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STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER
DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
FOR HARBOUR POINT YACHT CLUB
2000 JUL 20 PM 3:20
RECORDED AND VERIFIED
COUNTY CLERK
NEW HANOVER CO. NC

This Declaration, Made the 20TH day of July, 2000, by HARBOUR POINT YACHT CLUB MEMBERS' ASSOCIATION, INC. , hereinafter referred to as "Declarant" for the purposes hereinafter stated;

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WITNESSETH:

Whereas, Declarant is the owner of and possesses the riparian rights to certain real property in New Hanover County, North Carolina, known as Harbour Point Yacht Club, which is shown on Schedule 1 attached hereto and made a part hereof, and a plat (the "Plat") recorded in the Office of the Register of Deeds of New Hanover County, North Carolina, in Map Book 40 Page 6, to which reference is made for a more particular description (said land shown thereon and all riparian rights associated therewith hereinafter referred to as the "Property"); and

Whereas, Declarant is a non-profit corporation and holds the Property not for gain but for the sole purpose of operating the association of its members; and

Whereas, DJF Enterprises, Inc. (the "Developer") is developing the Property, for gain, as a yacht club; and

Whereas, HPPI Investments, L.L.C. (hereinafter referred to as the "Charter Member") has this date at the direction of the Developer deeded the Property to the Declarant pursuant to an Agreement between the Charter Member and Developer dated November 30, 1998; and

Whereas, the Declarant has agreed to hypothecate the Property to Cooperative Bank for Savings, Inc., SSB (the "Bank") to secure an acquisition and development loan made by the Bank to the Developer; and

Whereas, at the direction of the Charter Member and the Developer, the Declarant makes the following declarations;

NOW, THEREFORE, Declarant declares that the Property described above shall be held, and Memberships in the Association (as those capitalized terms are hereinafter defined) sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the land and be binding on and shall inure to the benefit of all parties

RETURNED TO *W. T. ...*

having any right, title or interest in the Property or in any Membership, their heirs, successors and assigns.

ARTICLE I.

DEFINITIONS

SECTION 1. Additional Property shall mean and refer to any lands (including any associated riparian rights), in addition to the above described Property, annexed to and made a part of the Development (as hereinafter defined) pursuant to the terms of this Declaration.

SECTION 2. Association shall mean and refer to Harbour Point Yacht Club Members' Association, Inc., a North Carolina non-profit corporation, its successors and assigns, the owners association organized for the purposes set forth herein.

SECTION 3. Assessments shall mean the Annual, Special, Insurance, Ad Valorem and Working Capital Assessments defined herein.

SECTION 4. Boat shall mean any boat or vessel moored at any Boat Slip.

SECTION 5. Boat Slip shall mean the space in and above the water for the docking of boats as diagrammatically shown on the Plat.

SECTION 6. Boat Slip Diagram shall mean the "as built" diagram of the Property maintained by the Association indicating the location and size of all Boat Slips and the location of other facilities of the Development.

SECTION 7. Certificate of Membership or Certificate of Charter Membership shall mean the certificate issued to each Member assigning a specific Boat Slip to the Member.

SECTION 8. Common Area(s) shall mean and refer to all lands and easements within or appurtenant to the Development and all bulkheads, piers, docks, pilings, and other parts of the Development intended for the common use and enjoyment of the Owners.

SECTION 9. Developer (which designations shall include singular, plural, masculine and neuter as required by the context) and shall mean and refer to DJF Enterprises, Inc., its successors and assigns, if such successors or assigns should acquire undeveloped property for the purpose of development.

SECTION 10. Declaration shall mean this instrument as it may be from time to time amended or supplemented.

SECTION 11. Development shall mean the Property plus any Additional Property.

SECTION 12. Plat shall mean the plat referred to in the preamble to this Declaration.

SECTION 13. Property shall mean the Property as defined in the preamble to this Declaration.

SECTION 14. Member(s) shall mean and refer to every person or entity (whether one or more persons or entities) who has a Membership in the Association and to whom a Boat Slip has been assigned pursuant to a Certificate of Membership.

