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FILE FOR REGISTRATION
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MURRAY J. ROBINSON
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

STATE OF NORTH CAROLINA

DECLARATION CREATING A CONDOMINIUM
UNDER PROVISIONS OF CHAPTER 47C OF
THE GENERAL STATUTES OF THE STATE
OF NORTH CAROLINA

COUNTY OF BRUNSWICK

THE VILLAS AT SUNSET BEACH, PHASE II

THIS DECLARATION is made this 26 day of June,
19 97, by F.A.E. OF SUNSET BEACH, INC., a North Carolina
Corporation, ("Declarant") pursuant to the North Carolina
Condominium Act, Chapter 47C of the General Statutes of North
Carolina.

W I T N E S E T H:

WHEREAS, Declarant is the owner in fee simple of
certain real property located in the Town of Sunset Beach,
Brunswick County, State of North Carolina, and more particularly
described in paragraph 1.16 below; and

WHEREAS, Declarant is the owner of Two (2) condominium
type buildings consisting of Four (4) units each being
constructed upon the aforesaid property, and it is the desire and
the intention of the Declarant to divide the property into
"condominium units" or "units" as those terms are defined under
the provisions of the North Carolina Condominium Act, and to sell
and convey the same to purchasers subject to the covenants,
conditions, easements, restrictions and other encumbrances herein
reserved to be kept and observed; and

WHEREAS, Declarant desires and intends by the filing of
the Declaration to submit the property described in paragraph
1.16 below and the Two (2) buildings consisting of Four (4) units
located thereon and all other improvements constructed thereon,
together with all appurtenances thereto, to the provisions of the
North Carolina Condominium Act (Chapter 47C of the North Carolina
General Statutes). Plats and plans for condominium appear of
record in Plat Book 7, Page 241 through 243;

NOW THEREFORE, the Declarant does hereby publish and
declare that all the property described in paragraph 1.16 below
is now and shall be held, conveyed, hypothecated, encumbered,
used, occupied and improved subject to the following division,
covenants, conditions, restrictions, uses, limitations and
obligations, all of which are declared and agreed to be in
furtherance of a plan for the improvement of said property and

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the division thereof into condominium units and shall be deemed to run with the land and shall be a burden and a benefit to Declarant, his heirs and assigns, and any person acquiring or owning any interest in the real property and improvements, their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I

DEFINITIONS

Definitions. As used herein, the following words and terms should have the following meanings:

1.1. Act. The North Carolina Condominium Act, Chapter 47C of the General Statutes of North Carolina.

1.2. Additional Real Estate. Additional real estate may be added to the condominium for future phases or for the use as appurtenances to Phase II, or future phases.

1.3. Association. The Villas at Sunset Beach, Phase II, Condominium Homeowners' Association, Inc., a non-profit corporation.

1.4. Board. The Board of Directors of The Villas at Sunset Beach, Phase II, Condominium Homeowners' Association, Inc.

1.5. Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference, Exhibit "F".

1.6. Common Elements. All portions of the condominium except the units. Limited common elements are common elements.

1.7. Common Expenses. Expenditures are made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

1.8. Condominium. Real estate, portions of which are designated for separate ownership and the remainder of which are designated for common ownership solely by the owners of those portions. Real Estate is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

1.9. Declarant. F.A.E. OF SUNSET BEACH, INC., a North Carolina Corporation.

1.10. Declarant Control Period. The period of time commencing on the date hereof and continuing until the date upon which Declarant surrenders control of the Condominium.

1.11. First Mortgage and First Mortgagee. A first mortgage is a mortgage or deed of trust which has been recorded so as to give construction notice thereof and which is a first lien on the units described therein. A first mortgagee is the holder, from time to time, of a first mortgage as shown by the records of the Brunswick County Registry, including purchaser at foreclosure sale upon foreclosure of a first mortgage until expiration of the mortgagor's period of redemption. If there be more than one (1) holder of the first mortgage, they shall be considered as and act as one (1) first mortgagee for all purposes under this Declaration and the Bylaws.

1.12. Floor Plans. The floor plans of the condominium are recorded in the Condominium Plats and Plans Books of the Brunswick County Registry.

1.13. Limited Common Elements. A portion of the common elements allocated by the declaration or by operation of Section 47C-2-102(2) or (4) for the exclusive use of one (1) or more but fewer than all the units.

1.14. Occupant. Any person or persons in possession of a unit, including unit owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15. Person. A natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.16. Property. The following described real estate together with all improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any pertaining to said real estate:

See Attached Exhibit "A1" & "B" & "A-2" & "A-3"

1.17. Security Holder. Any person owning a security for an obligation in a unit.

1.18. Special Declarant Rights. There are no special declarant rights.

1.19. Unit. A physical portion of the condominium designated for separate ownership or occupancy, the boundaries of which are described pursuant to Section 47C-2-105(a) (5).

1.20. Unit Boundaries. The boundaries of each unit both as to vertical and horizontal planes, as shown on the floor plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the unit, the undecorated surfaces of the ceiling facing the interior of the unit, and the topmost surfaces of the sub-flooring, and include the decoration on all such interior and topmost surfaces of the sub-flooring, and include the decoration on all such interior and topmost surfaces, including without limitation, all paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within such boundaries.

1.21. Unit Owner. The person or persons, including the Declarant, owning a unit in fee simple, including contract-for-deed purchasers of a unit, but excluding contract-for-deed purchasers of a unit who are security holders, and also excluding all other security holders.

ARTICLE II

SUBMISSION OF PROPERTY TO THE ACT

2.1. Submission. Declarant hereby submits the property to the Act.

2.2. Name. The property shall hereafter be known as The Villas at Sunset Beach, Phase II.

2.3. Division of Property Into Separately Owned Units. Declarant, pursuant to the Act, and to establish a plan of condominium ownership for the condominium, does hereby divide the property into Two (2) condominium type buildings consisting of Four (4) units in each building, and hereby designate all such units for separate ownership, subject however, to the provisions of paragraph 2.4 hereof.

2.4. Alterations of Units. Subject to the provisions of the Bylaws, a unit may be altered pursuant to the provisions of Section 47C-2-111 of the Act.

2.5. Limited Common Areas. The limited common elements serving or designated to serve each unit are hereby allocated solely and exclusively to each unit.

2.6. Unit Allocations. The allocations to each unit of a percentage of undivided interest in the common elements, of votes in the Association, and of a percentage of the common expenses are:

See Attached Exhibit "g".

The allocation of undivided interest in the common elements and of the common expenses is according to the area of each unit. The votes in the Association are equally allocated to each unit.

2.7. Encumbrances. To be provided per title insurance policy.

2.8. Condominium Ordinances. The condominium is not subject to any code, real estate use law, ordinance, charter provision or regulation (i) prohibiting the condominium form of ownership or (ii) imposing conditions or requirements upon a condominium which are not imposed upon physically similar developments under a different form of ownership. This statement is made pursuant to Section 47C-1-106 of the Act for the purpose of providing marketable title to the units in the condominium.

2.9. Reservation of Special Declarant Rights. Declarant hereby reserves no special Declarant rights.

ARTICLE III

ADDITIONAL REAL ESTATE

Declarant reserves and retains the right to add additional real estate, additional units, appurtenances or phases to any of the property of the condominium.

ARTICLE IV

EASEMENTS

4.1. Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the property, any part of the common elements now or hereafter encroaches upon any part of any unit, or any part of any unit now or hereafter encroaches upon any part of the common elements or upon any part of another unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the common elements or units so encroached upon.

4.2. Easements Through Walls. Easements are hereby declared and granted to the Association as to such persons are authorized by the Association to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations and structural components running through the walls of the units, whether or not such walls lie in whole or in part within the boundaries of any such unit.

4.3. Easements to Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the Bylaws or the Act, a unit owner, the Association, the Board or any other person, is authorized to enter upon a unit or the common elements to repair, maintain, restore or reconstruct all or any part of a unit or the common elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

4.4. Declarant's Easement. Declarant hereby reserves such easements through the common elements as may be reasonable and necessary for the purposes of discharging its obligation and completing the development and construction of the condominium, or future phases, which easements shall exist as long as reasonably necessary for such purposes.

