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STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

RECORDED AND VERIFIED
REBECCA P. LUCKER
REGISTER OF DEEDS
NEW HANOVER CO. NC

MAY 7 3 18 PM '85

DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS
AND UNIT OWNERSHIP OF
LUMINA STATION TOWNHOUSES

THIS DECLARATION, made this 6th day of May,
1985, by Earl M. Worsley, and Lee F. Couper, hereinafter referred to
as "DECLARANTS";

W I T N E S S E T H:

WHEREAS, DECLARANTS are the owners of certain property in the
Town of Wrightsville Beach, New Hanover County, North Carolina, which
is more particularly described as follows:

ALL of that property shown on a map of LUMINA STATION
TOWNHOUSES, as recorded in Condominium Plat Book 1
at Pages 35 & 36, of the New Hanover County Registry.

NOW, THEREFORE, DECLARANTS hereby submit the above described
property to the unit ownership pursuant to North Carolina General Statutes
Section 47A-13 and hereby declares that all of the properties described
above shall be held, sold and conveyed subject to the following easements,
restrictions, covenants, conditions, uses and obligations which are for
the purposes of protecting the value and desirability of and which shall
run with the real property and be binding on all parties having any right,
title or interest in the described properties or any part thereof, their
heirs, successors and assigns, and shall inure to the benefit of each
owner thereof.

ARTICLE I.

DESCRIPTION OF BUILDINGS. The DECLARANTS have constructed or
will construct, upon the property described a two-story building with
two (2) units to be used for residential purposes. A plat of survey by
Jack G. Stocks, showing the location of said building is recorded in Condominium
Plat Book 1 at Pages 35 & 36 of New Hanover County Registry. The
building is of wood construction, contains 3,000 square feet and is
divided into two (2) units. The building is constructed on raised wood
pilings. The two (2) units are designated on Condominium Plat Book 1
at Pages 35 & 36 of the New Hanover County Registry, as Units 1 and
2. Each unit contains 6 rooms, 1,500 square feet and has access to all
of the general common area designated on the above-referenced Plat. The
two (2) units share a common interior wall which separates the two units.
Each unit is two stories in height and is bounded as to horizontal and

RETURNED TO EARL M. WORSLEY JR

Box 311

WRIGHTSVILLE BEACH NC

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vertical boundaries as follows: by the interior surfaces of its perimeter walls, two story ceilings and the land lying beneath the units as shown on the above referenced plat.

The general common areas and facilities are shown on Condominium Plat Book 1 at Pages 35 + 36. Each unit owner will receive the conveyance of his unit an undivided one-half interest in the general common area and facilities.

The limited common areas and facilities are also shown on Condominium Plat Book 1 at Pages 35 + 36. Each unit owner will receive a one-half undivided interest and the exclusive right to possession of the limited common areas designated for use by his unit.

ARTICLE II.

USE RESTRICTIONS. The use of the property shall be in accordance with the following provisions:

(a) Each of the Townhouses shall be occupied only by a family, its servants, and guests, as a residence and for no other purposes. No Townhouse may be divided or subdivided into a smaller unit nor any portion thereof sold or otherwise transferred.

(b) The Common areas and elements shall be used only for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the Townhouses.

(c) No use or practice shall be permitted on the Townhouse Property which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No Townhouse Owner shall permit any use of his Townhouse or of the Common Elements which will increase the rate of insurance upon the Townhouse Property or any part thereof. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. No single rooms may be rented.

(d) Reasonable regulations concerning the use of the Townhouse Property may be made and amended from time to time by the Lumina Station Townhouse Association (herein referred to as the "ASSOCIATION") in the

manner provided by its By-Laws. Copies of the By-Laws and regulations are attached hereto and incorporated herein by reference.

ARTICLE III.

EASEMENTS. Each of the unit owners shall have an easement in common with the other unit owner to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities, including but not limited to all sewer, water, gas, electricity, telephone, and cable television lines located in the other unit and serving his unit. Each unit shall be subject to an easement in favor of the owner of the other unit to use all pipes, ducts, cables, wires, conduits, public utility lines and other common facilities serving such other units and located in such unit. The ASSOCIATION shall have the right to be exercised by the Board of Managers or its Designee, to enter each unit from time to time, at reasonable hours as may be necessary for the operation of the property, to inspect the same to remove violations therefrom, and to maintain, repair or replace the common facilities, if any, contained therein or else therein the building.

