 Powers of Attorney.

By acceptance of a deed or other conveyance of an interest in a Unit, all Members do hereby grant, and if further required, do agree to vote in a manner to provide to, and to ratify and confirm retention by, Declarant of Declarant's rights under this Declaration, including, without limitation, the right to amend this Declaration in accordance with the provisions hereof. In connection with this voting agreement, each member appoints Declarant as proxy for such member with full power of substitution to vote for the member on all such matters on which the member may be entitled to vote, and with respect to which there is a reservation or designation of voting rights in Declarant under this Declaration, and with all powers which the member would possess if personally present at any meeting of members. Such appointment will be, upon acceptance of a deed or other conveyance by the member and without the necessity of further action by the Declarant or the member, a power coupled with an interest and will be irrevocable. Such appointment will be effective as of the date on which a deed or other conveyance of an interest to the Member is recorded in the Brunswick County ROD office. This irrevocable proxy will automatically terminate thirty (30) days after the conveyance in the ordinary course of Declarant's business of seventy-five percent (75%) of the maximum number of Units to be contained in all phases of the Project. The within voting agreement and proxy are in addition to, and not in substitution of, all rights of Declarant herein provided, which will run with the land.



Notwithstanding the generality of the foregoing, Declarant may not act under any such power of attorney or proxy, or use any other device, to evade the limitations or prohibitions of the Condominium Act, this Declaration, or the Bylaws of the Association, and any attempt to do so shall be null and void *ab initio*.

17.11 Unit Deeds.

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

17.12 Conflicts.

In the case of any conflict between the Articles of Incorporation and the Declaration, the Articles of Incorporation shall control; in the case of any conflict between the Declaration and the Bylaws, the Declaration shall control; and in the case of any conflict between the Declaration and any required term or condition imposed by the Condominium Act upon the Association and/or the governance of Beacon Townes at Carolina Shores Condominiums that is at variance with the Declaration and is a mandatory provision of such Act, the provisions of the Condominium Act shall control.

18. Exhibits.

18.1 Exhibits Attached.

The following Exhibits are attached hereto and incorporated verbatim in this Declaration by reference as fully as if set forth herein.

<u>Description</u>	<u>Identification</u>
Legal Description of the Land	A
Site Plan and Floor Plans	B
Schedule of Assigned Values, and Percentage Interests	C
Association Articles of Incorporation	D
Bylaws of the Association	E



IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed to be effective as of this 25 day of September, 2006

CENTEX HOMES, a
Nevada general partnership

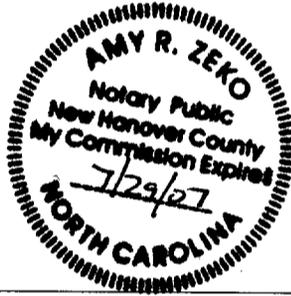
By: [Signature]

Its: Assistant Secretary

I, a Notary Public of the ~~Brunswick~~ ^{New Hanover} County, North Carolina, certify that Susan H. Overly, personally came before me this day and acknowledged that (s)he is the Assistant Secretary of Centex Homes, a Nevada general partnership, and that by authority duly given and as the act of the general partnership, the foregoing instrument was signed in its name by its Assistant Secretary. Witness my hand and official stamp or seal, this 25 day of September, 2006.

[Signature] (L.S.)
Notary Public

My Commission expires: 7/29/07



The foregoing certificates of _____

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page Shown on the first page hereof.

_____ REGISTER OF DEEDS FOR Brunswick COUNTY

By _____ Deputy/Assistant-Register of Deeds.



EXHIBIT A

TRACT ONE:

BEING ALL THAT certain piece, parcel or tract of land situate, lying and being in the County of Brunswick, State of North Carolina, containing 29.26 acres, more or less, as shown and delineated on that certain map or plat entitled "Boundary & Topographic Survey of 3.46 & 29.26 Acres for Centex Homes" dated March 8, 2005 and recorded in Map Cabinet 33 at Page 156 of the Brunswick County Registry, said map or plat being incorporated herein by reference for a more certain legal description.

This conveyance is subject to all easements of record and/or upon the ground.

The Property hereinabove described was conveyed to Centex Homes by deed recorded in Book 2224 at Page 1022 of the Brunswick County Registry.

Tax Parcel Number: 2400001402

TRACT TWO:

BEING ALL THAT certain piece, parcel or tract of land situate, lying and being in the County of Brunswick, State of North Carolina, containing 3.46 acres, more or less, as shown and delineated on that certain map or plat entitled "Boundary & Topographic Survey of 3.46 & 29.26 Acres for Centex Homes" dated March 8, 2005 and recorded in Map Cabinet 33 at Page 156 of the Brunswick County Registry, said map or plat being incorporated herein by reference for a more certain legal description.

This conveyance is subject to all easements of record and/or upon the ground.

The Property hereinabove described was conveyed to Centex Homes by deed recorded in Book 2226 at Page 727 of the Brunswick County Registry.

Tax Parcel Number: 24000029



Exhibit "B"

SITE PLAN AND FLOOR PLANS

BEACON TOWNES AT CAROLINA SHORES CONDOMINIUMS

PHASES I – IV

BUILDINGS 1, 2, 14 and 15

NOTE

Exhibit "B" is composed of a survey showing the locations of Condominium Buildings 1, 2, 14 and 15 and other improvements, as well as the Units located thereon and the vertical location of each floor and ceiling thereof. Exhibit "B" also includes a set of floor plans for each of Buildings 1, 2, 14 and 15, which shows graphically the layout, location, ceiling and floor elevations, unit numbers and dimensions of the Units in the Buildings. The survey for the Buildings has been recorded in Condominium Plat Book 11 at Page 150-168. The floor plans for each of the Buildings have been recorded in Condominium Cabinet 11 at Page 150-168. The plat contains the required certificate by a registered land surveyor. The Exhibit further includes the matters set forth below, and includes the attached verified statements of a licensed architect or registered engineer, as required by North Carolina law.