4.5. Easements to Run With Land. All easements and rights described in this Article IV are appurtenant easements running with land, and except as otherwise expressly provided in this Article IV shall be perpetually in full force and effect,

and shall inure to the benefit of and be binding upon Declarant, the Association, unit owners, occupants, security holders and any other person having any interest in the condominium or any part of any thereof. The condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements, and rights described in this Article IV, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE V

RESTRICTIONS, CONDITIONS AND COVENANTS

5.1. Compliance with Declaration, Bylaws and Rules and Regulations. Each unit owner and occupant shall comply with all applicable provisions of the Act, this Declaration and the Bylaws as may be amended. Failure to comply shall be grounds for an action by the aggrieved unit owner, or any person adversely affected, for recovery of damages, injunction or other relief.

5.2. Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this declaration and the Bylaws.

5.3. Use Restricted.

(a) The Units shall be occupied and used by unit owners and occupants for residential purposes only.

(b) Each Unit will be permitted to display one (1) standard size realtor "For Rent" sign. No other window displays or advertising shall be maintained or permitted by any unit owner or occupant on any part of the condominium without prior written consent of the Board. Declarant, however my post temporary "For Sale" signs on the properties until such time as all units owned by Declarant have been sold.

5.4. Hazardous Use and Waste. Nothing shall be done to or kept in any unit or the common elements that will increase any rate of insurance maintained with respect to the condominium without prior written consent of the Board. No unit owner or occupant shall permit anything to be done to or kept in his unit or the common elements that will result in the cancellation of insurance maintained with respect to the condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse or destruction) to or in his unit or the common elements.

5.5. Alterations of Common Elements. No unit owner or occupant, except Declarant during the Declarant control period, shall alter or construct anything upon or remove anything from the common elements, or paint, decorate, landscape or adorn any portion of the common elements, without prior written consent of the Board.

5.6. Pets. No animals, livestock, or poultry of any kind shall be kept or maintained in any unit or in any dwelling except that dogs, cats or other common household pets may be kept or maintained provided they are not kept or maintained for commercial purposes. All applicable laws and regulations concerning licensing, control or restraint, and health, with respect to domestic animals, must be complied with. Further, the Association, acting by and through its Board of Directors, may require any owner or other occupant of any unit to remove and dispose of any animal which said Board, in its sole discretion, finds to be vicious or otherwise dangerous to persons or property. No dogs or cats shall be allowed to run at large within the development.

5.7. Use of Common Area. The Common Area shall not be used in any manner except as shall be approved or specifically permitted by the Association; provided, however, that so long as Declarant owns any units, Declarant shall have the exclusive right to use parts of Common Area for sales purposes, including, without limitation, promotional activities.

5.8. Vehicles and Parking. Declarant will provide Two (2) parking spaces for each unit and will assign such parking spaces to the purchasers of units at the time of sale. Said outdoor parking spaces shall be situated within the Common Area for the parking of motor vehicles, and for no other purpose. No motor home, mobile home, travel trailer, camper, nor any truck larger than a pickup truck, may be parked, kept, stored or maintained anywhere in the Development.

5.9. Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

5.10. Restrictions, Conditions and Covenants to Run with Land. Each Unit owner and occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and

all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the property, and shall inure to the benefit of every unit owner.

ARTICLE VI

ASSESSMENTS

6.1. Creation of the Lien and Personal Obligation for Assessments. The Declarant for each unit owned within the properties, hereby covenants, and each owner of any unit by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association annual assessments or charges and special assessments for capital improvements, established and collected as hereinafter provided. The Board has the power to levy assessments against the units for common expenses. Such assessments shall be a lien on the units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the unit sold, or a money judgment obtained against the persons liable therefore, all as set forth in the Bylaws. Assessments shall be due and payable in monthly installments. An assessment shall be deemed levied against a unit upon conveyance of ownership by Declarant. Declarant shall pay all accrued expenses of condominium until such time unit ownership is conveyed.

6.2. Purpose of Annual Assessments. The annual assessments levied by the Association shall be used as follows:

(a) to keep the Common Area clean and free from debris and to maintain any amenities located thereon in a clean and orderly condition and to maintain the landscaping thereon in accordance with the highest standards for private parks including necessary removal and replacement of landscaping;

(b) to pay all ad valorem taxes levied against the Common Area and any property owned by the Association, or any property given easement to the Association by the Declarant.

(c) to pay the premium on all hazard and flood insurance carried by the Association on the Common Area and all public liability insurance carried by the Association pursuant to the Bylaws;

(d) to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws.

(e) to maintain a contingency reserve to fund anticipated or unanticipated expenses of the Association.

(f) to maintain, operate, and repair the Cluster Sewer System in accordance with laws, rules and the conditions of the permit issued by the Brunswick County Health Department.

6.3. Annual Assessment. Until January 1st., of the calendar year following the conveyance of the first unit by the Declarant to another Owner, the maximum annual assessment for each Unit shall be \$1863.00 and shall be due and payable in monthly installments.

(a) The annual assessments established above may be increased or decreased effective January 1st., of each calendar year following the conveyance of the first unit by the Declarant to another owner, without a vote of the membership, provided that the increase or decrease not exceed the amount resulting from the actual budgeted expenses for operation of the Association based on previous year's actual expenses. A Proposed Budget is Attached as Exhibit "D".

(b) From and after January 1st., of the year following the conveyance of the first unit by Declarant to another owner, said maximum annual assessments may be increased without limitation if such increase is approved by Members entitled to no fewer than fifty-one (51%) percent of all of the votes to which all members are entitled. Such voting may be represented in person or by proxy at a meeting duly called for this purpose.

6.4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment requires the same assent of the Members as provided in Annual Assessment, (b) of this Article.

6.5. Assessment Rate. Both annual and special assessments must be fixed at a uniform rate for all units.

6.6. Date of Commencement of Annual Assessment; Due Dates. The annual assessments provided for herein shall commence as to all Units on the first day of the month following the conveyance to the Association of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each unit at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified unit have been paid. A properly executed certificate of the Association as to the status of assessments on a unit is binding upon the Association as of the date of its issuance.

6.7. Effect of Nonpayment of Assessment; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eighteen percent (18%) per annum. In addition to such interest charge, the delinquent owner shall also pay such late charge as may have been theretofore established by the Board of Directors of the Association to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent owner or foreclose the lien against the unit, and interest, late payment charges, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment.

6.8. Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of the transfer of a unit shall not pass to the transferee of said unit unless said delinquent assessments are expressly assumed by said transferee, and further provided that Transferee and/or Transferee's Closing Agent makes written inquiry to Association to determine the status of association dues and/or assessments prior to conveyance of any unit.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to the Bylaws and such transferee's unit shall not be subject to a lien for any unpaid assessments against such unit in excess of the amount therein set forth.

(c) Where a mortgagee or trustee under a deed of trust or other person claiming through such mortgagee or trustee, pursuant to the remedies provided in a mortgage or deed of trust, or by foreclosure or by deed, or assignment, in lieu of foreclosure, obtains title to a unit, the liability of such mortgagor or other person for assessments shall be only for the assessments, or installments thereof, that would become delinquents, if not paid, after acquisition of title. For purposes hereof, title to a unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

(d) Without releasing the transferor from any liability therefore, any unpaid portion of assessments which is not a lien under (b) above, or resulting as provided in (c) above, from the exercise of remedies in a mortgage or deed of trust, or by foreclosure thereof or by deed, or assignment, in lieu of such foreclosure, shall be a common expense collectible from all unit owners, including the transferee under (b) above and the mortgagor or trustee or such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment in lieu of foreclosure.

6.9. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No. unit owner may exempt himself from liability for his share of the common expenses assessed by the Association by waiver of the use or enjoyment of any of the common elements or by abandonment of his unit or otherwise.

6.10. Off-site Cluster Sewage Systems. The Developer, herein Declarant, shall construct the off-site cluster sewage systems serving the property in accordance with the permit, applicable rules, and plans and specifications hereafter issued and approved by the Brunswick County Health Department; and shall thereafter properly maintain, and repair such systems in accordance with applicable permit provisions, rules and laws until the entire system has been transferred to the Association, or abandoned, as herein provided, whichever occurs first. The Declarant shall give to the Association easement to the property on which Cluster Sewer System is located and the Association shall be responsible for all property taxes levied against such by City and County and shall maintain property as Limited Common Area.

(a) The Declarant shall not transfer ownership of the off-site cluster sewage system to the Association until

the system has been inspected, permitted, and determined to be operating in accordance with applicable rules and permit conditions as determined by the Brunswick County Health Department.