SECTION 15. Membership shall mean and refer to the rights, privileges, benefits, duties and obligations, which shall inure to the benefit of and burden each Member of the Association.

ARTICLE II.

PROPERTY RIGHTS AND EASEMENTS

SECTION 1. Members' Property Rights and Easement of Enjoyment. Every Member shall have and is hereby granted a right and easement of enjoyment in and to the Common Area, subject to the following provisions:

(a) The Association may make and amend reasonable rules and regulations governing use of the Common Areas by the Members, which may include a schedule of fines and penalties for violation thereof or of this Declaration, to be levied and collected in accordance with the North Carolina Planned Community Act ;

(b) The Association may suspend the voting rights and privileges of a Member for any period during which any Assessments against the Member's Boat Slip remain unpaid and for each infraction of the published rules and regulations of the Association, for a period not to exceed 50 days and for a period of 120 days for a second infraction occurring within 12 months of the first infraction ;

(c) The Association may mortgage the Common Areas for such purposes and subject to such conditions as may be agreed to by at least two-thirds of the Members; provided, however, that the Association may without the consent of the Members grant

easements over the Common Area for drainage systems and public utilities servicing the Development and hypothecate the Development for acquisition, construction and development loans to the Developer.

(d) The Board of Directors on behalf of the Association, as a common expense, may at all times keep the Common Areas and other assets of the Association, if any, insured against loss or damage by fire or other hazards and such other risks, including public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect such property, which insurance shall be payable in case of loss to the Association for all Members. The Association shall have the sole authority to deal with the insurer in the settlement of claims. In no event shall the insurance coverage obtained by the Association be brought into contribution with insurance purchased by Members or their mortgagees.

(e) The Declarant and the Developer are informed and believe that all necessary governmental permits for the existence of the boat dock facility at the Development have been issued and are presently in full force and effect. The facility is located upon navigable waters and exists solely in accordance with the terms of such permits as have been issued, and remain in effect, by agencies of the United States of America and the State of North Carolina. Further, certain aspects of the facility may be subject to a special use permit issued by the Town of Carolina Beach. All rights of the Declarant and the Members in and to the boat dock facility are subject to the terms and conditions of any such permits, compliance with such terms and conditions, and the continued existence, effectiveness, and renewal (if required) of such permits. Each Member acknowledges these disclosures and accepts Membership subject thereto.

SECTION 2. Easements in Favor of Developer, Charter Member and the Association. The following easements are reserved to Developer, the Charter Member and the Association, their successors and assigns:

(a) easements as necessary in the lands constituting any part of the Common Area for the installation and maintenance of utilities and drainage facilities; including the right of Developer, the Charter Member and the Association to go upon the ground with men and equipment to erect, maintain, inspect, repair and use electric and telephone lines, wires, cables, conduits, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public conveniences or utilities; the right to cut drain ways, swales and ditches for surface water; the right to cut any trees, bushes or shrubbery; the right to make any grading of the soil; and the right to install wells, pumping stations, and tanks. No structures or plantings or other material shall be placed or permitted or remain upon such easement areas or other activities undertaken thereon which may damage or interfere with the installation or

maintenance of utilities or other services, or which may retard, obstruct or reverse the flow of water or which may damage or interfere with established slope ratios or create erosion problems.

(b) easements over all access easements, and Common Areas within the Development as necessary to provide access, ingress and egress, to any Additional Property.

(c) an easement of unobstructed access over, on, upon, through and across each Boat Slip at all reasonable times to perform any maintenance and repair to the Common Area.

SECTION 3. Other Easements. The following easements are granted by Declarant to others (and in certain cases also to the Declarant):

(a) an easement is hereby granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency services, to enter upon all Boat Slips and Common Area in the performance of their duties.

(b) in case of any emergency originating in or threatening any Boat or Boat Slip or Common Areas, regardless of whether any Member is present at the time of such emergency, the Association or any other person authorized by it, shall have the right to enter any Boat or Boat Slip for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs not performed by the Members, and such right of entry shall be immediate. Such work shall be performed at the expense of the Member, and in such event a lien shall arise and be created in favor of the Association for the full amount of the cost thereof chargeable to such Boat Slip, including collection costs and such amounts shall be due and payable within thirty (30) days after the Owner is billed therefor. Such lien against the Membership shall be enforceable in the same manner as for the lien for Assessments.