Building 1 has four (4) Units, and each Unit is individually numbered and described as Units 0101, 0102, 0103 and 0104. Building 2 has four (4) Units, and each Unit is individually numbered and described as Units 0201, 0202, 0203 and 0204. Building 14 has five (5) Units, and each Unit is individually numbered and described as Units 1401, 1402, 1403, 1404 and 1405. Building 15 has five (5) Units, and each Unit is individually numbered and described as Units 1501, 1502, 1503, 1504 and 1505.

Unit 0101 is located on the southwesterly end of Building 1, and Unit 0104 is located on the northeasterly end of Building 1. All the Units are two stories in height, with both garage and living area on the ground floor and additional living area on the second floor. Each Unit has an owner's suite and 1½ baths on the ground floor. Units 0101, 0102 and 0104 each has 2 bedrooms and 2 baths on the second floor. Unit 0103 has 2 bedrooms and 1 bath on the second floor.

Unit 0201 is located on the northwest end of Building 2, and Unit 0204 is located on the southeast end of Building 2. All the Units are two stories in height, with both garage and living area on the ground floor and additional living area on the second floor. Each Unit has an owner's suite and 1½ baths on the ground floor. Units 0201, 0202 and 0204 each has 2 bedrooms and 2 baths on the second floor. Unit 0203 has 2 bedrooms and 1 bath on the second floor.

Unit 1401 is located on the northeasterly end of Building 14, and Unit 1405 is located on the southwesterly end of Building 14. All the Units are two stories in height, with both garage and living area on the ground floor and additional living area on the second floor. Each Unit has an owner's suite and 1½ baths on the ground floor. Unit 1401, Unit 1403 and Unit 1405 each has 2 bedrooms and 2 baths on the second floor. Unit 1402 and Unit 1404 each has 2 bedrooms and 1 bath on the second floor.



Unit 1501 is located on the southeast end of Building 15, and Unit 1505 is located on the northwest end of Building 15. All the Units are two stories in height, with both garage and living area on the ground floor and additional living area on the second floor. Each Unit has an owner's suite and 1½ baths on the ground floor. Unit 1501, Unit 1503 and Unit 1505 each has 2 bedrooms and 2 baths on the second floor. Unit 1502 and Unit 1504 each has 2 bedrooms and 1 bath on the second floor.

The locations of each Unit and the floor plan for Building 1 are graphically shown on the floor plans of Miller Design Services, P.A. dated September 13, 2006, and also shows each floor and ceiling elevation from ground. The locations of each Unit and the floor plan for Building 2 are graphically shown on the floor plans of Miller Design Services, P.A. dated September 13, 2006, and also shows each floor and ceiling elevation from ground. The locations of each Unit and the floor plan for Building 14 are graphically shown on the floor plans of Miller Design Services, P.A. dated September 13, 2006, and also shows each floor and ceiling elevation from ground. The locations of each Unit and the floor plan for Building 15 are graphically shown on the floor plans of Miller Design Services, P.A. dated September 13, 2006, and also shows each floor and ceiling elevation from ground.

The as-built survey of Jan K. Dale, Land Surveyor entitled, "Plat of Buildings 1, 2, 14 & 15, Beacon Townes Condominiums," dated September 21, 2006 shows the ground locations of Buildings 1, 2, 14 and 15, the Buildings' elevations for each floor and ceiling from mean sea level (MSL), and the Common Elements noted thereon, which as-built survey is made a part hereof and recorded simultaneously herewith.

The floor plans and the as-built survey constitute the Plans for Buildings 1, 2, 14 and 15 under the Declaration.

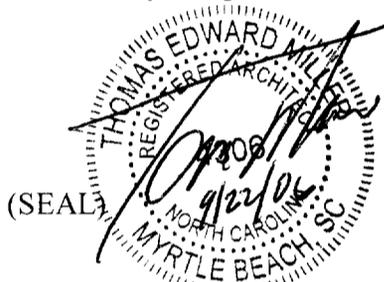
As to each of the foregoing Units: All built-in kitchen appliances, the refrigerator, air conditioner units and condensers and hot water heater located in each Unit are part of the Unit in which they are located and are not Common Elements. Any entry stoop, patio or balcony adjacent to each Unit, including the railing thereof, is a Limited Common Element and is subject to restrictions as set forth elsewhere in this Declaration. If a buried gas fireplace tank is set aside as a Limited Common Element pursuant to 3.4(f), such locations shall also be identified on the Plans and the Unit to which the Limited Common Element is assigned shown in Exhibit "C" under the applicable column provided for such assigned Limited Common Element and numbering identification. The maximum patio depth and width size of a Unit's Limited Common Element for patio expansion pursuant to Section 3.4(e)(i) is shown in Exhibit "C" under the column labeled "Max Patio Exp (d' x w')."

The Declarant shall provide to the Association plywood sheets that may be placed over all of the windows in Buildings 1, 2, 14 and 15 in the event of an impending hurricane or storm. The Association shall make such plywood sheets available to each Building 14 Owner in the event of such impending hurricane or storm and if the Association is not to undertake such installation and removal, which the Association is not otherwise obligated to undertake as further provided in Section 4.2 of the Declaration to which this Exhibit is attached and incorporated by reference. Unless specifically provided in this Exhibit "B" or any amendment or addition to this Exhibit for future phases and as may be required by law, the Declarant shall not be obligated to provide plywood sheets or other hurricane covering for windows in the Condominium's Buildings, other than is covenanted to be provided for Buildings 1, 2, 14 and 15, as herein stated.

Reference to areas as Common Elements or elements in this paragraph will be in addition to and read in conjunction with the further designations of Common Elements and elements set out in other portions of this Declaration and the survey and floor plans making up the balance of this Exhibit "B". The asphalt parking areas designated on the as-built survey are Common Elements.



