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STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

DECLARATION CREATING UNIT OWNERSHIP OF PROPERTY

RECORDED AND VERIFIED  
REBECCA P. TUCKER  
REGISTER OF DEEDS  
UNITED STATES OF AMERICA  
NORTH CAROLINA

MAY 10 4 41 PM '82

THIS DECLARATION, made this the 4th day of May, 1982, by

CAROLINA LAKE BEACH VILLAS, INC., a North Carolina Corporation,  
with its principal place of business located in Cumberland County,  
North Carolina, hereinafter referred to as Declarant.

W I T N E S S E T H :

59 WHEREAS, Declarant is the owner in fee simple of certain real property located in the County of New Hanover, North Carolina, which is more particularly described in Exhibit A attached hereto and incorporated herein by reference (description of land for first phase only).

WHEREAS, Declarant is the owner of multi-unit buildings and all other improvements heretofore constructed or hereinafter constructed upon the above described property and intends by the filing of this DECLARATION to submit said property, buildings and improvements, whether heretofore or hereafter constructed, together with all appurtenances thereto, to a plan of condominium unit ownership pursuant to the provisions of Chapter 47A of the North Carolina General Statutes, and

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

NOW, THEREFORE, Declarant does hereby declare that all of the real property described herein together with all improvements heretofore constructed or hereafter constructed thereon, is held and shall be held, conveyed, hypothecated, encumbered, used, occupied, and improved subject to the covenants, conditions, restrictions, uses, limitations and obligations set forth hereinafter, all of which are declared and agreed to be in furtherance

of a plan for the improvement of said property and shall be deemed to run with the land and shall be a burden and a benefit to Declarant, its successors and assigns, and any person or entity acquiring or owning any interest in the real property and improvements described herein, or any subdivision thereof, their grantees, successors, heirs, executors, administrators, devisees, and assigns.

#### ARTICLE I

##### SUBMISSION OF PROPERTY

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

#### ARTICLE II

##### DESCRIPTION OF LAND

2.0 The subject real property is the same as set out in Exhibit A attached hereto and incorporated herein by reference.

#### ARTICLE III

##### DESCRIPTION OF BUILDINGS

3.0 The multi-unit buildings constituting CAROLINA LAKE BEACH VILLAS condominium units, Phase I, is, or is to be a three story structure, with no basement, but with a garage area underneath the structure, the total number of units in said Phase I to be 12 in number.

3.1 The principal materials to be used in construction of the condominium units are set out in detail in Exhibit C, pages 0-10, inclusive, attached hereto and incorporated herein by reference.

3.2 It is the plan of the Declarant, and Declarant reserves the right at its option and without consent of the unit owners, the Homeowners Association or the Institutional Lenders (see Article 7.2 herein), but without obligation, as hereinafter set forth, to construct an additional structure of up to 18 condominium units on the real property which is described in Exhibit B attached hereto and incorporated herein by reference. Said additional buildings or condominium units, if constructed, will be constructed of such materials and in such design and manner as to compliment the appearance of the entire condominium development.

#### ARTICLE IV

##### UNIT DESIGNATION

4.0 The unit designation of each unit, and its location are as shown on the map or plat of the condominium development attached hereto as Exhibit C, pages 0-10, inclusive, and incorporated herein by reference. The approximate area and number of rooms in each unit is as shown on Exhibit C, page 0-10, inclusive, attached hereto and incorporated herein by reference.

4.1 In general, reference should be made to Exhibit C, pages 0-10, inclusive, for a more complete and accurate description of each unit and any conflict between said Exhibit C, pages 0-10, inclusive, and the generalized description hereinafter shall be resolved by reference to said Exhibit C, pages 0-10, inclusive, which shall control. Each of the 12 units in Phase I together with designated garage spaces will be identified by its unit designations which are 1-B through 12-B and 1BG through 12BG, inclusive. These units and their designations are shown upon the plans of the building attached hereto as Exhibit C, pages 0-10, inclusive. If and when this Declaration is amended to add additional phases, additional surveys and description of improvements will be filed as part of said amendment.