(c) the Association is granted an easement over each Boat for the purposes of providing maintenance when a Member fails to provide maintenance and upkeep in accordance with this Declaration.

SECTION 4. Nature of Easements. All easements and rights described herein are perpetual easements appurtenant, running with the land, and shall inure to the benefit of and be binding on the Developer and the Association, their successors and assigns, and any Member, purchaser, mortgagee and other person having an interest in the Property or any Additional Property, or any part or portion thereof.

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ARTICLE III.

OWNERS' ASSOCIATION

SECTION 1. Formation of Association. The Association is a nonprofit corporation organized pursuant to the Nonprofit Corporation Act of the State of North Carolina for the purpose of establishing an association for the Members to (i) own, operate and maintain the Common Areas, and (ii) to serve as a member of Harbour Point Clubhouse Association, Inc., all in accordance with this Declaration, its Charter and Bylaws.

SECTION 2. Membership in Harbour Point Clubhouse Association, Inc. Upon recording of this Declaration, the Association shall become a member of Harbour Point Clubhouse Association, Inc. The incidences of such membership are set forth in the Declaration of Covenants, Conditions and Restrictions for Harbour Point Clubhouse recorded in Book 2759 Page 460 of the New Hanover County Registry and in the Articles of Incorporation and By-laws of Harbour Point Clubhouse Association, Inc.

SECTION 3. Membership and Classes. The following classes of membership are hereby established:

a. Charter Membership: HPPI Investments, L.L.C. shall be the sole Charter Member. Upon the recording of this Declaration, the Charter Member shall be issued a Certificate of Charter Membership for 92 Boat Slips in the form of Exhibit A attached hereto. The Charter Membership is created for the purpose of vesting the Charter Member with ownership of such Boat Slips until sold to the Developer. The Developer and the Charter Member have entered into a separate agreement setting forth the terms upon which the Charter Member will sell Charter Member's to Boat Slips the Developer.

b. Class A and Class B Membership. There may two classes of Membership, in addition to the Charter Membership; Class A and Class B, (the total number of Members in each class to be determined in the sole discretion of the Declarant). The only difference between the classes is that Class A Members can transfer their Certificate of Membership to anyone and Class B Membership shall be permanently assigned to and may not be separated from Lot ownership within Harbour Point (as defined and described in Amended and Restated Declaration of Covenants, Conditions and Restrictions for Harbour Point recorded in Book 2759, Page 438 of the New Hanover County Registry) or any Subdevelopment thereof (as defined in Declaration of Covenants, Conditions and Restrictions for Harbour Point Clubhouse recorded in Book 2759 Page 460 of the New Hanover County Registry). Membership shall be evidenced by the issuance of a Certificate of Membership. The form of Certificate of Membership for each class is attached hereto as Exhibits B and C.

SECTION 4. Voting Rights. Each Class A and Class B Member shall be entitled to one vote for each Boat Slip assigned to the Member. When more than one person holds an interest in any Boat Slip, all such persons shall be Members. The vote for such Boat Slip shall be exercised as they determined, but in no event shall more than one vote be cast with respect to any Boat Slip except as to Boat Slips owned by the Charter Member as provided below. Fractional voting with respect to any Boat Slip is hereby prohibited. The Charter Member shall have three (3) votes for each Boat Slip owner.

SECTION 5. Surrender of Charter Membership. The method of termination and surrender of Charter Membership for any Boat Slip shall be by the Charter Member signing the Certificate of Charter Membership in the place provided on the Certificate of Charter Membership. The Charter Member's signature upon such Certificate, nothing else appearing, shall constitute a complete surrender and termination of Charter Membership and the Charter Member's ownership interest in the Boat Slip referenced on the Certificate. Upon surrender and termination of any Charter Membership, the Association shall without charge, at the direction of the Developer, either issue a Certificate of Membership to the Developer or hold the surrendered Charter Membership Certificate in trust for issuance at a later date in accordance with the instructions of the Developer.