I, Thomas Miller, a licensed North Carolina Architect, hereby certify that the floor plans being filed simultaneously with the Declaration of Condominium for Beacon Townes Building Number One (1) at Carolina Shore Condominiums, located at U.S. Highway 17, Carolina Shores, Brunswick County, N.C. contains information required by Section 47C-2-109 of the North Carolina general Statutes, and that the floor plans fully and accurately depict the layout, location, ceiling and floor elevations, unit numbers and dimensions of the units, and all structural components of all buildings containing or comprising any units thereby created are substantially completed in accordance with the plans.



Tom Miller
Tom Miller
Licensed Architect

STATE OF ~~North Carolina~~ SOUTH CAROLINA
COUNTY OF ~~Brunswick~~ HORRY

I, a Notary Public of the County and State aforesaid, certify that Tom Miller, being duly sworn personally appeared before me this day and acknowledged the due execution of the foregoing document.

Witness my hand and official seal this 22ND day of September, 2006.

Beth J. Hervig
Notary Public

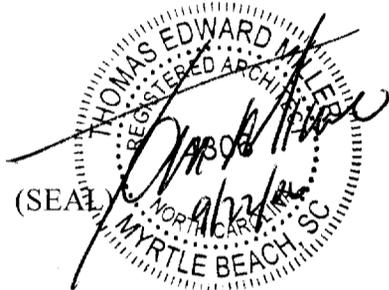
My Commission Expires:

November 15, 2009





I, Thomas Miller, a licensed North Carolina Architect, hereby certify that the floor plans being filed simultaneously with the Declaration of Condominium for Beacon Townes Building Number Two (2) at Carolina Shore Condominiums, located at U.S. Highway 17, Carolina Shores, Brunswick County, N.C. contains information required by Section 47C-2-109 of the North Carolina general Statutes, and that the floor plans fully and accurately depict the layout, location, ceiling and floor elevations, unit numbers and dimensions of the units, and all structural components of all buildings containing or comprising any units thereby created are substantially completed in accordance with the plans.



Tom Miller
Tom Miller
Licensed Architect

STATE OF North Carolina South Carolina
COUNTY OF Brunswick Horry

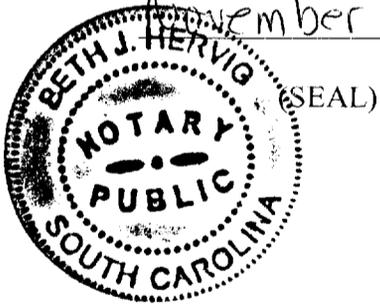
I, a Notary Public of the County and State aforesaid, certify that Tom Miller, being duly sworn personally appeared before me this day and acknowledged the due execution of the foregoing document.

Witness my hand and official seal this 22ND day of September, 2006.

Beth J. Herrig
Notary Public

My Commission Expires:

November 15, 2009





I, Thomas Miller, a licensed North Carolina Architect, hereby certify that the floor plans being filed simultaneously with the Declaration of Condominium for Beacon Townes Building Number Fourteen (14) at Carolina Shore Condominiums, located at U.S. Highway 17, Carolina Shores, Brunswick County, N.C. contains information required by Section 47C-2-109 of the North Carolina general Statutes, and that the floor plans fully and accurately depict the layout, location, ceiling and floor elevations, unit numbers and dimensions of the units, and all structural components of all buildings containing or comprising any units thereby created are substantially completed in accordance with the plans.



Tom Miller
Tom Miller
Licensed Architect

STATE OF ~~North Carolina~~ SOUTH CAROLINA
COUNTY OF ~~Brunswick~~ Horry

I, a Notary Public of the County and State aforesaid, certify that TOM Miller, being duly sworn personally appeared before me this day and acknowledged the due execution of the foregoing document.

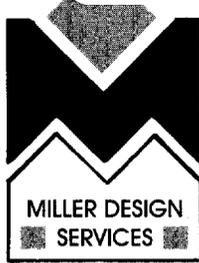
Witness my hand and official seal this 22ND day of September, 2006.

Beth J. Hervig
Notary Public

My Commission Expires:
November 15, 2009



(SEAL)



I, Thomas Miller, a licensed North Carolina Architect, hereby certify that the floor plans being filed simultaneously with the Declaration of Condominium for Beacon Townes Building Number Fifteen (15) at Carolina Shore Condominiums, located at U.S. Highway 17, Carolina Shores, Brunswick County, N.C. contains information required by Section 47C-2-109 of the North Carolina general Statutes, and that the floor plans fully and accurately depict the layout, location, ceiling and floor elevations, unit numbers and dimensions of the units, and all structural components of all buildings containing or comprising any units thereby created are substantially completed in accordance with the plans.



Tom Miller
Tom Miller
Licensed Architect

STATE OF ~~North Carolina~~ South Carolina
COUNTY OF ~~Brunswick~~ Horry

I, a Notary Public of the County and State aforesaid, certify that Tom Miller, being duly sworn personally appeared before me this day and acknowledged the due execution of the foregoing document.

Witness my hand and official seal this 22ND day of September, 2006.

Beth J. Herring
Notary Public

My Commission Expires:
November 15, 2009



Exhibit "C"

Schedule of Assigned Values and Percentage Interests

This is a schedule of Assigned Values and Percentage Interests in the Common Elements appurtenant to Units in Beacon Townes at Carolina Shores Condominiums. There will be thirty (30) Buildings developed in thirty (30) phases. At the date hereof, the Declarant has completed construction of four (4) Buildings, Buildings 1, 2, 14 and 15 and being development Phases I, II, III and IV. The Declarant has reserved the right, but not the obligation, to develop Phases V through XXX, inclusive. The Assigned Value is for purposes of calculating a Percentage Interest only and has no relationship to the actual value of each Unit. The schedule also identifies the maximum size allowed for a patio expansion within the adjacent Limited Common Element of each Unit shown on the Plans and discussed in Section 3.4(e)(i); and also identifies those Units with a Limited Common Element established for a buried propane tank pursuant to Section 3.4(f) and shown on the Plan by reference to the number under the column labeled "Propane Tank Ltd Common Element."