(b) The Association will assume full ownership of the off-site cluster sewage system upon conveyance to it by the Declarant and shall thereafter properly maintain, operate, and repair the system in accordance with laws, rules and the conditions of the permit issued by the Brunswick County Health Department. The Association shall levy and collect the assessments provided for in its bylaws, including not limited to, special, specific or village assessments applicable only to the property described herein, or the units served by said off-site cluster sewage systems; and, in the event that realized by the levy of such assessments shall not be adequate to maintain, operate, and repair the system as required by laws and conditions of the permit, the Association shall take such action as is necessary to secure funds adequate for such purposes.

(c) In the event of the development of a county sewage collection, treatment and disposal system, by the Regional Sewer Authority or some other public agency, or the development of a central sewage collection, treatment and disposal system by the Declarant either of which system is available to and serving the property, then the off-site cluster systems described herein will no longer be utilized. The owners of the units served by said off-site cluster systems will be required to connect to and utilize private central sewage system or county sewage system, as the case may be, and as soon as the connection of each unit to the county sewage system or private central sewage system is completed and functioning, the off-site cluster sewage system service for the unit served shall be abandoned and the rights and obligations of the parties hereto, including the Association's easement to property, with regard to the off-site cluster sewage system shall be automatically terminated.

(d) The sewage collection, treatment and disposal system is a common area or limited common area, as described on Exhibit "E", and will receive priority for expenditures by the Association, second only to Federal, State and Local taxes and insurance costs.

(e) Upon dissolution of the Association, provision shall be made for the continued proper operation, maintenance, and repair of its sewage collection, treatment and disposal system.

(f) The Association, except upon dissolution, or as provided herein, shall not transfer, convey, assign, or otherwise relinquish or release its responsibility for the operation, maintenance, and repair of its sewage collection, treatment and disposal system.

6.11. Legal Fees. In any action under this section, the Association shall have the right to employ attorney(s) to make claim, demand, file lien or institute litigation and may incur up to \$500.00 in legal expenses chargeable to the unit owner whether the lien is filed or not. Failure to pay such attorney(s) fees shall constitute a default for which all actions under this section shall be authorized.

ARTICLE VII

MANAGEMENT, MAINTENANCE, REPAIRS, REPLACEMENTS, ALTERATIONS AND IMPROVEMENTS

7.1. Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alterations and improvements of the common elements shall be the responsibility of the Association, and subject to the provision of paragraph 7.2 hereof, the costs thereof shall be a common expense to the extent not paid by unit owners pursuant to paragraph 7.1 (b) hereof. All damage caused to a unit by any work on or to the common elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a common expense.

(b) By Unit Owners. Each unit owner shall pay all costs to repair and replace all portions of the common elements that may become damaged or destroyed by reason of his intentional acts or the intentional acts of any occupant of his unit. Such payment shall be made upon demand made by the Association.

7.2. Common Expenses Associated with Limited Common Elements or Benefitting Less Than All Units.

(a) Any common expense associated with the maintenance, repair or replacement of a limited common element shall be assessed against the unit, or in equal shares to the units, to which such limited common element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any common expense benefitting less than all of the units against the units benefitted in proportion to their common expense liability.

7.3. Units. Each unit owner shall maintain his unit at all times in good and clean condition, and repair and replace at his expense, all portions of his unit; shall perform his responsibilities in such manner as not to unreasonably disturb other occupants; shall promptly report to the Board, or its agents, any defect or need for repairs the responsibility for which is that of the Association; and, to the extent that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any occupant of his unit. Such payment shall be made upon demand by the unit owners of such other unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

7.4. Waiver of Claims. Except only as provided in paragraphs 7.5 (a) and (b), the Association agrees that it shall make no claim against a unit owner or occupant, and each unit owner and occupant agrees that he shall make no claim against the Association, the members of the Board, Officers of the Association, or employees or agents, or any thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, or other unit owners or occupants, for any loss or damage to any of the property, or to a unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons, and all such claims are hereby waived and released; provided, that this waiver shall not apply to any such loss or damage due to intentional acts.

7.5. Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any unit or any of the limited common elements in case of any emergency or dangerous condition or situation originating in or threatening that unit or any of the limited common elements. The Association, and any person authorized by the Association, after reasonable notice to a unit owner or occupant, may enter that unit or any of the limited common elements for the purposes of performing any of the Association's duties or obligations or exercising any of the Association's powers under the Act, this

Declaration or the Bylaws with respect to that or any other unit any limited common elements. Notwithstanding paragraph 7.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered unit, and the cost thereof shall be a common expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the unit owner and occupant of the entered unit or any portion of the limited common elements allocated to the unit owner.

(b) By Unit Owners. Each unit owner and occupant shall allow other unit owners and occupants, and their representatives, to enter his unit, or limited common elements allocated to his unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the unit of, or performing the duties and obligations under the Act, this Declaration or the Bylaws of the unit owner or occupant making such entry, provided that requests for entry are made in advance and such entry is at a time convenient to the unit owner or occupant whose unit or limited common element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding paragraph 7.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered unit or limited element.

ARTICLE VIII

INSURANCE

8.1. Ownership of Policies. All insurance policies upon the condominium property shall be purchased by the Board of Directors for the benefit of the Board and the unit owners and their mortgagees as their interests may appear, and provisions shall be made for the issuance of certificates of mortgage endorsements to the mortgagees of unit owners. Unit owners may at their option, obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expense and such other coverage as they may desire.

8.2. Coverage. All buildings and improvements upon the lands and all personal property included in the common areas and facilities shall be insured in an amount equal to the maximum insurable replacement value as determined annually by the Board of Directors with the assistance of the insurance company providing the coverage. Such coverage shall provide protection against;

(a) Loss or damage by fire, flood and other hazards covered by a standard extended coverage endorsement; and

(b) Such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the buildings on the land.

8.3. Public Liability Insurance. Public liability insurance shall be secured by the Board of Directors in such amount and with such coverage as shall be deemed necessary by the Board of Directors including, but not limited to, an endorsement to cover liability of the unit owners as a group to a single unit owner. There shall also be obtained such other insurance coverage as the Board of Directors shall determine from time to time to be desirable and necessary.

8.4. Premiums. Premiums upon insurance policies purchased by the Board of Directors shall be paid by the Board of Directors as a common expense.

8.5. Proceeds. All insurance policies purchased by the Board of Directors shall be for the benefit of the Board of Directors and the unit owners and their mortgagees as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Board as insurance trustee under this Declaration. The sole duty of the Board of Directors as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes elsewhere stated herein or stated in the Bylaws and for the benefit of the unit owners and their mortgagees in the following shares:

(a) Proceeds on account of damage to common areas and facilities and undivided share for each unit owner, such share being the same as each unit owner's undivided interest in the common areas and facilities.

(b) Proceeds on account of damage to units shall be held in the following undivided shares:

(i) When a building is to be restored, for the owners of damaged units in proportion to the cost of repairing the damage suffered by each unit owner, which cost shall be determined by the Directors.

(ii) When a building is not to be restored, an undivided share for each unit owner, such share being the same as each unit owner's undivided interest in the common areas and facilities.

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(iii) In the event a mortgage endorsement has been issued to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear.

ARTICLE IX

DISTRIBUTION OF INSURANCE PROCEEDS

Proceeds of insurance policies received by the Board of Directors as insurance trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

(a) Expense of the Trust. All expenses of the insurance trustee shall be first paid or provision made therefor.

(b) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as provided by Article X hereof. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners.

(c) Failure to Reconstruct or Repair. If it is determined as provided in Article X hereof, that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners thereof.

ARTICLE X

DAMAGE AND DESTRUCTION

Except as hereinafter provided, damage to or destruction of a building shall be promptly repaired and restored by the Board of Directors using the proceeds of insurance on the building for that purpose and unit owners of a building damaged or destroyed shall be liable to assessment of any deficiency; provided, unless (i) the condominium is terminated, (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) the unit owners decide not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. If the entire condominium is not repaired or replace, (i) the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the condominium, (ii) the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units and to the owners of those units to which limited common elements were allocated or to lien holders, as their interest may appear, in proportion to their common element interest. If the unit owners

vote not to rebuild any unit, that unit's allocated interests are automatically reallocated upon the vote as if the unit had been condemned under Section 47C-1-107(a) of the Act, and the Association shall promptly prepare, execute and record an amendment to the declaration reflecting the allocations.

Any reconstruction or repair shall be in accordance with the plans and specifications of the original building, portions of which are recorded in the Brunswick County Registry; and if not, then according to plans and specifications approved by the Board of Directors.

ARTICLE XI

CONDEMNATION

In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the property, the same shall be repaired or restored, and the awards paid on account thereof shall be used and applied in accordance with Section 47C-1-107 of the Act.