SECTION 6. Release of Institutional Lender's Interest. The Bank's loan to the Developer is secured by a first lien deed of trust and security interest under the Uniform Commercial Code, both of which are subject to the terms of this Declaration. The method of release of the Bank's security interest in any Membership shall be by the Bank signing the Certificate of Membership for any Boat Slip issued by the Association on behalf of the Developer, upon compliance with the terms of the release provisions of the Construction Loan Agreement between the Developer and the Bank. The signature of the Bank upon such Certificates of Membership, nothing else appearing, shall constitute a complete surrender and release of the Bank's security interest with regard to the particular Boat Slip referenced on the Certificate. The security interest of any successor institutional lender to the Bank shall be released by the same method provided for in this paragraph. The Bank's (or its successors's) signature upon Certificates of Membership shall be for the sole purpose of effectuating surrender and release of the Bank's liens.

SECTION 7. Profits. Notwithstanding that the Property has been deeded by the Charter Member to the Association, the proceeds from the sale of Memberships shall belong to and be the sole property of the Developer. When requested to do so by the Developer, the Association will issue Certificates of Membership without charge. The Association shall not issue any initial Certificate of Membership except at the direction of the Developer. The Association shall have no claim to any rents and profits from Boat Slip Rentals by the Developer or the Charter Member.

SECTION 8. Transfer of Membership. Upon the transfer of a Membership, the transferring Member shall surrender the applicable Certificate of Membership to the Association and a new Certificate of Membership shall be issued by the Association to the new Member. The Association shall be entitled to charge a reasonable administrative fee for handling the transfer.

SECTION 9. Government Permits. All duties, obligations, rights and privileges of the Developer under any water, sewer, stormwater and utility agreements, easements, licences, and permits for the Development with municipal or governmental agencies or public or private utility companies are at all times the responsibility of the Association. The Association shall assign to the Charter Member the right to obtain the necessary permits to add additional Boat Slips to the Development in excess of the original 92 Boat Slips.

ARTICLE IV.

COVENANTS FOR ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessments. Each Member covenants and agrees to pay to the Association the following assessments (collectively the "Assessments"):

- A. Annual Assessments;
- B. Special Assessments for Capital Improvements;
- C. Insurance Assessments;
- D. Ad Valorem Tax Assessments; and
- E. Working Capital Assessments.

The Assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on and a continuing lien upon the respective Boat Slip against which the Assessments are made. Each such Assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Member to which such Boat Slip was assigned at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to the Member's successors in title unless expressly assumed by them.

SECTION 2. Purpose of Annual Assessments. The Annual Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Members and for the improvement and maintenance of the Common Areas.

The funds arising from said assessments or charges, may be used for any or all of the following purposes: Operations, maintenance and improvement of the Common Areas, including payment of utilities; enforcing this Declaration; paying taxes, insurance premiums, legal and accounting fees and governmental charges; establishing working capital; paying the Associations Proportionate Share of Clubhouse Assessments due to Harbour Point Clubhouse Association, Inc., and in addition, doing any other things necessary or desirable in the opinion of the Association to keep the Common Areas in good order and repair.

SECTION 3. Annual Assessments. The Board of Directors shall adopt a proposed annual budget at least 90 days before the beginning of each fiscal year. Within 30 days after adoption of the proposed budget for the Development, the Board of Directors shall provide to all of the Members a summary of the budget and notice of a meeting to consider its ratification, including a statement that the budget may be ratified without a quorum. The budget is ratified unless at the meeting a majority of all of the Members in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Members shall be continued until such time as the Members ratify a subsequent budget proposed by the Board of Directors. The Annual Assessment for each Membership shall be established based on the annual budget thus adopted; provided, however, that the first Annual Assessment shall be set by the Declarant prior to the issuance of the first Certificate of Membership. The Annual Assessment shall be calculated on a per footage basis (the "Per Foot Assessment"). The Annual Assessment for each Boat Slip shall be arrived at by multiplying the Per Foot Assessment by the total footage shown on the Certificate of Membership for the Boat Slip. The due date for payment shall be established by the Board of Directors. The Board of Directors shall have the authority to require the assessments to be paid in periodic installments. 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 Boat Slip have been paid.