BEACON TOWNES AT CAROLINA SHORE				
Condominium Unit Numbers	Assigned Value	Percentage Interest	Ltd Common Element Patio Exp (d' x w')	Propane Tank Limited Common Element
0101	\$2,000	5.55556%	8' x 15'	
0102	\$2,000	5.55556%	12' x 10'	
0103	\$2,000	5.55556%	12' x 8'	
0104	\$2,000	5.55556%	8' x 15'	
0201	\$2,000	5.55556%	8' x 15'	
0202	\$2,000	5.55556%	12' x 10'	
0203	\$2,000	5.55556%	12' x 8'	
0204	\$2,000	5.55556%	8' x 15'	
1401	\$2,000	5.55556%	8' x 15'	
1402	\$2,000	5.55556%	12' x 8'	LCE PT 1402
1403	\$2,000	5.55556%	12' x 10'	
1404	\$2,000	5.55556%	12' x 8'	
1405	\$2,000	5.55556%	8' x 15'	
1501	\$2,000	5.55556%	8' x 15'	
1502	\$2,000	5.55556%	12' x 8'	
1503	\$2,000	5.55556%	12' x 10'	
1504	\$2,000	5.55556%	12' x 8'	
1505	\$2,000	5.55556%	8' x 15'	
	\$36,000	100.00008%		



Buildings 3 – 13, and 16 – 30, or any of them, may be submitted in any order as Phases V through XXX of Beacon Townes at Carolina Shores Condominiums. As each phase is added, the total Assigned Value of all phases submitted and constituting Beacon Townes at Carolina Shores Condominiums at that time and the Percentage Interest of each Unit may be determined. In determining the Percentage Interest of each Unit, a formula is employed using the Assigned Value of each Unit set forth in this Exhibit "C", as amended for each phase added, as the numerator and the total Assigned Values of all Units (including the phase being submitted and all phases previously submitted to the Condominium) as the denominator. The resulting fraction will then be expressed as a percentage rounded to the nearest .00001. The total Assigned Values assigned to the four (4) Buildings submitted to the Condominium as Phases I – IV, as well as the total Assigned Values assigned to each Building that may be constructed and submitted to the Condominium as Phases V through XXX, if constructed and submitted, will be in accordance with the following schedule.

Total Assigned Values in Building 1 Submitted Herewith	\$	8,000
Total Assigned Values in Building 2 Submitted Herewith		8,000
Total Assigned Values in Building 14 Submitted Herewith		10,000
Total Assigned Values in Building 15 Submitted Herewith		10,000
Total Assigned Values in Proposed Building 3		8,000
Total Assigned Values in Proposed Building 4		12,000
Total Assigned Values in Proposed Building 5		12,000
Total Assigned Values in Proposed Building 6		12,000
Total Assigned Values in Proposed Building 7		12,000
Total Assigned Values in Proposed Building 8		12,000
Total Assigned Values in Proposed Building 9		12,000
Total Assigned Values in Proposed Building 10		10,000
Total Assigned Values in Proposed Building 11		10,000
Total Assigned Values in Proposed Building 12		10,000
Total Assigned Values in Proposed Building 13		10,000
Total Assigned Values in Proposed Building 16		10,000
Total Assigned Values in Proposed Building 17		8,000
Total Assigned Values in Proposed Building 18		10,000
Total Assigned Values in Proposed Building 19		12,000
Total Assigned Values in Proposed Building 20		10,000
Total Assigned Values in Proposed Building 21		12,000
Total Assigned Values in Proposed Building 22		10,000
Total Assigned Values in Proposed Building 23		8,000
Total Assigned Values in Proposed Building 24		8,000
Total Assigned Values in Proposed Building 25		10,000
Total Assigned Values in Proposed Building 26		8,000
Total Assigned Values in Proposed Building 27		10,000
Total Assigned Values in Proposed Building 28		12,000



Total Assigned Values in Proposed Building 29	12,000
Total Assigned Values in Proposed Building 30	<u>8,000</u>

Total Assigned Values of the Project, If All Proposed Phases Are Constructed and Submitted	<u>\$ 304,000</u>
--	-------------------

As an example, if Building 19 composed of 6 Units, is added as Phase V, the total Assigned Values in Phases I – IV (\$36,000) would be added to the additional Assigned Values in Phase V (\$12,000), so that, following submission the total Assigned Values in Phases I – V would be \$48,000.00. To determine the Percentage Interest of Unit 19/1 if Phase V is added to Phases I – IV and those phases constitute the entire Condominium, the following formula would be used:

ASSIGNED VALUE	<u>\$ 2,000</u>	=	4.16667%
TOTAL ASSIGNED VALUES	<u>\$48,000</u>		



EXHIBIT "D"

Articles of Incorporation

Attached Hereto



NORTH CAROLINA

Department of The Secretary of State



B2480 P0357 09-28-2006
16:18:06.001
Robert J. Robinson
Brunswick County, NC Register of Deeds page 64 of 86

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

THE BEACON TOWNES AT CAROLINA SHORE CONDOMINIUM ASSOCIATION, INC.

the original of which was filed in this office on the 25th day of September, 2006.



IN WITNESS WHEREOF, I have hereunto set
my hand and affixed my official seal at the City
of Raleigh, this 25th day of September, 2006.

Elaine F. Marshall

Secretary of State



SOSID: 868298
Date Filed: 9/25/2006 1:32:00 PM
Elaine F. Marshall
North Carolina Secretary of State
C200626800353

State of North Carolina
Department of the Secretary of State

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

1. The name of the corporation is: The Beacon Townes at Carolina Shore Condominium Association, Inc.

2. _____ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in NCGS §55A-1-40(4).