4.2 Each unit is bounded both as to horizontal and vertical boundaries by the interior finished surfaces of the unit's perimeter walls, ceilings, and floors; of the interior surface of the perimeter walls, ceilings, and floors of the additional areas conveyed as part of each unit as defined hereinbelow, all of which are shown on Exhibit C, pages 0-10, inclusive, subject to easements reserved herein for such encroachments as are contained in the building, whether the same exist or may be caused or created by existing construction, settlement or movement of the building, or by permissible repairs, construction or alteration.

4.3 Each unit shall be substantially the same design, construction and material. Each of the 12 units in Phase I is wholly contained within one of the three levels or stories of the building; there being 4 units within each of the three levels or stories of the building.

4.4 Each unit shall have one bedroom, one bathroom, a combined living/dining/kitchen area, a linen closet, a clothes storage closet, a closet housing the unit's indoor section of the heating and air conditioning equipment, and a utility closet with a connection for a washer and dryer, all as shown on said plans.

4.5 Each unit is hereby defined to include two open air decks, as shown on said plans. All open air decks are subject to restrictions on use and decoration as set out hereinafter and in the Association By-Laws. The decks are bounded horizontally by the interior finished surface of the floor and ceiling overhangs of the deck and are bounded vertically by the interior finished surface of interior plans of either the deck railing or perimeter walls of the decks.

4.6 Units 1B, 5B, 9B, 4B, 8B and 12B (end units) shall each have approximately 706 net square feet. Units 2B, 3B, 6B, 7B, 10B and 11 B shall each have approximately 687 net square feet.

Each unit is hereby defined to include:

- (a) All non-load bearing partitioned walls located entirely within the unit.
- (b) All materials, including, but not limited to, carpet, paint, and vinyl attached to, or on, the interior finished surfaces of said walls, floors, ceilings of the unit; and all windows, windowpanes, frames, exterior doors.
- (c) All air handling and condensing units, ducts, and components, in all water, telephone, television, cable television, electricity, water and sewage lines located within the unit; provided, however, that the portion of said lines located within a common compartment for, or installation of, such lines shall be common areas and facilities as described herein.

4.7 Each unit is hereby defined to exclude all pipes, ducts, wires, conduits and other facilities for the furnishing of utility services and other services up to and including the point of entry of such pipes, ducts, wires, conduits and other facilities through the interior finished surface material for walls, floors and ceilings of the units. All such pipes, ducts, wires, conduits and other such facilities are defined as part of the unit at and from the point of entry into the unit.

4.8 The definition stated hereinabove for unit is complete and all other aspects of the condominium not hereinabove defined as a part of the unit is defined hereby as a part of the common area and facilities of the condominium.

#### ARTICLE V

##### DESCRIPTION OF GENERAL COMMON AREAS

5.0 The general common areas of CAROLINA LAKE BEACH VILLAS CONDOMINIUM units shall be as follows:

- (a) All land as more particularly described in Exhibit A, attached hereto and incorporated herein by reference, including the land on which the units are located, subject to Declarants right and option to construct an additional 18 units on property described in Exhibit B.
- (b) All parts of the multi-unit buildings situated on the land described in Exhibit A, other than the individual dwelling units described in Article IV above, including, without limitation, all foundations, columns, girders, beams, supports, load-bearing walls, including all exterior walls and all interior walls (except non-load-bearing partition walls wholly within a unit), roofs, ventilation fans and vents, of the building.
- (c) All stairways, stairwells, and stairs and their components which give access to the units; and all halls or passageways, and their entrances;
- (d) All yard and garden areas, parking, with the exception of the assigned parking areas described herein, and drive areas, bulkheads, swimming pool and pool deck, and all recreational or community facilities.
- (e) All central or appurtenant installations for services such as, without limitation, power, light, telephone, gas, hot and cold water, heating, air conditioning, incinerating and all other mechanical equipment spaces (including all pipes, ducts, wires, cables, tanks, pumps, motors, fans, conduits and compressors in connection therewith), to include all installations and facilities, apparatus, conduits, and equipment for the provision of any of the herein named utility services supplied for the common use and convenience of the unit owners and which are not defined as part of the units hereinabove.
- (f) All other portions of the real property and the improvements thereon which are not specifically part of the units themselves, as hereinabove defined, or owned by unit owners as personal property, shall be common areas and facilities intended for the common and necessary or convenient use and enjoyment, existence, maintenance or safety of the condominium units.