ARTICLE XII

TERMINATION

The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act.

ARTICLE XIII

AMENDMENT

This declaration may be amended only in strict compliance with the Act, except that no amendment altering or impairing special declarant rights may be made without the written consent of Declarant.

ARTICLE XIV

**RIGHTS OF FIRST MORTGAGEES:
VA. FNMA AND FHLMC PROVISIONS**

The following provisions shall take precedence over all other provisions of this declaration and the bylaws:

14.1. Availability of Condominium Documents, Books, Records and Financial Statements. The Association shall, upon

request and during normal business hours, make available for inspection by unit owners and first mortgagees and the insurers and guarantors of a first mortgage on any unit, current copies of the Declaration, the Bylaws, other rules and regulations governing the condominium and the books, records and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a first mortgagee or insurer or guarantor of a first mortgage. The Association shall, upon request and during normal business hours, make available to inspection by prospective purchasers of units, current copies of the Declaration, Bylaws, other rules and regulations governing the condominium, and the most recent annual audited financial statement (if one is prepared).

14.2. Successor's Personal Obligation for Delinquent Assessments. The personal obligation for assessments which are delinquent at the time of transfer of a unit shall not pass to the successors in title or interest to said unit unless said delinquent assessments are expressly assumed by them.

14.3. Rights of Action. The Association and any aggrieved unit owner shall have a right of action against the Association for failure to comply with the provisions of this Declaration, the Bylaws and the rules, regulations and decisions of the Association made pursuant to the authority granted to the Association in this Declaration and the Bylaws.

14.4. Management and Other Agreements. Any management agreement between the declarant or the Association and professional manager or any other agreement providing for services of the developer, sponsor, builder or Declarant shall be terminable by either party thereto without cause and without payment of a termination fee upon not more than thirty (30) days prior written notice and shall not exceed a term of three (3) years, subject to renewal by consent of both parties.

14.5. Right of First Refusal. The right of a unit owner to sell, transfer, mortgage or otherwise convey his interest in his unit shall be subject to any right of first refusal.

14.6. Consent of First Mortgagees. This paragraph shall be effective only, if at the time this section would apply, at least one (1) unit is subject to financing. Any decision to terminate the condominium for reasons other than substantial destruction or condemnation of the property shall require the prior written consent of eligible mortgage holders, as defined in

paragraph 14.7 hereof. Except for any amendment to the Declaration made by declarant in accordance with the provisions hereof, any amendment to the Declaration or Bylaws which changes any of the following shall require the prior written consent of unit owners and eligible mortgage holders, or such greater requirements specified by the Act or hereunder:

- (a) voting rights;
- (b) assessments, assessment liens or subordination of such liens;
- (c) reserves for maintenance, repair and replacement of common elements;
- (d) responsibility for maintenance and repairs;
- (e) boundaries of any unit;
- (f) reallocation of interests in the common elements or limited common elements or rights to their use;
- (g) convertibility of units into common elements or limited common elements or rights to their use;
- (h) expansion or contraction of the condominium or the addition, annexation or withdrawal of property to or from the condominium;
- (i) insurance or fidelity bonds;
- (j) leasing of units;
- (k) imposition of any restrictions on a unit owners right to sell, transfer or otherwise convey his unit;
- (l) a decision by the Association to establish self management when professional management had been required previously by an eligible mortgage holder;
- (m) restoration or repair of the condominium (after damage or destruction or partial condemnation) in a manner other than specified in this Declaration or the Bylaws;
- (n) any action to terminate the legal status of the condominium after substantial damage or destruction or condemnation; or

(o) any provisions that expressly benefit first mortgagees or insurers or guarantors of first mortgages.

14.7. **Notice.** Each first mortgagee and each insurer or guarantor of a first mortgage, upon written request stating its name and address and describing the unit encumbered by the first mortgage, held, insured or guaranteed, shall be entitled to timely written notification by the Association of (i) any proposed action which requires consent of first mortgagees; (ii) any condemnation or casualty loss that affects either a material portion of the condominium or the unit securing its first mortgage; (iii) any sixty (60) day delinquency in the payment of assessments or charges owed by the unit owner of the unit on which the first mortgagee held its first mortgage or in the performance of any obligation under this Declaration or the Bylaws by said unit owner; or (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. Each first mortgagee who has requested the Association to notify it of any proposed action that requires the consent of eligible mortgage holders shall be considered "an eligible mortgage holder". With respect only to non-material amendments (which excludes items (a) to (o) of paragraph 14.6, such as for the correction of technical errors or for clarification, any first mortgagee who receives a written request by the Association, or any unit owner, to approve as addition or amendment to the Declaration or Bylaws who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

ARTICLE XV

GENERAL PROVISIONS

15.1. **Conflict with the Act; Severability.** Should any of the terms, conditions, provisions, paragraphs or clauses of the Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction condition, limitation, provision, paragraph or clauses of this Declaration, or of any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstances.

BK 1155 PG 0607

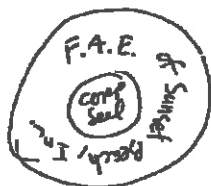
15.2. Interpretation of Declaration. Whenever appropriate singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

15.3. Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

15.4. Arbitration. In the event of a dispute between Unit owners which cannot be resolved among themselves, said dispute shall be submitted to an independent arbitrator.

BK 1155 PG 0608

IN WITNESS WHEREOF, the Declarant has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed the day and year above written.



F.A.E. OF SUNSET BEACH, INC..
a North Carolina Corporation

BY: [Signature]
its President

ATTEST: [Signature]
Secretary

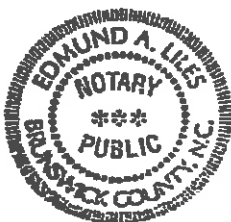
(CORPORATE SEAL)

NORTH CAROLINA, Brunswick COUNTY.

I, a Notary Public of the County and State aforesaid certify that Randal F. Eller, personally came before me this day and acknowledged he is the Secretary of F.A.E. OF SUNSET BEACH, INC., a North Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its Corporate Seal and attested by Randal F. Eller, as its Secretary. Witness my hand and official stamp or seal, this 3rd day of June, 1997.

My Commission Expires: Sept. 23, 2001

[Signature]
NOTARY PUBLIC



STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Forgoing (or annexed) Certificate(s) of Edmund A Liles

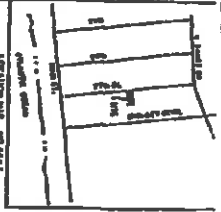
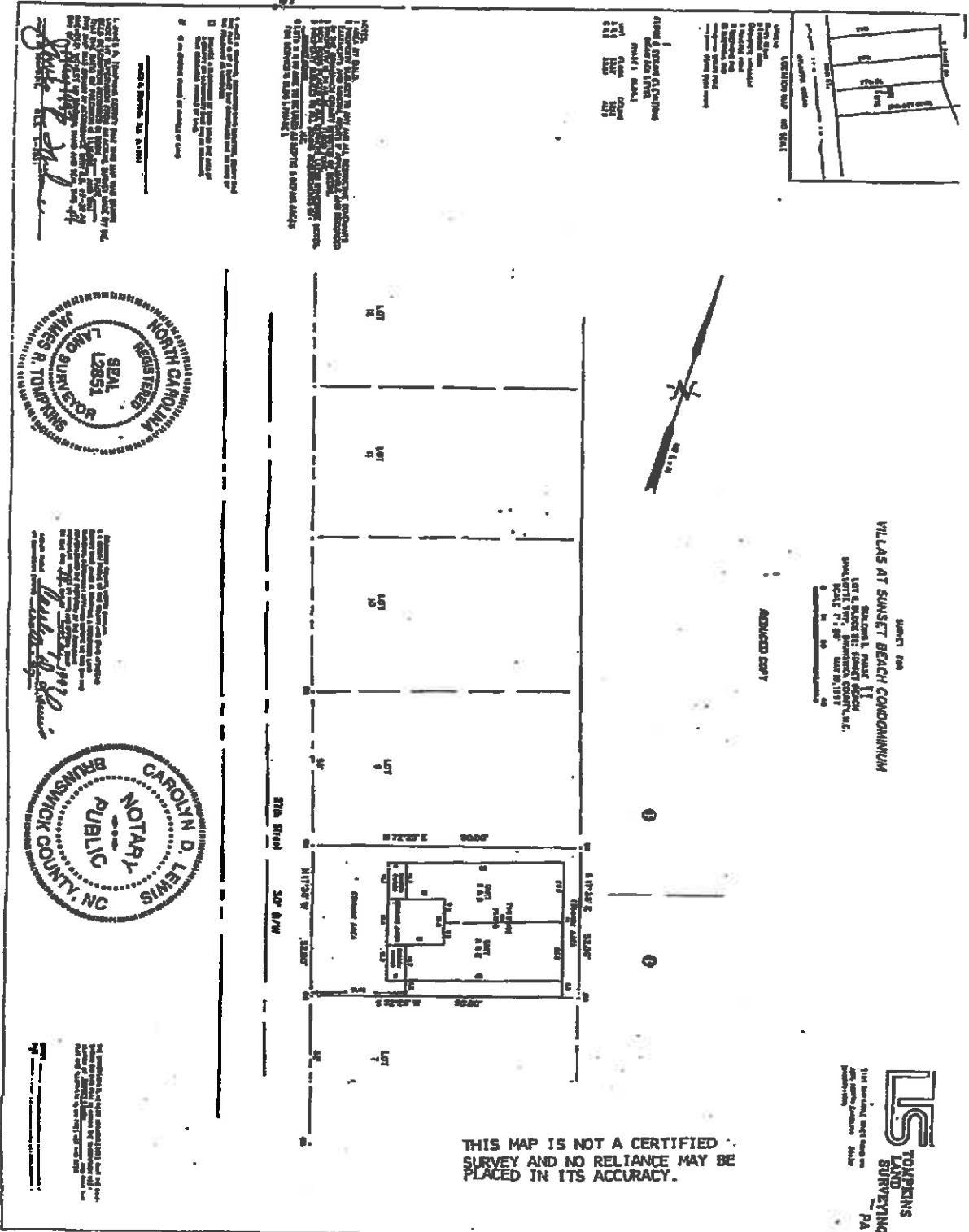
Notary(ies) Public is (are) Certified to be Correct
This Instrument was filed for Registration on this