3. The street address and county of the initial registered office of the corporation is:
Number and Street: 100 Pilothouse Place

City, State, Zip Code: Carolina Shores, North Carolina County: Brunswick County

4. The mailing address *if different from the street address* of the initial registered office is:

5. The name of the initial registered agent is:
John Caprio

6. The name and address of each incorporator is as follows:
Mr. Dennis McGarvey
2050 Corporate Centre Dr.
Myrtle Beach, SC 29576

7. (Check either a or b below.)
a. The corporation will have members.
b. The corporation will not have members.

8. Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.

The Beacon Townes at Carolina Shore Condominium Association, Inc. will be a mutual benefit corporation formed to own and manage the Common Elements within the condominium project known as "The Beacon Townes at Carolina Shore Condominium," Brunswick County, North Carolina. Upon dissolution, all liabilities and obligations of the Association shall be paid and discharged with the remainder of the assets distributed to its members.

9. Any other provisions which the corporation elects to include are as follows:

- a. **Capitalized Words.** The use of capitalized words herein shall have the meanings attributed to them in the Declaration of Condominium for Beacon Townes at Carolina Shore Condominiums, hereinafter the "Declaration," recorded or to be recorded in the Brunswick County Register of Deeds office, Brunswick County, North Carolina.
- b. **Purpose.** This Association does not contemplate pecuniary gain or profit, and the specific, primary purposes for which it is formed are to provide for management, administration, maintenance and preservation of its Common Elements within a certain tract of property situate in Brunswick County, North Carolina, all according to the Declaration. No part of the net earnings of the Association shall inure to the benefit of any person, other than for acquiring, constructing, or providing management, maintenance, and care of Association property, and other than by a rebate of excess Association fees and assessments, if any.
- c. **Right to Appoint Directors and Officers.** The Declarant under the Declaration shall have the right to appoint or remove any member or members of the Board of Directors or any officer or officers of the Association until such time as the first of the following dates: (i) five (5) years after the first Unit was conveyed to a Unit Owner; or (ii) the date two (2) years after the Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) one hundred twenty (120) days after the conveyance to persons other than a successor Declarant in the ordinary course of Declarant's business of seventy-five percent (75%) of the Units developed and that may be developed upon exercise of Declarant's development rights reserved in the Declaration; or (iv) three (3) months following the date the Declarant surrenders its authority to appoint and remove directors and officers of the Association by an express amendment to the Declaration executed and filed in the Brunswick County Register of Deeds, Brunswick County, North Carolina.
- d. **Membership.** Every Owner, including the Declarant, of a Unit will be a Member of the Association. Ownership of a Unit will be the sole qualification for such membership. In the event that fee title to a Unit is transferred or otherwise conveyed, the membership in the Association, which is appurtenant thereto, will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include mortgagees or any other persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association. A Member will be entitled to one (1) vote for each



Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Members, but the vote cast shall be limited to the vote appurtenant to the Unit owned, as further provided in Paragraph (e) following.

e. Voting Rights. A Member will be entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit and all such persons are Members, the vote for such Unit shall be exercised as they among themselves determine and as provided in the Declaration, but in no event shall more than one (1) vote be cast with respect to any Unit.

10. The street address and county of the principal office of the corporation is:

100 Pilothouse Place, Carolina Shores Brunswick County, NC 28467

11. The mailing address *if different from the street address* of the principal office is:

12. These articles will be effective upon filing, unless a later time and/or date is specified:

This is the 21st day of September, 2006.

D. McGarvey
Signature of Incorporator

Dennis McGarvey, President
Type or print Incorporator's name and title, if any



Exhibit "E"

By-Laws of the Association

Attached Hereto



BY-LAWS

THE BEACON TOWNES AT CAROLINA SHORES CONDOMINIUM ASSOCIATION, INC.

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BYLAWS

THE BEACON TOWNES AT CAROLINA SHORES CONDOMINIUM ASSOCIATION, INC.

Article 1

NAME AND LOCATION

1.1 Name and Location.

The name of the corporation is The Beacon Townes at Carolina Shores Condominium Association, Inc., hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project, or at such other place as may be designated by the Board.

Article 2

DEFINITIONS

2.1 Incorporation.

The definitions contained in the Declaration are incorporated by reference herein.

2.2 The Declaration.

"Declaration" shall mean and refer to the Declaration of Condominium Beacon Townes at Carolina Shores Condominiums recorded in the Office of the Register of Deeds ("ROD") for Brunswick County, North Carolina, and subsequent amendments thereto. The terms and conditions of the Declaration, including, but not limited to, provisions of the Declaration prescribing duties, responsibilities and powers concerning property and Association administration and management; member voting; levying assessments for the maintenance, repair and replacement of general and limited common elements of the Project; adoption of rules and regulations; imposition of fines; remedies for violations of covenants, conditions and restrictions of the Declaration and these Bylaws; mandatory and voluntary alternative dispute resolution; reconstruction of the Project and application of insurance proceeds in the event of a casualty loss are hereby incorporated in these Bylaws by reference, and shall apply, pursuant to and as may be required by North Carolina Condominium Act, N.C. Gen. Stat. § 47C-1-101, et seq. , as if fully set forth herein. Conflicting provisions of the Articles of Incorporation, these Bylaws and the Declaration shall be resolved pursuant to Section 11.2 below of these Bylaws.

Article 3

MEETING OF MEMBERS AND VOTING

3.1 Annual Meeting.

The first meeting of the Members, whether an annual or a special meeting, shall be held on such day and at such time as the Board, upon majority vote, shall determine and which shall occur not more than twelve (12) months following the date of the close of the sale of the first Unit in the Condominium. Subsequent annual meetings of the Members shall be held thereafter at an hour and place within thirty (30) days of the same month and day of such first meeting, as set by the Board.

3.2 Special Meetings.

Special meetings of the Members shall be promptly scheduled at any time by the Board upon vote of a majority of the Board of Directors or upon written request of the President. A special meeting of the Members shall be called upon written demand delivered to the Secretary by the Members representing twenty percent (20%) of the total voting power of the Association, notice of which shall be by written notice to all Members within thirty (30) days of the Secretary's receipt of the demand. For purposes of determining the twenty percent (20%), the record date shall be thirty (30) days before delivery of the written demand. Upon the failure of the Association to send notice of a special meeting within thirty (30) days following delivery of written demand as aforesaid, any Member signing the demand may set the time and place of the special meeting and give notice thereof to all Members in accordance with the Nonprofit Corporation Act.