## ARTICLE VI

## LIMITED COMMON AREAS

6.0 Each unit shall have reserved for its exclusive use as a limited common area those stairways appurtenant to and designed for the exclusive use of each specific individual unit. However, all limited common areas are subject to restrictions on use and decorations as set out herein and in the Association By-Laws.

6.1 Each of the units designated as Units 1B-8B but not Units 9B-12B shall have reserved for their individual exclusive use as a limited common area the assigned garage space as shown on Exhibit C, pages 0-10, inclusive. Garage spaces 1BG-2BG and 5BG-6BG shall be subject to a permanent easement for ingress and egress to the stairwell in favor of the unit owners, their families, guests and invitees of Units 1B-2B, 5B-6B and 9B-10B. Garage spaces 3BG-4BG and 7BG-8BG shall be subject to a permanent easement for ingress and egress to the stairwell in favor of the unit owners, their families, guests and invitees of Units 3B-4B, 7B-8B and 11B-12B.

## ARTICLE VII

## NATURE AND INCIDENTS OF UNIT OWNERSHIP

7.0 Each unit shall be conveyed and treated as a separate individual unit of real property capable of independent use and fee simple ownership, and the owner of each unit shall also own, as an appurtenance to the ownership of each said unit, an undivided interest in the common areas and facilities of CAROLINA LAKE BEACH VILLAS and future phases, if any. The undivided interest in the common areas and facilities of CAROLINA LAKE BEACH VILLAS appurtenant to each of the 12 units of Phase I of CAROLINA LAKE BEACH VILLAS is as set out in Exhibit D attached hereto and made a part hereof. The proportional interest in the common area and facilities of CAROLINA LAKE BEACH VILLAS that is appurtenant to each unit has been determined by a ratio formulated upon the approximate relation that the fair market value of each unit at the date of the Declaration bears to the aggregate fair market value of all the units having an interest in the common areas and facilities. The fair market value of each unit and the aggregate fair market value of all units have been determined by Declarant in a manner consistent with North Carolina General Statute 47A, Unit Ownership Act and are binding upon all unit owners, subject to amendments as provided herein regarding development of future phases.

7.1 Declarant reserves the irrevocable right, power and authority for a period of five (5) years from the recording of this DECLARATION to amend this DECLARATION to reflect the addition of any future phases of construction and the changes necessitated thereby in the ownership interest and expense responsibilities of each unit owner in and for said common elements and facilities. Upon the filing of the Amendment to Declaration to bring Phase II under this Declaration, the appurtenant undivided interest of each unit owner in the common areas and facilities of CAROLINA LAKE BEACH VILLAS shall decrease from the percentage set out in Exhibit D to the undivided interest as set out in Exhibit F attached hereto and made a part hereof.

7.2 Each unit owner, whether purchasing the unit from the Declarant or thereafter through mesne conveyances, in accepting the deed to his respective unit, thereby signifies his consent to the exercise of said right, power and authority by Declarant and designates the Declarant his agent to effect such amendment without his further consent, and also thereby agrees to execute any such writing as may be required by Declarant to effectuate this purpose as may be requested by Declarant, whether a written consent, power of attorney, or any other document with the limited purpose of allowing such amendment.