SECTION 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 the 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 Areas and any Limited Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the Members of each class who are voting in person or by proxy at a meeting duly called for this purpose. Written notice of any meeting of Members called for the purpose of approving Special Assessments shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting.

SECTION 5. Insurance Assessments. All premiums on insurance policies purchased by the Board of Directors or its designee and any deductibles payable by the

Association upon loss shall be a common expense, and the Association may in any assessment year levy against the Members equally an "Insurance Assessment", in addition to the Annual Assessments, which shall be in an amount sufficient to pay the annual cost of all such deductibles and insurance premiums not included as a component of the Annual Assessment.

SECTION 6. Ad Valorem Tax Assessments. All ad valorem taxes levied against the Common Areas, if any, shall be a common expense, and the Association may in any assessment year levy against the Members equally an "Ad Valorem Tax Assessment", in addition to the Annual Assessments, which shall be in an amount sufficient to pay such ad valorem taxes in such year not included as a component of the Annual Assessment.

SECTION 7. Working Capital Assessments. At the time title to a Certificate of Membership is issued to a Member by Declarant, the Member shall pay the sum of \$150.00 to the Association as working capital to be used for operating and capital expenses of the Association. Amounts paid into the working capital fund are not to be considered as advance payment of the Annual or any other assessments.

SECTION 8. Uniform Rate of Assessment. The Assessments must be fixed at a uniform rate for all Boat Slips on a per footage basis.

SECTION 9. Commencement of Assessments. Assessments for each Boat Slip shall commence upon the date of acceptance by a Member of a Certificate of Membership from Declarant.

SECTION 10. Effect Of Nonpayment of Assessments And Remedies Of The Association. Any Assessment or installment thereof not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate allowable by law. The Association may bring an action at law against the Member personally obligated to pay the same, or foreclose the lien against the Membership of the Member. No Member may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Area or abandonment of his Boat Slip or Membership. All unpaid installment payments of Assessments shall become immediately due and payable if a Member fails to pay any installment within the time permitted. The Association may also establish and collect late fees for delinquent installments.

SECTION 11. Lien for Assessments. The Association may file a lien against a Certificate of Membership when any Assessment levied against a Member remains unpaid for a period of 30 days or longer.

(a) The lien shall constitute a lien against the Certificate of Membership when and after the claim of lien is filed of record in the office of the Clerk of Superior Court of

New Hanover County. The Association may foreclose the claim of lien in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. Fees, charges, late charges, fines, interest, and other charges imposed pursuant to Sections 47E-3-102, 47F-3-107, 47F-3-107A and 47F-3-115 of the Planned Community Act (Chapter 47F of the North Carolina General Statutes) are enforceable as Assessments.

(b) The lien under this section shall be prior to all liens and encumbrances on a Membership except (i) liens and encumbrances (specifically including, but not limited to, a security interest in the Membership) recorded or filed before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for ad valorem taxes and other governmental assessments and charges against the Membership.

(c) The lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the Clerk of Superior Court.

(d) Any judgment, decree, or order in any action brought under this section shall include costs and reasonable attorneys' fees for the prevailing party.

(e) Where the holder of a first security interest of record, or other purchaser of a Membership, obtains title to the Boat Slip as a result of foreclosure, such purchaser and its heirs, successors and assigns shall not be liable for the Assessments against the Membership which became due prior to the acquisition of title to the Membership by such purchaser. The unpaid Assessments shall be deemed to be Common Expenses collectible from all of the Members including such purchaser, its heirs, successors and assigns.

(f) A claim of lien shall set forth the name and address of the Association, the name of the Member(s) holding the Certificate of Membership at the time the claim of lien is filed, a description of the Boat Slip covered by the Certificate of Membership, and the amount of the lien claimed.

SECTION 12. No Assessments Paid by Charter Member. Neither the Charter Member nor the Developer shall be obligated to pay Assessments.