The DECLARANTS hereby reserve and subjects the lands which are the subject to this Declaration to an easement of use and enjoyment by the owners and occupants of the respective townhouse units for ingress and egress to and from all of the common areas and facilities pertaining to Lumina Station Townhouses. Easements are also hereby created for the installation, use, maintenance, repair and replacement of all necessary public utilities, including but not limited to sewer, water lines, gas, electricity, telephone and cable television for the use of the above described property known as Lumina Station Townhouses.

All easements herein created and described shall be easements appurtenant to, and shall run with the land by whomsoever owned, whether or not the same shall be contained or referred to in any future deed or conveyance, and shall at all times inure to the benefit and be binding upon the undersigned, all its grantees and their respective heirs, successors, personal representatives or assigns.

ARTICLE IV.

ENFORCEMENT. The ASSOCIATION or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall

in no event be deemed a waiver of the right to do so thereafter.

Invalidation of any one of these covenants or restrictions by judgment or Court order shall in no wise affect any of the other provisions which shall remain in full force and effect.

ARTICLE V.

NOTICE. The name and address of the process agent to receive service of process in any matters affecting the property is as follows:

Earl M. Worsley, Jr.
155 Driftwood Court
Wrightsville Beach, NC 28480

ARTICLE VI.

ASSESSMENTS. Assessments against unit owners by the Board of Managers made pursuant to the By-Laws shall, if not paid when due, create a lien in favor of the Association against the unit of the defaulting owner as provided in Chapter 47A of the North Carolina General Statutes, and shall be collected as provided therein and in the By-Laws hereto attached.

ARTICLE VIII.

LIENS. All liens provided for herein shall be subordinate, and are hereby subordinated, to the lien of any first mortgage or deed of trust given to any lender to secure a loan, the proceeds of which are used to finance the purchase of any unit or units, unless any such lien provided for herein shall have been recorded in the Office of the Clerk of Superior Court of New Hanover County prior to recordation to the said first lien mortgage or deed of trust in the Office of the Register of Deeds of New Hanover County, North Carolina.

ARTICLE IX.

BINDING EFFECT. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or the owner of any townhouse subject to this Declaration, their respective legal representatives, heirs, successors and assigns.

ARTICLE X.

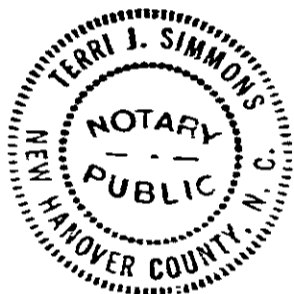
AMENDMENT. This declaration may be amended at any time by an instrument in writing executed by the owners of both units 1 and 2 of Lumina Station Townhouses and shall be effective upon the recording of such amendment in the Office of Register of Deeds of New Hanover County.

IN WITNESS WHEREOF, EARL M. WORSLEY, JR., and LEE F. COWPER,
have caused this instrument to be signed in their names, all on the day
and year first above written.

[Signature]
EARL M. WORSLEY, JR.

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

On this the 18 day of May, 1985, before me personally appeared
EARL M. WORSLEY, JR., to me known to be the person who executed the foregoing
instrument, and acknowledged that he voluntarily executed the same.



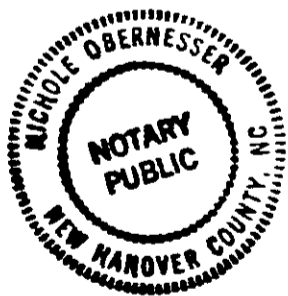
[Signature]
Notary Public

My Commission Expires: 9-17-86

[Signature]
LEE F. COWPER

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

On this the 7 day of May, 1985, before me personally appeared
LEE F. COWPER, to me known to be the person who executed the foregoing
instrument, and acknowledged that he voluntarily executed the same.



[Signature]
Notary Public

My Commission Expires: Oct. 8 1989

STATE OF NORTH CAROLINA, New Hanover County
The Foregoing Certificate(s) of TERRI J. SIMMONS AND NICHOLE OBERNESSER, NOTARIES PUBLIC

This 7th day of MAY, A.D., 19 85

(Are) certified to be correct.

Rebecca P. Tucker, Register of Deeds
By [Signature]
Deputy

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BY-LAWS
OF
LUMINA STATION TOWNHOUSE OWNERS ASSOCIATION

ARTICLE I.