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7.3 No unit may be divided or subdivided into a small unit or units other than as shown on Exhibit C, pages 0-10, inclusive, hereto, nor shall any unit or portion thereof be added to or incorporated into any other unit. The undivided interest in the common areas and facilities declared to be an appurtenance to each unit shall not be conveyed, devised, encumbered, or otherwise dealt with separately from said unit, and the undivided interest in common areas and facilities appurtenant to each unit shall be deemed conveyed, devised, encumbered or otherwise included with the unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering, or otherwise dealing with such unit. Any conveyance, mortgage or other instrument which purports to grant any right, interest, or lien in, to or upon a unit, shall be null, void and of no effect insofar as the same purports to effect any interest in a unit and its appurtenant undivided interest in common areas and facilities, unless the same purports to convey, devise, encumber, or otherwise trade or deal with the entire unit. Any instrument conveying, devising, encumbering, or otherwise dealing with any unit, which describes said unit by the letter/numerical designation assigned thereto in Exhibit C, pages 0-10, inclusive, without limitation or exception, shall be deemed and construed to affect the entire unit and its appurtenant undivided interest in the common areas and facilities. Nothing herein contained shall be construed as limiting or preventing ownership of any unit and its appurtenant undivided interest in the common areas and facilities by more than one person or entirety as tenants in common, joint tenants or as tenants by the entirety.

7.4 Common areas and facilities shall be, and the same are hereby declared to be subject to a perpetual non-exclusive easement in favor of all of the owners of units in CAROLINA LAKE BEACH VILLAS, for their use and the use of their immediate families, guests or invitees, for all proper and normal purposes, and the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said owners of units. Notwithstanding anything above provided in this Article, the Association, as is more particularly described in Article X hereinbelow, shall have the exclusive right to establish the rules and regulations pursuant to which the owner of any unit, his family guests and invitees, may be entitled to use the common areas and facilities, including the right to establish regulations concerning their use.

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

#### ARTICLE VIII

##### USE AND RESTRICTIONS ON USE

###### 8.0 Restriction on Use:

- (a) Each unit is hereby restricted to single-family residential use by the owner thereof, his immediate family, guests, invitees and lessees.
- (b) No immoral, improper, offensive or unlawful use shall be made of any unit or of the common areas or limited common areas and facilities, nor any part thereof, and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the unit shall be observed. No owner of any unit shall permit or suffer anything to be done or kept in his unit, or on the common areas or limited common areas and facilities, which will increase the rate of insurance on the unit,

- or which will obstruct or interfere with the rights of other occupants of the other units or annoy them by unreasonable noises, nor shall any owner undertake any use or practice which shall create and constitute a nuisance to any other owner of a unit or which interferes with the peaceful possession and proper use of any other unit or the common areas and facilities.
- (c) The use of common areas, limited common areas and facilities, by the owner of a unit or units or owners of all units, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use or which may be hereafter prescribed and established by the Association, said Association being more particularly described in Article X below, provided, however, that the designation of garage spaces as limited common areas appurtenant to certain specified units shall not be re-designated or altered without the unanimous vote of the Homeowners Association as more particularly described in Article X below.
- (d) No owner of a unit shall permit any structural modification or alteration to be made to such unit without first obtaining the written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine, in their sole discretion, that such structural modification or alterations would adversely effect or in any way endanger the condominium in part, or in its entirety. No owner shall cause any improvements or changes to be made on the exterior of the condominium (including painting or other decoration, or the installation of awnings, or the installation of electrical wiring, television or radio antenna or any other objects, machines or air conditioning units which may protrude through the walls or roof of the unit or condominium) or in any manner alter the appearance of the exterior portion of any building without the written consent of the Association being first had and obtained. No unit owner shall cause any object to be fixed to the common areas and facilities (including the location or construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the common areas and facilities or limited common areas and facilities without the written consent of the Association being first had and obtained.
- (e) No advertising signs, billboards, unsightly objects, or nuisances shall be erected, placed or permitted to remain on the property, including but not limited to the individual units or common or limited common areas, nor shall the property of any part of it be used in any way or for any purpose which may endanger the health of or unreasonably disturb the owner of any residence or any resident thereof. No business activity of any kind whatever shall be conducted at any building or on any portion of the property; provided, however, the foregoing covenants shall not apply to the business activities, signs and billboards of the Declarant, its agents or assigns, during the construction and sale period.
- (f) No animals, livestock or poultry of any kind shall be raised, bred or kept on any part of the property.
- (g) The exterior of the units shall not be decorated by the individual unit owners in any manner without the prior written consent of the Board of Directors of CAROLINA LAKE BEACH VILLAS HOMEOWNERS ASSOCIATION.
- (h) No trailer of any sort, tent, barn, storage camper, shed, garage or other similar out building or structure