27 Day of June, 1997

[Signature]
ROBERT I. ROBINSON, Register of Deeds

RECORD OF POOR QUALITY DUE TO
CONDITION OF ORIGINAL DOCUMENT

Exhibit 'A-1'



LEGEND

1. All dimensions are in feet and inches.

2. All bearings are in degrees, minutes and seconds.

3. All bearings are measured clockwise from the previous line.

4. All bearings are measured from the back-sight line to the fore-sight line.

5. All bearings are measured from the fore-sight line to the back-sight line.

6. All bearings are measured from the fore-sight line to the fore-sight line.

7. All bearings are measured from the fore-sight line to the fore-sight line.

8. All bearings are measured from the fore-sight line to the fore-sight line.

9. All bearings are measured from the fore-sight line to the fore-sight line.

10. All bearings are measured from the fore-sight line to the fore-sight line.

NOTICE

I, the undersigned, being a duly qualified and licensed Surveyor in the State of North Carolina, do hereby certify that the foregoing is a true and correct copy of the original survey as shown to me by the owner thereof, and that the same has been compared with the original survey and found to be a true and correct copy of the original survey.

Witness my hand and seal this 1st day of August, 1981.

JAMES R. TOMPKINS, Surveyor

NOTICE

I, the undersigned, being a duly qualified and licensed Surveyor in the State of North Carolina, do hereby certify that the foregoing is a true and correct copy of the original survey as shown to me by the owner thereof, and that the same has been compared with the original survey and found to be a true and correct copy of the original survey.

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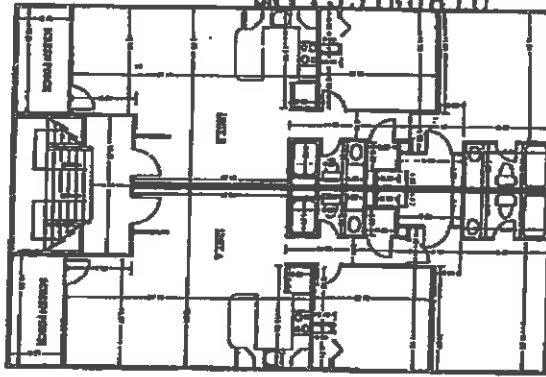
Witness my hand and seal this 1st day of August, 1981.

JAMES R. TOMPKINS, Surveyor

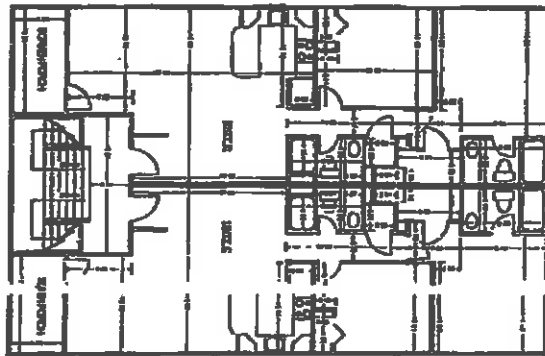
THIS MAP IS NOT A CERTIFIED SURVEY AND NO RELIANCE MAY BE PLACED IN ITS ACCURACY.



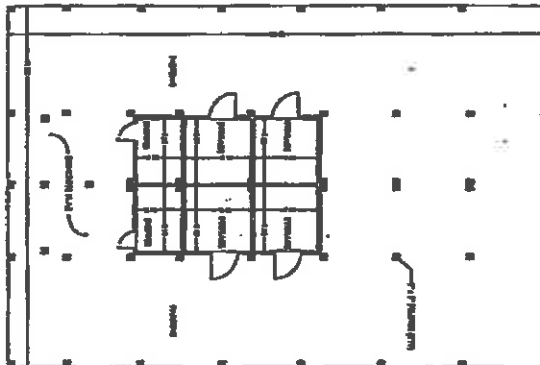
BK 1155 PG 06 10



FIRST FLOOR PLAN
SCALE 1/8" = 1'-0"



SECOND FLOOR PLAN
SCALE 1/8" = 1'-0"



FOUNDATION PLAN
SCALE 1/8" = 1'-0"

STATE OF NORTH CAROLINA
COUNTY OF BERNHARRIS

I, David B. Sherman, a Member Public of the County of Bernharris and the State of North Carolina, certify that David B. Sherman, P.E., personally prepared and on this day and acknowledged the execution of the foregoing documents.
Witness my hand and official seal, this 27th day of May, 1997

ANY COMMISSION EXPIRES 3.31.2001



I, David B. Sherman, do hereby certify that these plans fully and accurately depict the actual location, extent and other particulars, well boundaries and dimensions of the lots as shown on this plan.

Witness my hand and official seal, this 27th day of May, 1997

EAST COAST ENGINEERING COMPANY, P.A.



Shelton, North Carolina 28582
910 286-9999 - Fax: 910 286-9999

VILLAS AT SUNSET BEACH CONDOMINIUM

BUILDING 1 - PHASE II

SUNSET BEACH, NORTH CAROLINA



BK 1155 PG 0612

EXHIBIT B

LEGAL DESCRIPTION

BEING ALL OF LOTS 8, 9, 10 and 11, Block 28, Sunset Beach, as shown on plat recorded in Map Book 18 at Page 131, in the Brunswick County Registry.

BK 1155 PG 0613

EXHIBIT C

<u>UNIT NO.</u>	<u>NO. OF BEDROOMS</u>	<u>INTEREST IN COMMON AREAS</u>
1-A	2	25%
1-B	2	25%
1-C	2	25%
1-D	2	25%

BK7155 PG0614

EXHIBIT D

VILLAS AT SUNSET BEACH, PHASE II
CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.