PLAN OF TOWNHOUSE UNIT OWNERSHIP

Section 1. TOWNHOUSE UNIT OWNERSHIP. The property located at 10 Nathan Avenue, Wrightsville Beach, New Hanover County, North Carolina, hereinafter called LUMINA STATION TOWNHOUSES has been platted and a map thereof is recorded in the Office of the Register of Deeds of New Hanover County, North Carolina in Condominium Plat Book 1 at Pages 35 & 36.

Section 2. TITLE TO TOWNHOUSE UNITS. Title to Townhouse Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants, or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 3. APPLICABILITY OF BY-LAWS. The provisions of these By-Laws are applicable to LUMINA STATION TOWNHOUSES, and its common elements and to the use and occupancy thereof. The term LUMINA STATION TOWNHOUSES and its common elements as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

Section 4. APPLICATION. All present and future owners, mortgagees, lessees, and occupants of Townhouse Units and their employees and any other persons who may use the facilities in any manner are subject to these By-Laws, the Declaration and Rules and Regulations pertaining to the use and operation of the Townhouse Property. The acceptance of a deed or conveyance, or the entering of a lease, or the act of occupancy of a unit shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 5. OFFICE. The office of the Owners Association and of the Board of Managers shall be located at 10 Nathan Avenue, Wrightsville Beach, North Carolina, 28480.

ARTICLE II.

Section 1. NUMBER AND QUALIFICATION. The affairs of the Townhouse Property and the Owners Association shall be managed by a Board of Managers. The Board of Managers shall be composed of two (2) persons, each of whom shall be an owner or spouse of an owner of a separate Townhouse unit, or in the case of partnership owners or mortgagees, shall be members or employees of such partnership, or in the case of corporate owners or mortgagees, shall be officers, shareholders, or employees of such corporations or in the case of fiduciary owners or mortgagees shall be the fiduciaries, or officers or employees of such fiduciaries.

Section 2. POWERS AND DUTIES. The Board of Managers shall have the powers and duties necessary for the administration of the affairs of the Townhouse and Common Elements except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Managers by the unit owners. The powers and duties to be exercised by the Board of Managers shall include, but not limited to, the following:

(a) Operation, care upkeep and maintenance of the common elements;

(b) Determination of the amounts required for operation, maintenance and other affairs of the Townhouse and Common Elements.

- (c) Collection of the common charges from the unit owners;
- (d) Employment and dismissal of personnel as necessary for efficient maintenance and operation.
- (e) Adoption and amendment of rules and regulations covering the details of the operation and use of the Townhouses and Common Elements;
- (f) Opening of bank accounts on behalf of the Owners Association and designating the signatures required therefor;
- (g) Obtaining insurance for the Townhouse Units, and Common Elements pursuant to the provisions of Article V, Section 2 hereof; and
- (h) Making repairs, additions, and improvements to, or alterations of, the property and repairs to and restoration of the property in accordance with the provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

Section 3. ELECTION AND TERM OF OFFICE. The Board of Managers shall be elected at the first annual meeting of the unit owners, the term of office of the members of the Board of Managers shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Managers, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Managers shall hold office until their respective successors shall have been elected by the unit owners.

Section 4. VACANCIES. Vacancies in the Board of Managers caused by any reason shall be filled by vote of a majority of the owners of the unit to be represented at a special meeting of that unit's owners held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a member of the Board of Managers for the remainder of the term of the member so removed.

Section 5. ORGANIZATION MEETING. The first meeting of the members of the Board of Managers following the annual meeting of the unit owners shall be within ten (10) days thereafter, at such time and place as shall be fixed by the unit owners at the meeting at which such Board of Managers shall have been elected and no notice shall be necessary to the newly elected members of the Board of Managers in order legally to constitute such meeting, providing a majority of the whole Board of Managers shall be present.

Section 6. REGULAR MEETINGS. Regular meetings of the Board of Managers may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Managers, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Managers shall be given to each member of the Board of Managers, by mail or telegraph, at least three business days prior to the day named for such meeting.

Section 7. SPECIAL MEETINGS. Special meetings of the Board of Managers may be called by any board member on three business days notice to each member of the Board of Managers given by mail or telegraph, which notice shall state the time, place and purpose of the meetings.