shall be placed on the property at any time, either temporarily or permanently, with the exception that boat trailers may be kept on the property, provided they are kept in such manner as to not block or cause obstruction of the roadway.

- (i) No structure of a temporary character shall be placed upon the property at any time, provided, however, that this provision shall not apply to shelters and shed used by the Contractor during the construction of the multi-unit buildings or common area improvements or other necessary construction, it being clearly understood that these latter temporary structures may not, at any time, be used as residences or permitted to remain on the building site after completion of construction.
- (j) All garbage and refuse from the individual units shall be deposited with care in garbage containers or receptacles intended for such purpose, said containers or receptacles to be kept at all times in the space provided therefor.
- (k) No refuse, rubbish, trash or waste of any sort shall be thrown into the water surrounding the condominiums project nor shall any objects or materials be placed therein which would constitute a hazard to the health or safety of those using said waters for boating, swimming, or other water related sports and activities.
- (l) It shall be the responsibility of each unit owner, and the Board of Directors of CAROLINA LAKE BEACH VILLAS HOMEOWNERS ASSOCIATION, to prevent the development of any unclean, unsightly or unkempt conditions of the limited and general common areas.
- (m) So long as the Declarant shall retain ownership of any units, it may utilize any such unit or units for sales offices, models or other usage for the purpose of selling units with said project. The Declarant may assign this limited commercial usage right to any other person or entities as it may choose; provided, however, that when all units have been sold, this right of commercial usage by the Declarant, its successors and assigns shall immediately cease.
- (n) The use of the condominium or any units therein may be further restricted under the By-Laws of the Association, its Rules and Regulations.

8.1 All restrictions and affirmative obligations set forth in this DECLARATION shall run with the land and shall be binding on all parties and persons claiming under them for a period of twenty (20) years from the date of recordation of this DECLARATION, after which time said restrictions and obligations will be automatically extended for successive periods of ten (10) years, unless an instrument signed by the then owners of condominium units entitled to vote at least 90% of the votes of the Association affected by such restrictions and obligations has been recorded agreeing to change such restrictions and obligations in whole or in part.

8.2 In the event of a violation or breach of any of these restrictions, or of any other covenants of this DECLARATION, by any property owner, or agent thereof, the owners of other units or any of them, jointly or severally, shall have the right to proceed at law or in equity to compel the compliance of the terms hereof or to prevent the violation or breach in any event. In addition to the foregoing, the Board of Directors of CAROLINA LAKE BEACH VILLAS HOMEOWNERS ASSOCIATION shall have the right whenever there shall have been any violation of these restrictions to enter upon the property where such violation exists and summarily abate or remove the same at the expense of the owner, if after thirty (30) days written notice of such violation it shall not have been corrected or removed by the owner. Any such entry and abatement or removal shall not be deemed a trespass. The failure to enforce

any right, reservation or conditions contained in this DECLARATION, however long continued, shall not be deemed a waiver of the right to do so hereafter, as to the same breach or as to a breach occurring prior or subsequent thereto and shall not bar or affect its enforcement. The remedies set out herein for such violation or breach are cumulative with any other legal or equitable rights available to any entity or person. The invalidation by any court of any restrictions or obligations in this DECLARATION shall in no way affect any of the other restrictions, which shall remain in full force and effect.