PROPOSED BUDGET

<u>ITEM</u>	<u>MONTHLY</u>	<u>ANNUALLY</u>
REPLACEMENT RESERVES	\$100.00	\$1,200.00
INSURANCE (Liability, Fire, Wind, Flood)	237.00	2,852.00
WATER/SEWER/STORMWATER	53.33	640.00
MAINTENANCE, INSPECTION, LANDSCAPING	100.00	1,200.00
ELECTRICITY	30.00	360.00
MANAGEMENT, TAXES, MISC. FEES	100.00	1,200.00
TOTAL	\$621.00	\$7,452.00

REPLACEMENT RESERVES

<u>ITEM</u>	<u>FREQUENCY</u>	<u>COST</u>	<u>RESERVES PER YEAR</u>
ROOF	25 Years	\$10,000.00	\$ 400.00
PAINTING	5 Years	4,000.00	800.00
YEARLY RESERVE TOTAL			\$1,200.00

PROPOSED MONTHLY ASSESSMENT PER UNIT \$155.25

BK1151 PG1181

Exhibit E . BK1151 PG1186

BK1155 PG0615

FILED FOR REGISTRATION
FEE 115 PAGE 118

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

97 JUN 10 PM 12:29

ROBERT J. ROBINSON
REGISTER OF DEEDS

THIS AGREEMENT, made and entered into this the 16th day of June, 1997, by and between and among the Brunswick County Health Department, hereinafter known as "Health Department"; F.A.E. of Sunset Beach Inc., whose address is 192 Lakeshore Drive, Mooresville, N.C. 28115, hereinafter known as "Developer"; and The Villas At Sunset Beach, Phases I, II, and III, Condominium Homeowners' Association, Inc., a North Carolina non-profit corporation, hereinafter known as "the Association";

WITNESSETH:

000028

1. WHEREAS, the Developer is the owner of certain lands lying in the Shallote Township of Brunswick County, North Carolina which have been divided into lots, upon which will be erected Condominium homes and other improvements (herein called, "The Property"), said property described as The Villas At Sunset Beach, Phases I, II and III, as shown on that plat recorded in Map Cabinet 18, page(s) 131, Brunswick County Registry; and
2. WHEREAS, the Developer desires to construct a sewage collection, treatment and disposal system composed of off-site cluster sewage systems to provide sanitary sewage disposal to serve the Unites situate upon the said Property; and
3. WHEREAS, the Developer has applied to the Department for the issuance of a permit pursuant to North Carolina General Statute 130A-333 et seq. to construct, maintain and operate the said off-site cluster sewage system; and
4. WHEREAS, the Developer has created a Condominium development by recording a Master Declaration of Covenants, Conditions and Restrictions for The Villas At Sunset Beach, Phases I, II and III (herein, "Master Declaration"); and
5. WHEREAS, the Developer has formed The Villas At Sunset Beach, Phases I, II and III, Condominium Homeowners' Association, Inc., a non-profit corporation organized and existing under the laws of the State of North Carolina for the purpose, among others, of handling the property, affairs and business of the Association; of operating, maintaining and repairing the common areas and facilities, including any sewage, treatment and disposal systems; and of collecting dues and assessments to provide funds for such operation, maintenance and repair; and
6. WHEREAS, all parties desire to assure that any off-site cluster sewage systems for the Property are properly constructed, maintained, operated and repaired in accordance with

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BK1155 PG0616

constructed, maintained, operated and repaired in accordance with laws, rules and permit conditions in order to protect the public health, the quality of the waters of the State and the public interests therein;

NOW THEREFORE, for and in consideration of the premises and the benefits to be derived by each of the parties hereto, the Brunswick County Department, hereinafter known as "Health Department"; F.A.E. of Sunset Beach, Inc., hereinafter known as the "Developer"; and The Villas At Sunset Beach, Phase I, II and III, Condominium Homeowners' Association, Inc. a North Carolina non-profit corporation, hereinafter known as the "Association"; do hereby mutually agree as follows:

1. It is the intention of the Developer to design and construct a maximum of three (3) off-site cluster systems to serve Six Units in The Villas At Sunset Beach, Phases I, II and III. The location of said systems and their associated easements are shown on a survey by James R. Tompkins, R.L.S. entitled "The Villas At Sunset Beach, Phases I, II and III", recorded in Map Book at Page , Brunswick County Registry. The purpose of these off-site cluster systems is to allow the development of the certain Units which they serve, as shown on said recorded plat. Said off-site cluster systems will be abandoned in the event of construction of a county sewer system or a private central sewer system, and the connection of the Units served by the off-site cluster system to the county sewer system, or private central sewer system.

2. The Developer shall construct the off-site cluster sewage systems serving the Property in accordance with the permit, applicable rules, and plans and specifications hereafter issued and approved by the Department; and shall thereafter properly operate, maintain, and repair such systems in accordance with applicable permit provisions, rules, and laws until the entire system has been transferred to the Association, or abandoned, as herein provided, whichever occurs first.

3. The Developer shall not transfer ownership of the off-site cluster sewage system to the Association until the system has been inspected, permitted, and determined to be operating in accordance with applicable rules and permit conditions as determined by the Department.

4. The Association, after transfer of ownership of the off-site cluster sewage systems to it by the Developer, shall thereafter properly maintain, operate, and repair the system in accordance with laws, rules, and the conditions of the permit issued by the Department. The Association shall levy and collect the assessments provided for in its bylaws, including, but not limited to, special, specific or village assessments applicable only to the Property described herein, or the Units served by said off-site cluster sewage systems; and, in the event that the sum realized by the levy of such assessments shall not be

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adequate to maintain, operate, and repair the system as required by laws and conditions of the permit, the Association shall take such action as is necessary to secure funds adequate for such purposes.

5. It is the understanding of the parties that in the event of the development of a county sewage collection, treatment and disposal system, by the Regional Sewer Authority of some other public agency, or the development of a central sewage collection, treatment and disposal system by the Declarant, either of which system is available to and serving the Property, then the off-site cluster systems described herein will no longer be utilized. The owners of the Units served by said off-site cluster systems will be required to connect to and utilize said private central sewage system or county sewage system, as the case may be, and as soon as the connection of each Unit to the county sewage system or private central sewage system is complete and functioning, the off-site cluster sewage system service for the Unit served shall be abandoned and the rights and obligations of the parties hereto, with regard to the off-site cluster sewage system shall be automatically terminated.

6. The Declarant, in any appropriate constituent documents, and the Association, in its bylaws or amendments thereto, shall identify the entire sewage collection, treatment and disposal system described herein as a common area or limited common area which will receive the highest priority for expenditures by the Association, except for federal, state, and local taxes and insurance.

7. The Association, upon dissolution, shall provide for the continued proper operation, maintenance, and repair of its sewage collection, treatment and disposal system.

8. The Association, except upon dissolution, or as provided herein, shall not transfer, convey, assign, or otherwise relinquish or release its responsibility for the operation, maintenance, and repair of its sewage collection, treatment and disposal system.

9. A copy of this Agreement shall be filed in the office of the Secretary of State of North Carolina with the Articles of Incorporation of the Association and with the Register of Deeds of Brunswick County.

IN WITNESS WHEREOF, this Agreement has been executed in triplicate originals by the duly authorized representatives of the parties hereto the day and year first above written as indicated by each of the parties named below.

BY AUTHORITY OF THE BRUNSWICK COUNTY HEALTH DEPARTMENT


HEALTH DIRECTOR


Notary Public

3/18/2001

EX 1151 PG 1190



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BK1155PG0618

ATTEST: [Signature]
SECRETARY

F.A.E. OF SUNSET BEACH, INC.

BY: [Signature]
PRESIDENT

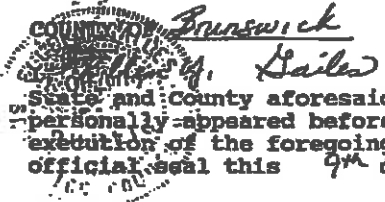


CONDOMINIUM
ATTEST: Dandra K. Eller
SECRETARY

THE VILLAS AT SUNSET BEACH,
PHASES II AND III,

HOMEOWNERS' ASSOCIATION, INC.
BY: [Signature]
PRESIDENT

STATE OF NORTH CAROLINA



Ellen Y. Sailer, a Notary Public in and for the
State and County aforesaid, do certify that Don Yousey
personally appeared before me this day and acknowledge the due
execution of the foregoing instrument. WITNESS my hand and
official seal this 9th day of June, 1997.

MY COMMISSION EXPIRES:
18 MARCH 2001

Ellen Y. Sailer
NOTARY PUBLIC

STATE OF NORTH CAROLINA

COUNTY OF Brunswick

I, a Notary Public of the County and State aforesaid, certify
that Dandra K. Eller personally came before me this
day and acknowledged that she is Secretary of
F.A.E. OF SUNSET BEACH, INC.
a North Carolina corporation, and that by authority duly given
and as the act of the corporation, the foregoing instrument was
signed in its name by its President, sealed with its
corporate seal and attested by its Secretary.
WITNESS my hand and official seal, this 28 day of MAY,
1997.

