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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
CO-OWNERSHIP INTERESTS
FOR
SIX O NINE OCEAN CLUB

THIS DECLARATION made this the 25th day of NOVEMBER, 1986, by PORTER AND RUSSELL, a North Carolina partnership with a Certificate recorded in Book _____ at Page _____ of the New Hanover County Registry, hereinafter referred to as the "Declarant");

W I T N E S S E T H :

WHEREAS, Declarant is the owner of the real property described or depicted in Exhibit "A" of this Declaration and desires to create thereon an exclusive resort community, to be known as SIX O NINE OCEAN CLUB, to be composed of two luxury residences, each residence to be owned by up to ten (10) owners as tenants-in-common; and

WHEREAS, Declarant desires to insure the attractiveness of the residences and other real property comprising SIX O NINE OCEAN CLUB, and to prevent any further impairment thereof, to prevent nuisances, and to preserve, protect and enhance the value and amenities of said residences and other real property; and, to this end, desires to subject the real property depicted or described in Exhibit A of this Declaration and the residences located thereon, to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said real property and each owner thereof; and

NOW, THEREFORE, the Declarant declares that the real property described or depicted in Exhibit A and the residences located thereon are and shall be held, transferred, sold, conveyed and occupied subject to the following covenants, conditions, restrictions, easements, charges and liens which shall run with the real property and be binding on all parties thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

Definitions

The following terms as used in this Declaration shall have the following meanings:

Section 1. "Check-In Time" and "Check-Out Time" mean the times designated as such in the then current Rules and Regulations.

Section 2. "Common Furnishings" means all furniture, furnishings, appliances and all other personal property from time to time owned in common by the Owners of each residence.

Section 3. "Co-ownership Interest" means a one-tenth (1/10th) fee simple undivided interest in one of the townhouse lots located on the real property described or depicted in Exhibit "A" of this Declaration and one-twentieth (1/20th) fee simple undivided interest in the common area located thereon together with the exclusive right to use and occupy that real property and the Common Furnishings within that particular residence situated on that real property for a Use Period of five (5) weeks a year, those five (5) weeks to be assigned by a selection method described in Section 2 of Article II.

Section 4. "Club Year" means the year commencing on the first Friday after January 1st of each calendar year.

Section 5. "Declarant" means PORTER AND RUSSELL, a North Carolina partnership or any successor in interest by merger or by express agreement to the rights of PORTER AND RUSSELL hereunder.

Section 6. "Maintenance Period" means any period designated as a service period by the Managing Agent and during which the residence is not subject to use by an Owner. The initial Maintenance Period will be the first two weeks of February commencing with the first Friday in February.

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RETURNED Talmore Jones, Atty.

Section 7. "Managing Agent" means the management company engaged by the Declarant or the Owners pursuant to and in the manner provided in Section 1 of Article III.

Section 8. "Occupancy Agreement" means the agreement attached as Exhibit B to this Declaration and incorporated herein by reference setting forth certain terms and conditions of the initial period of occupancy and of any renewal periods thereafter.

Section 9. "Original Deed" means each deed from Declarant first recorded after the date hereof which conveys each Co-Ownership Interest, excluding, however, any deed which conveys all or some of the interest in the SIX O NINE OCEAN CLUB, then held by Declarant, which expressly recites that it is not an Original Deed within the meaning of this Declaration and that it is intended to substitute the grantee as Declarant hereunder, and which includes an express assignment of the rights of the Declarant under this Declaration.

Section 10. "Owner" means and includes (i) the grantee or grantees named in each Original Deed of a Co-Ownership Interest and the successive owners of each Co-Ownership Interest so conveyed by Declarant, and (ii) the Declarant, with respect to any Co-Ownership Interest not so conveyed.

Section 11. "Permitted User" means any Owner of a Co-Ownership Interest or any relative, business associate, client, friend, or renter who is allowed under this Declaration and the Rules and Regulations, to occupy the property.

Section 12. "Rules and Regulations" means the rules and regulations adopted and promulgated by the Managing Agent with the advice and consent of the Owners, relating to the possession, use and enjoyment of the property covered by each Co-Ownership Interest.

Section 13. "Use Week" means one of any week in the Spring Season, the Summer Season, the Fall Season, and the Winter Season. Each Owner of a Co-Ownership Interest will be assigned on an annual basis five Use Weeks, in the manner described in Section 2 of Article II.

ARTICLE II

Use Rights and Restrictions

Section 1. USE RIGHTS OF OWNERS. Subject to all of the terms and conditions contained elsewhere in this Declaration, each Owner of a Co-Ownership Interest shall have the exclusive right to use and occupy the residence and the Common Furnishings of the residence for a Use Period composed of five (5) Weeks a Club Year. Use Periods will be assigned in the manner described in Section 2 of this Article.