Section 8. WAIVER OF NOTICE. Any member of the Board of Managers may, at any time, waive notice of any meeting of the Board of Managers in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Managers at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 9. QUORUM OF BOARD OF MANAGERS. At all meetings of the Board of Managers, all members thereof must attend to constitute a quorum for the transaction of business, and the votes of all the members of the Board of Managers shall constitute the decision of the Board of Managers. If at any meeting of the Board of Managers there shall be less than a quorum present, the Board members present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 10. COMPENSATION. No member of the Board of Managers shall receive any compensation from the Association for acting as such.

Section 11. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE III.

MEETINGS OF UNIT OWNERS

Section 1. PLACE. All meetings of the unit owners shall be held at the office of the Association or such other place as may be stated in the notice.

Section 2. ANNUAL MEETINGS.

(a) The annual meetings of the unit owners shall be held at Wrightsville Beach, North Carolina, in each year commencing in 1985 provided, however, that the first annual meeting will not be held until 30 days after the earlier of (1) the sale of all Condominium Property by the Declarant; (2) notice by Declarant, or if not sooner held, the meeting shall be held on the first Friday in December, 1985. At such meeting each unit owner shall elect a member of the Board of Managers. Thereafter, the annual meetings of the unit owners shall be held on the 1st Saturday in June, of each succeeding year. At such meeting the Board of Managers shall be elected by ballot of the unit owners in accordance with the requirements of Section 4 of Article II of these By-Laws.

(b) Regular annual meetings subsequent to 1985 shall be held on the 1st Saturday in June of each succeeding year unless otherwise determined by the Board of Managers.

(c) All annual meetings shall be held at such hour as is determined by the Board of Managers.

(d) At the annual meeting, the members shall elect the new members of the Board of Managers and transact such other business as may properly come before the meeting.

Section 3. SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners if so directed by resolution of the Board of Managers or upon a petition signed and presented to the Secretary by unit owners owning a total of at least fifty percent of the common interest. The notice of any special meeting shall state the time, place and purpose of the meeting. The business transacted at all special meetings shall be confined to the objects stated in the notice unless the Board of Managers unanimously consents to the transaction of business not stated in the notice.

Section 4. NOTICE OF MEETINGS. The Secretary shall mail to each unit owner of record a notice of each annual or special meeting of the unit owners, at least ten days but not more than twenty days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, at the building or at such other address as such unit owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 5. ADJOURNMENT OF MEETINGS. If any meeting of unit owners cannot be held because a quorum has not attended, a majority in common interest of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight hours from the time the original meeting was called.

Section 6. ORDER OF BUSINESS. The order of business at all meetings of the Unit Owners shall be as follows:

- (a) Roll Call;
- (b) Proof of Notice of Meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of Officers;
- (e) Report of Board of Managers;
- (f) Reports of Committees;
- (g) Election of members of the Board of Managers (when so required);
- (h) Unfinished business; and
- (i) New business.

Section 7. VOTING. The owner or owners of each Townhouse Unit, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such Townhouse Unit at all meetings of unit owners. The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. The total number of votes of all Unit Owners shall be 3 and each unit owner shall be entitled to cast one vote at all meetings of the unit owners. A fiduciary shall be the voting member with respect to any Townhouse Unit owned in a fiduciary capacity.

Section 8. MAJORITY OF UNIT OWNERS. As used in these By-Laws the term "majority of unit owners" shall mean those unit owners having one hundred percent of the total authorized votes of all unit owners in person or by proxy and voting at any meeting of the unit owners, determined in accordance with the provisions of Section 7 of this Article.

Section 9. QUORUM. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Unit Owners having one hundred percent of the total authorized votes of all unit owners shall constitute a quorum at all meetings of the unit owners.

Section 10. MAJORITY VOTE. The vote of a majority of unit owners at a meeting at which a quorum shall be present shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, or by these By-Laws.

Section 11. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE IV.

OFFICERS

Section 1. DESIGNATION. The principal officers of the Owners Association shall be the President and Secretary and Treasurer, all of whom shall be elected by the Board of Managers. The Board of Managers may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and Secretary and Treasurer must be members of the Board of Managers.

Section 2. ELECTION OF OFFICERS. Officers shall be elected annually by the Board of Managers.

Section 3. REMOVAL OF OFFICERS. Upon the affirmative vote of a majority of the members of the Board of Managers, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Managers or at any special meeting of the Board of Managers called for such purpose.