3.3 Notice and Place of Meetings.

Unless otherwise provided in the Declaration, the Articles of Incorporation, in these By-Laws, or in the Nonprofit Corporation Act, written notice of each meeting of the Members, annual or special, shall be given by, or at the direction of, the Secretary, by mailing a copy of such notice, first class mail, postage prepaid, not less than ten (10) but not more than fifty (50) days before such meeting to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. In the case of written demand of Members representing twenty percent (20%) of the total voting power of the Association, written notice of such meeting shall be given not more than thirty (30) days after written demand is delivered to the Association. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting, and shall provide for voting by proxy. If action is proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal: (a) removing a Director without cause; (b) filling vacancies in the Board of Directors by the Members; or (c) amending the Articles of Incorporation. Meetings shall be held within the Project or at a meeting place within the same county, as close to the Project as possible.

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

3.4 Quorum.

Unless otherwise provided herein, in the Declaration, the Articles of Incorporation, or the Nonprofit Corporation Act, the presence of Members representing one-third ($\frac{1}{3}$) of the votes of all Members, in person or by proxy, shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum of one-third ($\frac{1}{3}$) of the votes of all Members is present may continue to do business until adjournment, notwithstanding the withdrawal from the meeting of enough Members to leave less than such required quorum, provided that Members representing twenty percent (20%) of the total votes of the Association remain present in person and/or by proxy. Except as otherwise provided in the Declaration or in these Bylaws, any action taken shall be approved by a majority of the votes cast by the number of Members required to constitute such quorum. If the required



quorum is not present, another meeting may be called, not less than ten (10) nor more than sixty (60) days following the first meeting, and the required quorum at the subsequent meeting shall be the Members present, in person or by proxy, and entitled to vote. Unless otherwise provided, any reference hereafter to "votes cast" at a duly called meeting shall be construed to be subject to the quorum requirements established by this Section 3.4. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed in Section 3.3.

3.5 Ballots and Representative Voting.

(a) Written Ballots

Any vote of Members on a matter that would be cast at an annual, regular or special meeting may be taken, without a meeting, by written ballot delivered to every Member by the Association. The ballot shall set forth the matter to be voted upon and provide thereon a place to vote for or against such matter. Approval by written ballot without a meeting shall be effective only when the number of votes cast by ballot equals or exceeds the quorum required to be present had the matter been considered at a meeting, and the number voting for the matter equals or exceeds the number of votes required to approve it had the matter been considered at a meeting at which the requisite quorum is present. A solicitation of votes by ballot shall (1) indicate the record date for Members eligible to vote; (2) indicate the number of returned ballots voting for or against the matter that is required to satisfy the quorum requirement; (3) state the required number of votes or percentage voting in favor of the matter required to approve it (except in the case of election of directors, which shall be by plurality); and (4) state the date and time by which a Member's completed ballot must be received by the Secretary in order to be counted in the vote to be taken. A ballot, once delivered to the Secretary, may not be revoked. A Member's signed ballot shall be delivered to the Secretary by hand delivery, by U.S. mail, or by such other means as shall be permitted under North Carolina law, including, but not limited to and if allowed, overnight courier service, facsimile and e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

(b) Proxies.

All of the provisions of this Section 3.5(b) are subject to Section 17.10 of the Declaration. To the extent that a provision set forth in this Section is inconsistent with Section 17.10 of the Declaration, the provisions of Section 17.10 of the Declaration shall control. At all meetings of Members, each Member may vote in person or by proxy. The appointment form of proxy shall be in writing and received by the Secretary before the appointed time of the meeting. Every proxy appointment shall automatically cease upon conveyance by the Member of his Unit, or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote, upon receipt of a written notice of revocation, or upon the expiration of eleven (11) months from the date of the proxy. Unless the proxy appointment form otherwise states, it shall be deemed to confer the authority to execute consents and waivers and to exercise the right to examine the books and records of the Association. Any proxy appointment form distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon set forth in the notice of the meeting. The appointment shall provide that, where the Member specifies a choice, the vote shall be cast by the proxy in accordance with that choice. The form shall also identify the person or persons acting as the proxy and the length of time it will be valid. In addition, voting by a proxy shall comply with any other applicable requirements of the



Nonprofit Corporation Act. The Member's signed proxy appointment form shall be delivered to the Secretary by hand delivery, by U.S. mail, and by such other means as shall be permitted under North Carolina law, including, but not limited to and if allowed, overnight courier service, facsimile and e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

3.6 Membership and Voting.

The Owner of a Unit shall be a Member of the Association, and shall be entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they among themselves determine and as provided in Section 12.2(a) of the Declaration, but in no event shall more than one (1) vote be cast with respect to any Unit. Except as otherwise provided in the Declaration, the Articles of Incorporation, these By-Laws, or the Nonprofit Corporation Act, any action by the Association which must have the approval of the Members before being undertaken shall require voting approval by a majority of the votes cast by Members at which the required quorum is present. An abstention shall be counted as a negative vote in calculating the majority.

(a) Declarant Veto Rights.

This Section 3.6(a) may not be amended without the express written consent of the Declarant.

(i) During the term measured by the Transition Period, and without regard to any surrender of authority to appoint and remove Directors and officers of the Association pursuant to Section 14.1 of the Declaration, the Declarant shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section 3.6(a). This veto power shall be exercisable only by the Declarant, its successors, and assigns who specifically take this power in a recorded instrument.