8.3 All present and future owners, tenants and occupants of units now in existence or to be constructed shall be subject to, and shall comply with the provisions of this DECLARATION, the By-Laws and any Rules and Regulations as may be adopted in accordance with the By-Laws; said DECLARATION, By-Laws, Rules and Regulations may be amended from time to time. The acceptance of a deed of conveyance, or the entering into of a lease, or the entering into occupancy of any unit shall constitute an agreement that the provisions of this DECLARATION, By-Laws, and any Rules and Regulations which may be adopted are accepted and ratified by such owner, tenant or occupant and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease.

#### ARTICLE IX

##### EASEMENTS

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

- (a) In case of any emergency originating in or threatening any unit, regardless of whether the owner is present at the time of such emergency, the Board of Directors of the Association, or any other person authorized by it, or the managing agent, shall have the right to enter such unit for the purpose of remedying or abating the cause of such emergency, and such right shall be immediate.
- (b) Each unit owner shall have an easement in common with the other owners of all other units to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in such unit. The Board of Directors of the Association or their designee shall have the right of access to each unit to inspect the same to remove violations therefrom and to maintain, repair, or replace the common facilities contained therein or elsewhere in the building.
- (c) The initial and subsequent Boards of Directors for the Association may grant or assume easements, leases, or licenses for utility purposes for the benefit of the condominium, including the right to install, lay, maintain, repair and replace water lines, pipes, sewer lines, gas mains, telephone and television wires and

equipment and electrical conduits and wires over, under, along and on any portion of the units and/or common areas and facilities and limited common areas and facilities; and, each unit owner hereby grants to the Board of Directors for the Association, or its designee, the irrevocable power of attorney to execute, acknowledge, and record for or in the name of the Association or each unit owner such instruments as may be necessary to effectuate the foregoing.

- (d) Ingress and egress is reserved for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes as the same from time to time may exist upon the common areas and facilities; and for vehicular traffic over, through and across such portions of the common areas and facilities as from time to time may be paved and intended for such purposes, for all unit owners of units in all phases of construction or future construction of CAROLINA LAKE BEACH VILLAS, their guests, families, invitees, lessees, the Association, the Declarant, its successors and assigns.
- (e) The Declarant hereby reserves unto itself the right to grant easement over any of the common areas and limited common areas and facilities of CAROLINA LAKE BEACH VILLAS to be used for, by, or in connection with any other future construction of or at CAROLINA LAKE BEACH VILLAS, which may hereafter be erected on the property described in Exhibit B pursuant to this DECLARATION, or as may become necessary for the purpose of the Declarant, its grantee, lessee, successor or assigns, servicing such future construction with utility services, drainage, and easements for ingress and egress and regress.
- (f) In the event that any unit shall encroach upon any of the common areas and facilities, or any other unit or units, for any reason not caused by the purposeful or negligent act of the unit owner, or agents or such owner, then an easement appurtenant to such unit shall exist for the continuance of such encroachment so long as it naturally exist; and, in the event that any portion of the common areas and facilities shall encroach upon any unit, then an easement shall exist for the continuance of such encroachment of the common areas and facilities upon any unit for so long as such encroachment shall naturally exist. If any unit or common areas and facilities shall be partially or totally destroyed as a result of fire and/or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such use and/or common areas and facilities in accordance with this DECLARATION, there exist encroachments of portions of the common areas and facilities upon any unit, or of any unit upon any other unit or upon any portion of the common areas and facilities, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

## ARTICLE X

## THE ASSOCIATION

10.0 To provide for the administration and maintenance of CAROLINA LAKE BEACH VILLAS, and future construction, if any, by the unit owners and, a nonprofit North Carolina Corporation known and designated as CAROLINA LAKE BEACH VILLAS HOMEOWNERS ASSOCIATION (hereinafter the "Association"), has been organized, a true copy of its Articles of Incorporation having been recorded in Book 1202, at Page 137, in the Office of the Register of Deeds of New Hanover County, North Carolina, and the provisions thereof are incorporated herein by reference. The Association shall administer the operation and management of the condominium, CAROLINA LAKE BEACH VILLAS, as well as any units which are constructed in the future, if any, and shall undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and its duly adopted By-Laws. A true copy of the original By-Laws are attached hereto in Exhibit and expressly made a part hereby reference.