Section 4. PRESIDENT. The President shall be the chief executive officer of the Owners Association. He shall preside at all meetings of the unit owners and of the Board of Managers. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation law of the State of North Carolina including but not limited to the power to appoint from among the unit owners any committee which he decides is appropriate to assist in the conduct of the affairs of the Owners Association.

Section 5. SECRETARY. The Secretary shall keep the minutes of all meetings of the unit owners and of the Board of Managers; he shall have charge of such books and papers as the Board of Managers may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 6. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Board of Managers, and he shall, in general, perform all the duties incident to the office of treasurer of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 7. AGREEMENTS, CONTRACTS, DEEDS, CHECKS, ETC. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by the President and Secretary of the Association and checks are to be executed by such person or persons as may be designated by the Board of Managers.

Section 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

ARTICLE V.

OPERATION OF THE PROPERTY

Section 1. DETERMINATION OF COMMON EXPENSES AND COMMON CHARGES. The Board of Managers shall from time to time and at least annually, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association and allocate and assess such common charges against the unit owners according to their respective common interests. The common expenses shall include, among other things, all insurance premiums and expenses related thereto required to be maintained by the Board of Managers pursuant to the provisions of Section 9 of this Article V. The common expenses may also include such amounts as the Board of Managers may deem proper for the operation, maintenance, repair or replacement of the Common Elements including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year, and any other expense designated by the Board of Managers as common expenses.

Section 2. LIABILITY FOR COMMON CHARGES. All unit owners shall be obligated to pay the common charges assessed by the Board of Managers pursuant to the provisions of Section 1 above at such times and in such manner as may be directed by the Board.

(a) SELLER'S LIABILITY. No unit owner shall be liable for the payment of any part of the common charges assessed against his Unit from and after the date of closing of the sale, transfer, or other conveyance by him of such unit.

(b) PURCHASER'S LIABILITY. A purchaser of a Unit shall be liable for the payment of any common charges assessed against such unit prior to its acquisition by him, except that a mortgagee or a purchaser of a Unit at a foreclosure sale shall not be liable for and such Units shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 3. COLLECTION OF ASSESSMENTS. The Board of Managers shall at least annually take prompt action to collect from a unit owner any assessment for common charges which remains unpaid by him for more than thirty days from the due date for its payment.

Section 4. DEFAULT IN PAYMENT OF COMMON CHARGES. In the event of default by any unit owner in paying to the Board of Managers the assessed common charges, such unit owner shall be obligated to pay interest at the legal rate on such common charges from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board of Managers in any proceeding brought to collect such unpaid common charges. The Board of Managers shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action brought against such unit owner, or by foreclosure of the lien on such Unit which is hereby granted by all unit owners in favor of the Association for the enforcement of payment of delinquent common charges.

Section 5. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES. In any action brought by the Board of Managers to foreclose a lien on a Townhouse Unit because of unpaid common charges, the unit owner shall be required to pay a reasonable rental for the use of his Townhouse Unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect such rental. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosure or waiving the lien securing the same.

Section 6. STATEMENT OF COMMON CHARGES. The Board of Managers shall promptly provide any unit owner, who makes a request in writing with a written statement of his unpaid common charges.

Section 7. ABATEMENT AND ENJOINING OF VIOLATIONS. The violation of any rule or regulation adopted by the Board of Managers or the breach of any By-Law contained herein, shall give the Board of Managers the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Townhouse Unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Managers shall not thereby be deemed guilty in any manner of trespass; or (b) enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

Section 8. MAINTENANCE AND REPAIR.

(a) INDIVIDUAL TOWNHOUSE UNITS. All maintenance of and repairs to each individual Townhouse Unit, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common elements contained therein not necessitated by the negligence, misuse, or neglect of the owner of such Townhouse Unit) shall be made by the owner of such Townhouse Unit. Each unit owner shall be responsible for all damages to any other Townhouse Unit and to the common elements resulting from his failure to effect such maintenance and repairs.

(b) COMMON ELEMENTS. All maintenance, repairs, and replacements to the common elements, whether located inside or outside of the Townhouse Units (unless necessitated by the negligence, misuse, or neglect of a

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unit owner, in which case, such expense shall be charged to such unit owner), shall be made by the Board of Managers and be charges to all the unit owners as a common expense.