My Commission Expires:
9-28-2001

[Signature]
NOTARY PUBLIC

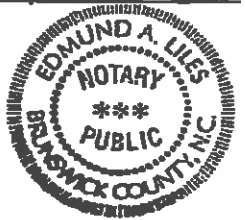


EXHIBIT F

BYLAWS
OF

THE VILLAS AT SUNSET BEACH,
PHASE II

The following Bylaws shall apply to the Condominium project KNOWN as THE VILLAS AT SUNSET BEACH, PHASE II, (hereinafter called the "Condominium") situated in the Town of Sunset Beach, County of Brunswick, State of North Carolina, as described in and created by the Declaration of Intention to Submit Property to the North Carolina Unit Ownership Act, Chapter 47C of the General Statutes of North Carolina (hereinafter called the "Declaration").

ARTICLE I

MEMBERSHIP

Section 1. Qualification. All owners of units of the Condominium shall constitute the Membership Association (hereinafter called the "Association"). The owner of any unit, upon acquiring title thereto, shall automatically become a member of the Association and shall remain a member of the Association until such time as his ownership of such unit ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 2. Place of Meetings. Meetings of the Association shall be held at the Condominium or such other suitable place convenient to the unit owners as may be designated by the Board of Directors.

Section 3. Annual and Special Meetings. Annual and special meetings of the Association shall be held at such place and time as may be determined by the Board of Directors.

Section 4. Quorum. No meeting of the Board shall be held unless and except a majority of the representatives of the unit owners shall be present. The term "majority of unit owners" herein means the owners of units to which are appurtenant more than 50% of the common interests as established by the Declaration, and any other specified percentage of the unit owners means the owners of units to which are appurtenant such percentage of the common interests.

These shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the Association to be kept in the Association minute book.

Section 5. Voting. Voting shall be on a percentage basis, and the percentage of the total vote to which each unit is entitled shall be the percentage of the common interests assigned to such unit in the Declaration, except that unless specifically required within any motion, calculation of a vote on a percentage vote shall not be required, and a vote counted on the basis of one (1) unit, one (1) vote shall be valid. Votes may be cast in person or by proxy by the respective unit owners as shown in the record of ownership of the Association. An executor, administrator, guardian, or trustee may vote in person or by proxy at any meeting of the Association, whether or not the same shall have been transferred to his name in the Association's record of ownership, provided that he shall first present evidence satisfactory to the Board of Directors that he owns or controls such unit in such capacity. The vote for any unit owned of record by two or more persons may be exercised by any one of them present at any meeting in the absence of protest by the other or others, and in the case of protest, each co-tenant shall be entitled to only a share of such vote in proportion to his share of ownership in such unit.

Section 6. Proxies and Pledges. The authority given by any unit owner to another person to represent him at meetings of the Association shall be in writing, signed by such owner, and filed with the Secretary, and unless limited by its terms, shall continue until revoked by writing filed with the Secretary or by the death or incapacity of such owner. Voting rights transferred or pledged by mortgage, deed of trust, or agreement of sale of any unit or interest therein, a true copy of which is filed with the Secretary or Managing Agent, shall be exercised only by the person designated in such instrument until the written release or other termination thereof is filed in like manner.

Section 7. Adjournment. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the unit owners present, whether or not a quorum be present, without notice other than the announcement of such meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

7.1. Informal Action by Members Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Number and Qualifications. The affairs of the Association shall be governed by a Board of Directors. The number of Directors shall be Three (3). At the first annual meeting the members shall elect one director to serve for a term of one year, two directors to serve for a term of two years. At each annual meeting thereafter the members shall elect the number of directors needed to fill the space or spaces left by the director or directors whose terms are due to expire for a term of three years. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Directors need not be members of the Association and may be re-elected. One director shall represent the owners. If a corporation is a unit owner, any officer of such corporation shall be eligible to serve as director so long as he remains as an officer of such corporation. The directors shall serve without compensation, except that directors may be reimbursed for expenses incurred on behalf of the Condominium.

Section 2. Powers. The Board of Directors shall have all powers necessary for the administration of the affairs of the Association and may do all such acts and things therefor as are not by law, the Declaration, or these Bylaws, directed to be exercised or done only by the unit owners.

Section 3. Meetings. Meetings of the Board shall be held at a time and place as shall be determined from time to time by the three directors.

Section 4. Quorum of Board. No meeting of the Board of Directors shall be held unless all Three (3) Directors are present. Meetings by telephone connection shall be allowed. The use of facsimile transmitted documents shall be allowed and signatures, when required, may be done by "fax" with subsequent original signatures on "hard copy" obtained and retained in the corporate records.

ARTICLE III

ADMINISTRATION

Section 1. Officers. The Board of Directors of the Association shall not be required to elect or designate officers.

Section 2. Management. The property of the Condominium and its business shall be managed, controlled, directed and

3.

(i) Custody and control of all funds of the Association, maintenance of full and accurate books of account and records of such funds, and preparation of regular financial reports thereof; and

4.

administered by the Board of Directors of The Villas at Sunset Beach, Phase II, Condominium Homeowners' Association, Inc. The Board of Directors shall at all times manage and operate the Condominium and have such powers and duties as may be necessary or proper therefor, including, without limitation, the following:

(a) Supervision of its immediate management and operation;

(b) Maintenance repair, replacement and restoration of the common areas and facilities and any additions and alterations thereto, and payment for same;

(c) Purchase, maintenance and replacement of any equipment, and provision of all water and utility services required for the common areas and facilities.

(d) Provision at each unit of all water, sewer, electricity, and such other utility services and utilities as the Board shall deem necessary, either at the expense of such unit or as a common expense of such unit as determined by the Board;

(e) Determination as to assessments, if any, which shall be levied against the units subject to the terms and conditions of the Declaration;

(f) Employment, supervision and removal of such personnel as may be necessary for the maintenance, repair and replacement of the common areas and facilities of the Condominium;

(g) To take all administrative and legal action to enforce collection of dues and/or assessments of unit owners, for payment of all common expenses authorized by the Board including, imposing late charges, collection costs, filing liens or counter claims of lien, employ legal counsel and institute litigation, incur legal expenses including legal fees whether litigation is instituted or not and impose liens against the unit and unit owner/owners individually. This includes foreclosure, money judgments, court costs and legal fees, without restriction.

(h) Purchase and maintenance in effect of all policies of hazard, flood and liability insurance for the Condominium required by the Declaration, and such other insurance and bonds as may be required or authorized by the Declaration or the Board;

(i) Custody and control of all funds of the Association, maintenance of full and accurate books of account and records of such funds, and preparation of regular financial reports thereof; and

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(j) Notification of all persons having an interest in any unit according to the Association's records of ownership of delinquency exceeding Sixty (60) days in the payment of any assessment against such unit.

ARTICLE IV

OBLIGATIONS OF UNIT OWNERS

Section 1. Maintenance of Units. Every unit owner shall at his own expense at all times substantially repair, maintain, amend and keep his unit, including, without limitation, all internal installations therein such as water, electricity, telephone, sewer, sanitation, air conditioning, lights, and all other fixtures and accessories belonging to such unit, and the interior decorated or finished surfaces of all walls, floors and ceilings of such unit, with all necessary reparations and amendments whatsoever in good order and condition, except as other wise provided bylaw or the Declaration, and shall be liable for all loss or damage whatsoever caused by his failure to perform any such work diligently, and in case of such failure after reasonable notice to perform, shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board of Directors or the Managing Agent. Every unit owners and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common areas and facilities or any furniture, furnishings and equipment thereof caused by such owner or occupant, or any person under either of them and shall give prompt notice to the Managing Agent of any such loss or damage or other defect in the Condominium when discovered.

Section 2. Use of Condominium.

(a) The units of the condominium shall be used only for residential purposes.

(b) All common areas and facilities of the Condominium shall be used only for their respective purposes as designated.

(c) No unit owner or occupant shall place, store or maintain in the halls, lobbies, stairways, walkways, grounds or other common areas and facilities of similar nature any furniture, packages or objects which obstruct transit through such common areas and facilities, except with the approval of the Board of Directors.

(d) Every unit owner and occupant shall at all times keep his unit in a strictly clean and sanitary condition, and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association for the time being applicable to the use of the Condominium.

(e) No unit owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his unit or the Condominium, nor alter or remove any furniture, furnishings or equipment of the common area and facilities.

(f) No unit owner or occupant shall erect or place in the Condominium any building or structure, including fences and walls, nor make any additions or alteration to any common areas or facilities of the Condominium, nor place or maintain thereon any signs, posters, or billboards whatsoever, except in accordance with plans and specifications, including detailed plot plan, prepared by a licensed architect if so required by the Board and approved the Board and majority of unit owners (or such larger percentage required by law of the Declaration), including all owners of units thereby directly affected.