(ii) No action authorized by the Board of Directors or any committee shall become effective, nor shall any action, policy, or program be implemented until and unless:

(A) In the absence of the physical presence of any employee of the Declarant who waives written notice, the Declarant shall have been given written notice of each meeting and the actions approved at the meeting of the Board or any committee. Such written notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time; and

(B) The Declarant shall have and is hereby granted a veto power over any such action, policy, or program approved by any committee or the Board of Directors and to be taken by any committee or Board or the Association or any individual member of the Association if Board, committee, or Association approval is necessary for said action. This veto may be exercised by the Declarant, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions of these Bylaws. Any veto shall not extend to the requiring of any action or counteraction on behalf of any committee, or the Board or the Association.

3.7 Eligibility to Vote.

Voting rights attributable to Units shall not vest until the Association has levied Assessments against those Units. Only Members in good standing shall be entitled to vote on any issue or



matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Unit and not subject to any suspension of voting privileges as a result of disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 3.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing. Votes allocated to Units owned by the Association are not eligible to vote and may not be cast.

3.8 Record Dates.

(a) Record Dates Established by the Board.

For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the Nonprofit Corporation Act. The record dates established by the Board pursuant to this Section shall be as follows:

(i) Record Date for Notice of Meetings.

In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) nor less than ten (10) days before the date of the meeting;

(ii) Record Date for Voting.

In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than sixty (60) days before the date of the meeting;

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

In the case of determining Members entitled to cast written ballots, the record date shall be no more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action.

In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than sixty (60) days prior to the date of such other action.

(v) "Record Date" Means as of the Close of Business.

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



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

If the Board, for any reason, fails to establish a record date, rules set forth in the Nonprofit Corporation Act shall apply:

3.9 Action Without Meeting

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

3.10 Conduct of Meetings.

Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the declaration or bylaws, any budget changes, and any proposal to remove a director or officer.

Article 4

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1 Number.

A Board of Directors, all directors of which must be Members of the Association, or an officer, director, employee or agent of a Member, including Declarant, shall manage the affairs of the Association. The initial Board of Directors shall consist of three (3) Directors who shall be appointed by the Declarant. The Declarant shall publish the names and addresses of all the appointed Board members of the association within 30 days of appointment.

(a) Declarant's Right to Appoint Entire Board.

The Declarant shall have the right to appoint or remove all members of the Board of Directors and all officers of the Association pursuant to the provisions of Section 14.1(a) of the Declaration.

(b) Declarant's Right to Appoint Majority of Board.

After the expiration of the period of time the Declarant has the right to appoint and remove all members of the Board and all Officers as provided in subparagraph (a) above, the Board of Directors shall be expanded to five (5) members, and such number of the Board of Directors shall be appointed by the Declarant and elected by the Owners as is provided in Sections 14.1(b) and 14.1(c) of the Declaration.



(c) Termination of Declarant's Right to Appoint Any Board Member.

The Declarant's right to appoint and remove any members of the Board and all the Officers shall terminate upon termination of the Transition Period. Within sixty (60) days following the termination of the Transition Period, the Owners shall elect the entire Board and the majority of the Board shall be Owners.

4.2 Term of Office.

The election of Directors shall be by plurality, the number of nominees equal to the number of vacancies to be filled receiving the greatest number of votes being elected. However, at the meeting of the Association following expiration of the Transition Period held to elect five (5) Directors or the date following expiration of the Transition Period when written ballots are to be counted for the election of such Directors pursuant to Section 4.1, the two (2) nominees receiving the highest number of votes will each be elected for a term of two (2) years, and the next three (3) nominees receiving the highest number of votes will each be elected for a term of one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve for a term of two (2) years. Unless vacated sooner, each Director shall hold office until the Director's term expires and a successor is elected.

4.3 Removal; Vacancies.

A Director appointed by the Declarant may only be removed by the Declarant, otherwise, a Director may be removed from office, with or without cause, at any regular or special meeting of the Members by sixty-seven percent (67%) of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any removed Director may be elected at the same meeting at which the vacancy is created by the removal of the Director. A Director whose removal is proposed to be voted upon at any meeting shall be given notice of the proposed removal not less than 10 days prior to the date of the meeting and shall be given an opportunity to be heard at the meeting. In the event of death or resignation of a Director, the vacancy shall be filled by majority vote of the Board at a duly held meeting, or by the sole remaining Director. A successor Director shall serve for the unexpired term of his or her predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the Directors.

4.4 Compensation.

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

4.5 Indemnification of Corporate Agents.

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

Article 5

NOMINATION AND ELECTION OF DIRECTORS

5.1 Nomination.

The Board shall make nomination for election to the Board of Directors from the membership, and if the election is to take place at a meeting and not solely by written ballot, nominations may also be made from the floor at the meeting. The Board shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

5.2 Election.

The first election of the Board shall be conducted as set forth in Section 4.1. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. No cumulative voting shall be permitted. Voting for Directors at a meeting shall be by secret written ballot. Voting for Directors may also be conducted by written ballot pursuant to Section 3.5(a). The Association shall publish the names and addresses of all Board members of the Association within 30 days of the election.

Article 6

MEETINGS OF DIRECTORS

6.1 Regular Meetings.

Regular meetings of the Board of Directors shall be held at least annually at such place within the Project, and at such hour as may be fixed from time to time by resolution of the Board. If a larger meeting room is required than exists with the Project, the Board shall select a room as close as possible to the Project. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday.

6.2 Special Meetings.

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

6.3 Quorum.

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

notwithstanding the withdrawal of Directors, if any action taken is approved by a majority of the required quorum for that meeting.