Section 9. INSURANCE. The Board of Managers on behalf of the Association, at its common expense, shall at all times keep the townhouse units insured against loss or damage by fire, flood or other hazards normally insured against at 100% or replacement cost, 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 the property and as shall be required to protect not only the Unit Owners but any lending institution holding first liens on individual units which insurance shall be payable in case of loss to the Board (or its designee) as Trustee for all Unit Owners and mortgagees according to the loss or damage to their respective apartments and appurtenant common interest as their interest may appear. The Trustee so named shall have the authority on behalf of the Association and Unit Owners to deal with the insurer in the settlement of claims.

Such insurance shall be obtained without prejudice to the right of each individual Unit Owner to insure his personal property for his own benefit and any Unit Owner or Occupant may obtain additional insurance at his own expense; provided, however, that no owner or occupant shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Board of Managers (or its Designee) as Trustee for all the owners, may realize under any insurance policy in force on the project at any particular time. In no event shall the insurance coverage obtained by the Board of Managers (or its Designee) be brought into contribution with insurance purchased by individual owners or their mortgagees.

Section 10. DAMAGE OR DESTRUCTION. Except as hereinafter provided, damage to or destruction of the property or building shall be promptly repaired and restored by the Board using the proceeds of insurance for that purpose, and the Unit Owners of each unit shall be liable for assessment of one-half (1/2) of any deficiency in accordance with their ownership of one-half (1/2) undivided interest in the common areas and facilities; provided, however, if the building shall be more than three-fourths (3/4) destroyed by fire or other casualty, as determined by the Board of Managers, and all of the owners of the units resolve not to proceed with construction or restoration, then and in that event:

(a) The property shall be deemed to be owned as tenants in common by the unit owners with the owner of each unit owning an undivided one-half (1/2) interest in all of the property.

(b) Any liens affecting any of the units shall be deemed to be transferred, in accordance with the existing priorities, to the percentage of undivided interest of the unit owner in the property as herein provided.

(c) The property shall be subject to an action for partition at the suit of any unit owner, in which event, the net proceeds of sale, together with the net proceeds of insurance policies, if any, shall be considered as one fund and shall be divided equally between the unit owners in accordance with their previously owned and undivided interest in the common areas and facilities, after paying off, out of the respective shares of the unit owners, all liens on the respective units.

Section 11. USE OF TOWNHOUSE UNITS. In order to provide for congenial occupancy of the Townhouse Units and for the protection of their values the use of the Townhouse Units shall be subject to the following limitations:

(a) The Townhouse Units shall be used for residence only.

(b) No portion of a Townhouse Unit other than the entire Townhouse may be rented.

Section 12. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY BOARD OF MANAGERS. Whenever in the judgment of the Board of Managers the common elements shall require additions, alterations, or improvements costing in excess of \$500.00, and the making of such additions, alterations, or improvements shall have been approved by the unit owners, the Board of Managers shall proceed with such additions, alterations, or improvements and shall assess all unit owners for the cost thereof as a common charge. Any additions, alterations or improvements costing \$500.00 or less may be made by the Board of Managers without approval of the unit owners.

Section 13. ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY UNIT OWNERS. No unit owner shall make any structural addition, alteration or improvement in or to his Unit without the prior written consent thereto of the Board of Managers. The Board of Managers shall have the obligation to answer any written request by a unit owner for approval of a proposed structural addition, alteration, or improvement in such owner's Townhouse Unit within 30 days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Managers to the proposed addition, alteration or improvement. Any application to any governmental authority for a permit to make an addition, alteration or improvement in or to any Townhouse Unit shall be executed by the Board of Managers. The Board of Managers shall not be liable to any contractor, subcontractor or materialman or to any person sustaining personal injury or property damage, for any claim arising in connection with such addition, alteration or improvement.

Section 14. LIMITED COMMON AREAS. The area denoted on the record Townhouse Map at Condominium Plat Book 7 at Pages 35 & 36 as Limited Common Areas, will be treated in all respects as the general common area or common elements except that the sole use and control of said limited common areas shall be in the owner of the unit as so designated on said map.

Section 15. DESCRIPTION OF COMMON ELEMENTS. The Common Elements consist of the entire property not located within any unit. They include, without limitation, the following:

1. All roofs, foundations, pipes, ducts, flues, chutes, conduits, wires, and other utility installations to outlets, bearing walls, perimeter walls, columns, and girders to the interior surfaces thereof, regardless of location;
2. All land, lawns, gardens, docks, piers, roads, parking and other improved or unimproved areas not within the units, except for those areas designated as limited common areas.
3. All installations of power, lights, and water existing for common use and all other parts of the property necessary or convenient to its existence, maintenance and safety or normally in common use;
4. All sewer and drainage pipes;
5. All other apparatus, equipment, and installations existing within or without the Units for common use or necessary or convenient to the existence, maintenance or safety of the building and/or common elements.