(g) No unit owner shall decorate or landscape any entrance, hallway, planting area or patio appurtenant to his unit, except in accordance with standards therefor established by the Board of Directors or specific plans approved in writing by the Board.

(h) All occupants shall avoid making noises, using any musical instruments, radios, televisions and amplifiers in such manner as may disturb other occupants.

(i) No garments, rugs or other objects shall be hung from the windows or facades of the Condominium or otherwise displayed in public view, except draperies, curtains and shades. The backing of all such window treatments shall be white or off-white in color.

(j) No rugs or other objects shall be dusted or shaken from the windows of the Condominium or cleaned by beating or sweeping on any hallway or exterior part of the Condominium.

(k) No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common areas or facilities of the Condominium but placed outside in the facilities provided for such purposes.

(l) No livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept or encouraged to stay in any part of the Condominium, except that dogs, cats and other

household pets in reasonable number may be kept by the unit owners and occupants in their respective units, but shall not be kept, bred or used therein for any commercial purpose nor allowed on any common areas and facilities, except in transit when carried or on leash, provided that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the Condominium shall be permanently removed therefrom promptly upon notice given by the Board of Directors or Managing Agent.

(m) No unit owner or occupant shall, without the written approval of the Board of Directors, install any wiring for electrical or telephone installations, television antenna, machines, or air-conditioning units, or other equipment, or appurtenances whatsoever on the exterior of the Condominium or protruding through the walls, windows or roof thereof.

(n) Nothing shall be allowed, done or kept in any units or common areas and facilities of the Condominium which would overload or impair the floors, walls or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association.

(o) No boats, campers, motorhomes, bicycles, motorcycles, motorbikes, disabled cars, or related types of personal property shall be permitted to be permanently kept or stored in the common areas in front of the individual Condominium units. Bicycles, motorcycles and motorbikes may be temporarily parked in designated parking places.

Section 3. House Rules. The Board of Directors, upon giving notice to all unit owners, may adopt, amend or repeal and supplemental administrative rules and regulations governing details of the operations and use of the common areas and facilities but not inconsistent with any provision of law, the Declaration or these Bylaws.

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ARTICLE V

AMENDMENT TO BYLAWS

These Bylaws may be amended at a regular or special meeting of the Association by a vote of a majority of the unit owners, or by Declarant upon submission of additional property and units to the condominium.

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

F.A.E. OF SUNSET BEACH, INC.,
A North Carolina Corporation

BY: [Signature]
its President

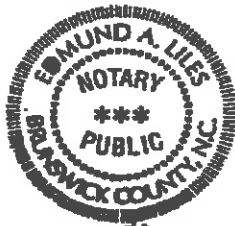
ATTEST: [Signature]
Secretary

(CORPORATE SEAL)

NORTH CAROLINA, Brunswick COUNTY.

I, a Notary Public of the County and State aforesaid, certify that Randal F. Eller, personally came before me this day and acknowledged that he is Secretary of Villas of Sunset Beach, Phase I - F.A.E. of Sunset Beach, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by Randal F. Eller as its Secretary. Witness my hand and official stamp or seal, this 3rd day of June, 1997.

My Commission Expires:
Sept. 23, 2001



[Signature]
NOTARY PUBLIC

Exhibit G

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STATE OF
NORTH
CAROLINA



Department of The
Secretary of State

To all whom these presents shall come, Greetings:

I, *Janice H. Faulkner, 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 VILLAS AT SUNSET BEACH, PHASE II,
CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.**

*the original of which was filed in this office on the 28th day of
October, 1996.*

*IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my official seal at the City of
Raleigh, this 28th day of October, 1996.*



Janice H. Faulkner
Secretary of State

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C-0409330
FILED
9:00 AM
OCT 20 1996

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ARTICLES OF INCORPORATION
OF
THE VILLAS AT SUNSET BEACH, PHASE II, CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
EFFECTIVE: _____
JANICE H. FAULKNER
SECRETARY OF STATE
NORTH CAROLINA

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is The Villas at Sunset Beach, Phase II, Condominium Homeowners' Association, Inc. hereinafter called the "Association".

ARTICLE II

The principal and registered office of the Association is located at: 534 Canvasback, Mooresville, North Carolina, 28115, Iredell County.

ARTICLE III

Rondal F. Eller, whose address is: 534 Canvasback, Mooresville, North Carolina 28115, is hereby appointed the initial Registered Agent of the Association.

ARTICLE IV

This Association does not contemplate pecuniary gain or profit to the members thereof and the purpose and objects of the corporation shall be to administer the management of the development known and called The Villas at Sunset Beach, Phase II, Inc. and to advance the interests of the condominium homeowners, members herein.

ARTICLE V

The Corporation shall have the following powers:

(1) to enforce the provisions of the By-laws and such rules and regulations as may be hereafter established.

(2) to maintain and provide for such maintenance, upkeep and servicing to provide for utilities and other maintenance within the Development.

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(3) to exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration of Condominium aforementioned.

ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

(1) The owners of all units in the Development shall be members of the Corporation, and no other person or entities shall be entitled to membership.

ARTICLE VII

The Corporation shall have perpetual existence.

ARTICLE VIII

The number of members of the first Board of Directors of the Corporation shall be three (3) . The number of the members of succeeding Board of Directors shall be as provided from time to time by the By-Laws of the Corporation.

ARTICLE IX

The Board of Directors shall elect a President, Vice President, Secretary and Treasurer and as many Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of the President and Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE X

The names and post office addresses of the initial Board of Directors who, subject to the provisions of these Articles of Incorporation, the By-Laws and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the membership (or until their successors are elected and qualified) are as follows:

Rondal F. Eller: 534 Canvasback
Mooreville, N.C. 28115

Murry Ferguson: 1904 Brewton Court
Wilmington, N.C. 28403

John C. Allred, Jr. 329 Harbor Pointe Drive
Mt. Pleasant, S.C. 29465

ARTICLE XI

The original By-Laws of the Corporation shall be adopted by a majority vote of the members of the Corporation present at a meeting of members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or rescinded only in such manner as said By-Laws may provide. Provided that the By-Laws may be altered, rescinded or modified at the initial meeting of the membership and such alteration and/or modification shall apply both prospective and retroactive to the Corporation's date of charter approval.

ARTICLE XII

Every Director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonable incurred by or imposed upon him in connection with any preceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer of the Corporation, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE XIII

An amendment or amendments to these Articles of Incorporation shall require the assent of seventy-five percent (75%) of the membership.

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Purposes of Corporation

This corporation is organized for the following purposes:

- religious,
- charitable,
- educational,
- testing for public safety,
- scientific,
- literary,
- fostering national or international amateur sports competition, and/or
- prevention of cruelty to children or animals,

including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 (herein the "Code") (or the corresponding provisions of any future United States Internal Revenue Code).

Prohibited Activities

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of purposes set forth in these articles of incorporation. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provisions of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501(c)(3) of the Code or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Code.

Distributions Upon Dissolution

Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the corporation, dispose of all of the assets of the corporation exclusively for the purposes of the corporation in such manner, or to such organization or organizations organized and operated exclusively for religious, charitable, educational, scientific or literary purposes, as shall at the time qualify as an exempt organization or organizations under section 501(c)(3) of the Code as the Board of Directors shall determine, or to federal, state, or local governments to be used exclusively for public purposes. Any such assets not so disposed of shall be disposed of by the Superior Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organizations, such as court shall determine, which are organized and operated exclusively for such purposes, or to such governments for such purposes.

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ARTICLE XIV

The name and address of the incorporator is as follows:
Edmund A. Liles, 6412 Beach Drive, S.W., Ocean Isle Beach, North
Carolina, 28469, Brunswick County.

IN WITNESS WHEREOF, I, the undersigned incorporator, have
hereunto set my hand and seal, this the 22 day of October,
1996.


EDMUND A. LILES INCORPORATOR

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

This is to certify that on the 24 day of October,
1996, before me, Rhonda M. Faircloth, a Notary Public of
said County and State, personally appeared EDMUND A. LILES, who I
am satisfied is the person named in and who executed the
foregoing Articles of Incorporation of The Villas at Sunset
Beach, Phase II, Condominium Homeowners' Association, Inc., and
I, having first made known to him the contents thereof, he did
acknowledge that he signed, sealed and delivered the same as his
voluntary act and deed for the uses and purposes therein
expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal,
this 24 day of October, 1996.


NOTARY PUBLIC

My commission expires:

My Commission Expires 4-9-2000