6.4 Executive Session.

The Board may, with approval of a majority of the Directors present at a meeting in which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel and matters involving contracts of which the Association is a party, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. In any matter relating to the discipline of an Association Member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

6.5 Telephone Meetings.

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

6.6 Waiver of Notice.

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

6.7 Notice of Adjourned Meeting.

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

6.8 Open Meetings to be Conducted at Regular Intervals.

At regular intervals, the Board of Directors shall hold meetings at which Owners are given an opportunity to attend and to speak to the Board about issues and concerns. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

6.9 Action Without Meeting.

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

Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

6.10 Notices Generally.

Notice of any meeting of the Board of Directors, whether regular or special, shall be given to each Director by one (1) of the following methods; (i) by personal delivery; (ii) written notice by first class mail, postage prepaid; (iii) by telephone communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; (iv) by telegram, charges prepaid; or (v) by facsimile transmission to the fax number of the Directors or to e-mail address of the Directors, with proof of transmission and receipt thereof being retained in the minutes of the meeting. All such notices shall be given or sent to the Director's address, telephone number, fax number or e-mail address as shown on the records of the Association. Such notice shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the meeting, provided, however, notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, telegraph, facsimile transmission or e-mail shall be delivered, telephoned, given to the telegraph company, faxed or e-mailed, as the case may be, at least seventy-two (72) hours before the time set for the meeting. Notice of any meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

6.11 Parliamentary Procedure at Meetings.

All meetings of the Board shall be conducted in accordance with the general principles of parliamentary procedure. The provisions of the most recent edition of Robert's Rules of Order shall govern any procedural matter for which no other provision has been made.

Article 7

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 Duties.

It shall be the duty of the Board of Directors to:

- (i) Maintenance. Perform the maintenance described in the Declaration;
- (ii) Insurance: Maintain insurance as required by the Declaration;
- (iii) Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Element and assess the cost thereof to the Member or Members responsible for the existence of the lien;
- (iv) Assessments: Fix, levy, collect and enforce Assessments as set forth in the Declaration;
- (v) Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(vi) Records: Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Members at the annual meeting of the Members, at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board and committees, and a record of its Members giving their names and addresses;

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

(viii) Enforcement: Enforce these Bylaws and the Declaration;

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

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

(xi) Reserve Account Fund Management: The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

(xii) Reserve Studies. At least every five (5) years the Board shall cause an independent analysis of the reserve component of the operating budget to be conducted to confirm that component replacement costs and useful lives are accurately reflected in the reserve allocation.

7.2 Powers. The Board of Directors shall have power to:

(i) Manager: Employ a manager as provided in the Declaration;

(ii) Adoption of Rules; Set Aside Common Element Parking for Handicap: Adopt rules in accordance with the Declaration, including rules setting aside Common Element parking spaces as handicap parking only, and adopt rules limiting the number of cars which will be permitted to be parked in the Common Element parking spaces;

(iii) Assessments, Liens and Fines: Levy and collect Assessments and impose fines as provided in the Declaration.

(iv) Enforcement (Notice and Hearing): Enforce these Bylaws and/or the Declaration, provided that at least fifteen (15) days' prior notice of any charges (other than Assessment) or potential discipline or fine and the reasons therefor are given to the Member affected, and that an opportunity is provided for the Member to be heard, orally or in writing not less than five (5) days before the effective date of the discipline or fine (subject to Section 17.6 of the Declaration and the limitations of



such Section), said hearing to be before the Board. Any notice required herein shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be given by first class or registered mail sent to the last address of the Member as shown on the Association's records.

(v) Contracts: Contract for goods and/or services in accordance with the Declaration.

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

(vii) Appointment of Trustee: Appoint a trustee as provided in the Declaration.

(viii) Borrowings. Borrow money (A) for the purpose of improving the Condominium, or any portion thereof, (B) for constructing, repairing, maintaining or improving any facilities located or to be located within the Condominium, (C) for providing services authorized herein, and, (D) to give as security for the payment of any such loan a mortgage or other security instrument conveying all or any portion of the Common Elements; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interest, options, licenses, easements, and privileges herein reserved or established for the benefit of Declarant, any Owner, or the holder of any Mortgage, irrespective of when such Mortgage is executed or given.

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

(x) Prohibited Acts. The Board shall not take any actions prohibited of it under the Declaration except with the vote or written consent of a majority of the Members other than Declarant. In no event shall the Board have the power to amend the Declaration except as provided for in the Declaration, terminate the Condominium, elect Board members, except as provided in Section 4.3 of these Bylaws, or determine the powers, terms, qualifications or duties of Board members.



Article 8

OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers.

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

8.2 Election of Officers.

The Declarant shall have the sole right to appoint and remove officers during the Transition Period. Thereafter, all officers shall hold office at the pleasure of the Board. The names and addresses of all officers of the association shall be published within 30 days of appointment or election, as the case may be.

8.3 Term.

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

8.4 Special Appointments.

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

8.5 Resignation and Removal.

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

8.6 Vacancies.

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

8.7 Duties of the Officers.

(a) President.

The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a North Carolina nonprofit mutual

benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

(b) Vice President.

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

(c) Secretary.

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

(d) Treasurer.

The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; and shall prepare and shall distribute budgets and statements. The ministerial functions of the Treasurer in sending Assessment notices, receiving and depositing Assessments, keeping books and ledgers of account, and preparing and distributing budgets and statements may be delegated to an Association manager.

Article 9

COMMITTEES

9.1 Appointment.

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

Article 10

BOOKS AND RECORDS

10.1 Inspection by Members.

The membership register (including names, mailing addresses, telephone numbers and voting rights), books of account and minutes of meetings of the Members, of the Board (including drafts and summaries), and of committees shall be made available for inspection and copying by any Member of



the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe. Board minutes shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the costs in making that distribution.

10.2 Rules for Inspection.

The Board shall establish reasonable rules with respect to:

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

10.3 Inspection by Directors.

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

10.4 Documents Provided by Board.

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

Article 11

MISCELLANEOUS

11.1 Amendments.

Prior to close of the sale of the first Unit, Declarant may amend these Bylaws. After sale of the first Unit these Bylaws may be amended, only as provided in the Declaration or in the Nonprofit Corporation Act.

11.2 Conflicts.

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



required term or condition imposed by the Condominium Act upon the Association and/or the governance of Beacon Townes at Carolina Shores Condominiums that is at variance with the Bylaws and is a mandatory provision of such Act, the provisions of the Condominium Act shall control.

11.3 Fiscal Year.

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