Section 16. RIGHT OF ACCESS. A unit owner shall grant a right of access to his Unit to any person authorized by the Board of Managers, to make inspections; to correct any condition originating in his Unit and threatening another Unit or a common element; to install, alter or repair mechanical or electrical services or other common elements in his Unit or elsewhere in the Building; and to correct any condition which violates the provisions of any mortgage covering another Unit. Requests for such entry shall be made in advance and such entry shall be scheduled for a time reasonably convenient to the Unit Owner. However, in case of an emergency, such right of entry shall be immediate whether the unit owner is present at the time or not.

Section 17. RULES OF CONDUCT. Rules and regulations concerning the use of the Townhouse Units and the common elements may be promulgated and amended by the Board of Managers with the approval of a majority of the unit owners. Copies of such rules and regulations shall be furnished by the Board of Managers to each unit owner prior to their effective date.

Initial rules and regulations, which shall be effective until amended by the Board of Managers with the approval of a majority of the unit owners, are annexed hereto and made a part hereof as Schedule A.

ARTICLE VI.

SALES AND LEASES OF UNITS

Section 1. NO SEVERANCE OF OWNERSHIP. No unit owner shall execute any deed, mortgage, or other instrument conveying or mortgaging title to his Townhouse Unit without including therein the appurtenant interests, it being the intention hereof to prevent any severance of such combined ownership. Any such deed, mortgage, or other instrument purporting to affect one or more of such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the appurtenant interests of any Townhouse Unit may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the Townhouse Unit to which such interests are appurtenant, or as part of a sale, transfer, or other disposition of such part of the appurtenant interests of all Townhouse Units.

Section 2. PAYMENT OF ASSESSMENTS. No unit owner shall be permitted to convey, mortgage, pledge, hypothecate, sell or lease his Townhouse Unit unless and until he shall have paid in full to the Board of Managers all unpaid common charges theretofore assessed by the Board of Managers against his Townhouse Unit and until he shall have satisfied all unpaid liens against such Townhouse Unit, except permitted mortgages.

ARTICLE VII.

CONDEMNATION

Section 1. CONDEMNATION. In the event of taking in condemnation or by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Board of Managers who shall disburse the net proceeds of such ward in the same manner as they are required to distribute insurance proceeds where there is no repair or restoration of damage, as provided in Section 10 or Article V of these By-Laws.

ARTICLE VIII.

MISCELLANEOUS

Section 1. NOTICES. All notices to the Board of Managers shall be sent by registered or certified mail, to the office of the Board of Managers at 10 Nathan Avenue, Wrightsville Beach, NC 28480, or to such other address as the Board of Managers may hereafter designate from time to time. All notices to any unit owner shall be sent by registered or certified mail to such address as may have been designated by him from time to time, in writing, to the Board of Managers. All notices to mortgagees of Townhouse Units, shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Managers. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

Section 2. INVALIDITY. The invalidity to any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect the balance of these By-Laws.

Section 3. CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 4. GENDER. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

Section 5. WAIVER No restrictions, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated

or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE IX.

RECORDS

Section 1. RECORDS AND AUDITS. The Board of Managers shall keep detailed records of the actions of the Board of Managers, minutes of the meetings of the Board of Managers, minutes of the meetings of the unit owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each Townhouse Unit which, among other things, shall contain the amount of each assessment of common charges against such Townhouse Unit, the date when due, the amounts paid thereon, and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the Association shall be rendered by the Board of Managers to all unit owners at least annually. All of the above records and information shall be made available to either owner at any time upon reasonable notice.

ARTICLE X.

AMENDMENT TO BY-LAWS

Section 1. AMENDMENT TO BY-LAWS. Except as hereinafter provided otherwise, these By-Laws may be modified or amended by the vote of one hundred percent (100%) in number and in common interest of all unit owners at a meeting of unit owners duly held for such purposes. Such amendment shall not become duly operative unless set forth in an amended declaration and duly recorded, after which time all unit owners shall be bound to abide by these By-Laws as amended.