ARTICLE V

RIGHTS OF DEVELOPER

The Developer shall have, and there is hereby reserved to the Developer, the following rights, powers and privileges which shall be in addition to any other rights, powers and privileges reserved to the Developer herein:

SECTION 1. Control of Yacht Club Association. The Developer shall be entitled to appoint the Board of Directors of the Association during any period that the Charter Member, its successors or assigns, holds any Charter Memberships.

SECTION 2. Plan of Development. The right to change, alter or redesignate the allocated planned, platted, or recorded use or designation of any of the lands and waters constituting the Development including, but not limited to, the right to change, alter or redesignate the layout and design of docks, piers, pilings, utility and drainage facilities, and easements, and to change, alter or redesignate such other present and proposed amenities or facilities as may in the sole judgment and discretion of Developer be necessary or desirable. The Developer hereby expressly reserves unto itself, its successors and assigns, the right to re-plat any one (1) or more Boat Slips shown on the Plat or on the Boat Slip Diagram in order to delete Boat Slips or to create one or more modified Boat Slips, subject to the Charter Member's approval, said modification not to result in fewer than 3,708 linear feet of Boat Slips and to construct additional Boat Slips in the event that more than 92 Boat Slips can be constructed on the Property. The Association shall cooperate with Charter Member in the event that more than 92 Boat Slips are permitted and can be constructed in assisting in obtaining the necessary permits and in performing such other acts as may be reasonably required of it as owner of the Property. The Association shall issue to the Charter Member Charter Membership Certificates for any such additional Boat Slips.

SECTION 3. Amendment of Declaration by the Developer. This Declaration may be amended without member approval by the Developer, or the Board of the Association, as the case may be, as follows:

- A. In any respect, prior to the issuance of the first Certificate of Membership.
- B. To the extent this Declaration applies to Additional Property.
- C. To correct any obvious error or inconsistency in drafting, typing or reproduction.
- D. To qualify the Association or the Property and Additional Property, or any portion thereof, for tax-exempt status.
- E. To include any platting change as permitted herein.
- F. To conform this Declaration to the requirements of any law or governmental agency having legal jurisdiction over the Property or any Additional Property or to qualify the Property or any Additional Property and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency.

as well as any other law or regulation relating to the control of property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

G. To permit or prohibit the rental of Boat Slips by Members. In the event this Declaration is amended to permit the renting of Boat Slips, such amendments may include provisions granting or limiting the use by Boat Slip tenants or Members of the property and facilities of Harbour Point Clubhouse.

H. To provide for more than 92 Boat Slips in the event that more than 92 Boat Slips can be constructed on the Property.

SECTION 4. Membership and Classes. Class A and B Certificates of Membership shall be issued by the Association only at the direction of the Developer, except for Certificates issued Article III, Section 8 of this Declaration. Developer in its sole discretion shall be entitled to designate the total number of Class A and Class B Memberships and to amend the form of Certificate of Membership for each class.

SECTION 5. Annexation of Additional Property. Developer may annex to and make a part of the Development any other real property or waters which Developer now owns or which Developer may hereafter acquire or develop (the "Additional Property").

SECTION 6. Sales and Rentals. So long as any Charter Memberships remain outstanding the Developer, its designee, or the Charter Member, may utilize any Boat Slip covered by such Certificates for purposes relating to the sale of Memberships, including the right to place "For Sale" or "For Rent" signs on any Boat Slip. The Developer and the Charter Member may rent Boat Slips until the Membership is sold. The Developer and the Charter Member may assign this limited commercial usage right to any other person or entities as it may choose.

ARTICLE VI.

USE RESTRICTIONS AND MAINTENANCE

SECTION 1. Use Restrictions.

A. Non-commercial Use. Boat Slips shall not be rented by the Members and are restricted only to personal, recreational and non-commercial use.

B. Nuisances. No noxious or offensive activity shall be carried on upon any Boat, Boat Slip or Common Area, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. There shall not be maintained any plants or animals, nor device or thing of any sort whose normal activities or existence are in any way noxious, dangerous, unsightly, unpleasant or other nature as may diminish or destroy the enjoyment of other Boat Slips by the Members thereof. It shall be the responsibility of each Member to prevent the development of any unclean, unsightly or unkept condition of the Member's Boat or Boat Slip.