10.1 Management of Association.

(a) Declarant shall be solely responsible and have all rights and control of the management of the Association, as herein described, for a period of time not to exceed one hundred twenty (120) days after seventy-five (75%) percent of the unit estates submitted to ownership herein or by Amendment to Declaration pursuant to Article VII, Section 7.1 hereof have been conveyed to the unit estate purchasers. Within one hundred twenty (120) days after conveyance of seventy-five (75%) percent of the unit estates submitted to unit ownership herein or by Amendment to Declaration pursuant to Article VII, Section 7.1 hereof, or by the 15th day of April, 1987, whichever first occurs, Declarant shall transfer the right and responsibility for management of the association to the unit owners to be exercised through the Association. Such transfer of the rights and responsibility for management of the Association will not preclude or prevent Declarant from exercising continued influence in the management of the Association through such votes as are allocated to Declarant through the ownership of unit estates.

(b) Until transfer of the rights and responsibility for management of the Association occurs, as set forth in the above paragraph, the Board of Directors of the Association shall consist of those three individuals as are appointed by the Declarant to the initial Board of Directors of the Association as stated in the Articles of Incorporation for the Association or the successors or replacements for such Directors as named by Declarant. The Board of Directors as described herein shall have the exclusive control and responsibility for the operation and management of the Association exercising all powers, duties and obligations, free from interference or control of the purchasers of the unit estates.

10.2 Membership and Voting Rights. Membership and voting rights in the Association shall be as provided in Article VI of the Articles of Incorporation referred to and incorporated herein as stated hereinabove subject to the Declarant's rights of management control of the Association as set out above. Membership shall be

mandantory for all unit owners of all units at CAROLINA LAKE BEACH VILLAS, including units constructed at a future date.

10.3 Powers. The Association shall have all powers granted to it as stated in Article V of said Articles of Incorporation.

10.4 Common Expenses. The common expenses of the Association shall be shared by the unit owners in amounts determined by applying each unit owner's proportionate share of ownership in the common areas and facilities to the total common expenses of the Association, and as assessed against the unit owners, and their units as provided for hereinafter.

10.5 Management and Maintenance

(a) The Association, as a common expense, shall be responsible for the maintenance, repair, and replacement of all of the common areas and facilities, including those portions thereof which contribute to the support of the building or buildings, and all conduits, ducts, plumbing, wiring, and other facilities located in the common areas and facilities for the furnishing of utility and other services to the units and said common areas and facilities, and should any incidental damage be caused to any unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair, or replacement of any common areas and facilities, the Association shall, at its expense, repair such incidental damage. Whenever the Association incurs expenses in the maintenance, replacement or repair of common areas or facilities and such expense is occasioned by any act of a unit owner, his immediate family, guests, or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement, except that the unit owner who is responsible for the act causing the damage (whether done by himself or by his family, guests, or invitees) shall be required to pay such portion of the cost of such maintenance, repair, and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the available insurance proceeds.

(b) The Association shall have the right to make or cause to be made such alterations or improvements to the common areas and facilities which do not prejudice the rights of the owner of any unit in the use and enjoyment of his unit, provided the making of such alterations or improvements are approved by the Board of Directors of the Association, and the cost of such alterations or improvements shall be common expenses to be assessed and collected from all of the owners of units. However, where any alterations and improvements are exclusively or substantially for the benefit of the owner or owners of a certain unit and certain unit or units requested the same, then the cost of such alterations or improvements shall be assessed against and collected solely

from the owner or owners of the unit or units exclusively or substantially benefited, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

(c) The Association shall enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance, and management of the property. However, no such contract or lease shall be binding upon the Association except through express adoption, or ratification of the terms and conditions of such contract or lease. Except, however, any such contract or lease shall contain a provision allowing the Association to terminate such contract or lease, without justification or penalty after Transfer of Control by Declarant to the Association.