C. Devices and Structures. No device, structure or other thing shall be located or maintained on any dock or other Common Area except one dock box per Boat Slip, the design and location of which must be approved by the Association. All fishing gear and other marine devices and equipment when not in use shall be stored on board or in a dock box.

D. Boats. The overall length of any vessel to be moored in a Boat Slip may not exceed the footage for the Boat Slip shown on its Certificate of Membership. No "tramp vessels", "derelict vessels", barges, or commercial vessels may be moored in any Boat Slip. All Boats shall be maintained in a neat, clean, ship shape, and seaworthy condition. No inoperable Boat without current registration and insurance, will be permitted on any Boat Slip. The Association shall have the right to have all prohibited Boats towed away and stored at the Member's expense. No major repairs or complete overhauls to any Boat may be made at a Boat Slip. Boats may not be used as permanent residences.

E. Signs. No signs (including "for sale" or "for rent" signs) shall be permitted on any Boat Slip or in the Common Areas.

F. Trash Disposal. Newspapers, magazines and other similar items must be placed in a solid waste container. Garbage and other perishable items shall be placed in a plastic bag secured at the top and placed in the solid waste container. Loose garbage shall not be deposited anywhere. No trash or empty boxes of any kind shall be left on the dockways. No one shall throw, discharge, pump or deposit from any boat or float any refuse, oil, spirits, flammable liquid or polluting matter in the harbor. All such matter shall be deposited at approved oil disposal facilities. Waste material such as paper, beer or drink cans, cigarette stubs, trash, etc., must not be thrown from the Boats or dock areas.

G. Dockways. Children under twelve (12) years of age are not permitted on docks without the immediate presence of a parent or other responsible adult. Parents shall not allow children to run and play on the dockways. Dockways shall be kept clear and uncluttered.

H. Mooring/Storm Precautions. To prevent damage from weather or storms, adequate mooring lines must be properly secured and maintained, and all outside property of any Member shall be battened down, secured, or placed inside the Boat. The

Association may order boats immediately removed from their slips in the event of impending hurricanes or other storms in order to protect the docks and other Common Areas. Upon the issuance of any such order, each Member shall immediately remove his boat from the Boat Slip. Any damage caused to the common area on account of such Member failing to remove his Boat shall be repaired by the Association at the sole cost and expense of such Member.

I. Guests. Every Member shall insure that his guests abide by this Declaration and all rules and regulations and shall be responsible to the Association for any violation. The number of guests which a Member may have at any one time may be limited by the Association.

J. Food and Beverages. No cooking shall be allowed on any dock.

K. Fish Cleaning. Fish cleaning of any kind will not be permitted at the Development except at a place or places designated by the Board of Directors.

L. Operation of Engines. Unnecessary operation of engines in slips is not permitted. Engines may not be operated in gear while Boats are moored.

M. Water/Power Lines and Connections. Water or power lines shall not be left unattended across main walks. All connections to electrical receptacles shall be with marine grade cords only. All accessory cords shall be maintained by the Member(s) for his slip in good, safe operating condition. Frayed cords shall promptly be replaced at the Member(s) expense.

N. Speed Limit. The speed limit within the Yacht Club shall be dead slow, or wakeless speed, whichever is slower.

O. Fishing, Swimming, etc. Fishing and swimming from docks, floats or gangways is not allowed.

P. Animals. Animals shall be lashed at all times when on the premises. No animals shall be tied to any part of the dock, including fingers or dock boxes. Animals shall be physically kept on board at all times. The owner of an animal is responsible for cleaning up pet feces and urine.

Q. Alterations. No part of the docks, utility posts or any other Common Area may be altered by a Member in any way.

R. Safety and Compliance with Law. All persons using the facilities shall do so lawfully and in such fashion as to maintain and preserve those facilities and the Common Area. Each person shall be responsible for his/her own conduct and safety. All persons shall comply with all ordinances of the Town of Carolina Beach.