#### 10.6 Unit Owners Maintenance:

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

(b) All parts of a unit shall be kept in good condition and repair by and at the expense of the owner. The unit shall be maintained by the owner in a clean and safe condition, free of nuisance. Each unit owner will promptly comply with any requirements of the insurance underwriters of the insurance for the common areas and facilities when so requested in writing by the Board or its designated agent. Any failure of an owner to repair, maintain, or replace as may be required pursuant to this Declaration, or a determination by the Board or its designated agent that such failure will endanger or

impair the value of the common areas and facilities of any unit may be, upon written notice to the owner of the nature of the required repair, maintenance or replacement, repaired or replaced by the Association at the expense of the unit owner, to be collected by special assessment as provided herein and in the By-Laws. Such assessment may include the cost to the Association incurred in the abatement of any nuisance by the unit owner therein.

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

10.8 Insurance.

(a) Acquisition: Insurance policies upon the condominium (other than title insurance) shall be purchased by the Association in the name of the Board of Directors of the Association, as Trustee for the unit owners and their respective mortgagees as their interests may appear, and shall provide for the issuance of certificates or mortgage endorsements to the holders of first mortgages on the units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its right of subrogation as to any claims against the unit owners, the Association and their respective servants, agents and guests. Each unit owner may obtain insurance, at his own expense, affording coverage upon his unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

(b) Coverage: All buildings and improvements upon the land and all personal property included in the common areas and facilities shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs. Such coverage shall afford protection against (a) loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and (b) such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the buildings on the real property, including but not limited to, vandalism and malicious mischief.

(c) Public Liability Insurance: Public liability insurance shall be secured by the Association in such amount and with such coverage as shall be deemed necessary by the Board of Directors, but in no event in an amount less than One Million Dollars, including, but not limited to, an endorsement to cover liability of the unit owners as a group or to a single unit owner. There shall also be obtained such other insurance coverage as the Board of Directors or manager shall determine from time to time be desirable or necessary.

(d) Premiums: Premiums upon insurance policies purchased by the Association shall be paid by the Association and chargeable to the Association as a common expense.

(e) Proceeds: All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their mortgagees as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The Board of Directors of the Association is hereby irrevocably appointed agent for each unit owner and his mortgagee as their interest may appear for the purpose of compromising and settling claims arising under insurance policies purchased by the Board of Directors for the benefit of the Association and the unit owners; said Board of Directors or its designee is hereby further empowered to execute and deliver releases to the insurance carrier upon the payment of claims. The Board of Directors' duty or its designee's duty upon receipt of such proceeds shall be to hold the same in trust for the purposes elsewhere stated herein or in the By-Laws for the benefit of the Association and the unit owners and their mortgagees, as their interest may appear.

(f) Distribution of Insurance Proceeds: Proceeds of insurance policies shall be payable to the Board of Directors of CAROLINA LAKE BEACH VILLAS HOMEOWNERS ASSOCIATION, INC. as insurance trustee and shall be distributed to or for the benefit of the beneficial owners in the following manner:

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

(ii) Reconstruction or Repair: If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as determined in Paragraph 10.9 hereof. Any proceeds remaining after defraying such cost shall be distributed as surpluses to the beneficial owners of the damaged units pursuant to Paragraph 10.11 hereof;

(iii) Failure to Reconstruct or Repair: If it is determined, as provided in Paragraph 10.9 hereof, that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed as surpluses to the beneficial owners of the damaged units thereof pursuant to Paragraph 10.11 hereof;

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