Section 2. ASSIGNMENT OF USE PERIODS. Each Owner of a Co-Ownership Interest initially will be assigned a number of one (1) to ten (10), that number determining the particular Use Weeks to comprise that Owner's Use Period for the Initial Club Year or initial partial Club Year. The weeks of each Club Year are numbered consecutively from one (1) to ten (10), and an Owner's annual number will correspond to the number of each of the five (5) Use Weeks assigned to him. If an Owner purchases more than one Co-Ownership Interest, that Owner shall have the right to be assigned consecutive numbers for the purposes of this Section.

An Owner who is assigned the number one (1) for the initial Club Year or initial partial Club Year will be assigned a Use Period beginning with the first week in the Club Year; in like fashion, the other Owners will receive Use Periods for that year commencing with a Use Week corresponding to their assigned numbers. The numbers used to establish the Use Periods will be assigned according to the schedule set out below at the start of the initial Club Year or initial Partial Club Year, and from that year forward, the said numbers will be rotated among the Owners in an orderly and consistent manner, that is, the Owner assigned the number one (1) for the initial Club Year or initial Partial Club Year will be assigned the number two (2) for the following year, with the other Owners' numbers to be rotated in the same manner.

1987 CLUB YEAR

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- #1 January 2 through January 9
- #2 January 9 through January 16
- #3 January 16 through January 23
- #4 January 23 through January 30
- #5 January 30 through February 6

Annual Maintenance:
February 6 through February 20

- #6 February 20 through February 27
- #7 February 27 through March 6
- #8 March 6 through March 13
- #9 March 13 through March 20
- #10 March 20 through March 27

- #1 March 27 through April 3
- #2 April 3 through April 10
- #3 April 10 through April 17
- #4 April 17 through April 24
- #5 April 24 through May 1
- #6 May 1 through May 8
- #7 May 8 through May 15
- #8 May 15 through May 22
- #9 May 22 through May 29
- #10 May 29 through June 5

- #1 June 5 through June 12
- #2 June 12 through June 19
- #3 June 19 through June 26
- #4 June 26 through July 3
- #5 July 3 through July 10
- #6 July 10 through July 17
- #7 July 17 through July 24
- #8 July 24 through July 31
- #9 July 31 through August 7
- #10 August 7 through August 14

- #1 August 14 through August 21

- #2 August 21 through August 28
- #3 August 28 through September 4
- #4 September 4 through September 11
- #5 September 11 through September 18
- #6 September 18 through September 25
- #7 September 25 through October 2
- #8 October 2 through October 9
- #9 October 9 through October 16
- #10 October 16 through October 23

- #1 October 23 through October 30
- #2 October 30 through November 6
- #3 November 6 through November 13
- #4 November 13 through November 20
- #5 November 20 through November 27
- #6 November 27 through December 4
- #7 December 4 through December 11
- #8 December 11 through December 18
- #9 December 18 through December 25
- #10 December 25 through January 1

Section 3. OCCUPANCY. No Owner shall occupy the property in which he has a Co-Ownership Interest(s) or exercise any other rights of ownership with respect to that property other than the rights provided to him in this Declaration and the Rules and Regulations and the Occupancy Agreement during any period other than his Use Period(s), unless expressly authorized by the Owner entitled to occupy the residence during such time or unless he has acquired the right to occupy the residence as a result of an internal exchange of assigned weeks with another Owner, the procedure for such exchange being set forth in Section 7 of this Article. Each Owner shall keep the property and Common Furnishings in good condition and repair during his Use Period(s), vacate the property at the expiration of the Use Period(s), remove all persons and personal property therefrom, excluding only the Common Furnishings, leave the property and Common Furnishings in good and sanitary condition and repair, and otherwise comply with such check-out and other procedures as may from time to time be contained in the Rules and Regulations. Any Owner may permit the property to be occupied during his Use Period by his relatives, business associates, clients, friends or persons who have rented the property for part or all of his Use Period(s) for the purposes permitted by this Declaration, but the number of occupants at any given time shall not be in excess of the number of occupants permitted by the Rules and Regulations, and such Owner shall be responsible for any loss, damage, destruction or violation of this Declaration which occurs during such occupation as if he himself were occupying the property. All occupancy is subject to any and all zoning ordinances, in effect in the Town of Wrightsville Beach, N. C.

Section 5. FAILURE TO VACATE. If any Owner or Permitted User fails to vacate the property at the end of his Use Period(s), or otherwise uses or occupies the property during a period not assigned to him, or prevents another Owner or Permitted User from using or occupying the property during such other Owner's or Permitted User's Use Period(s), such Owner or Permitted User ("the detaining Owner" and the

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"Detaining Permitted User", respectively) shall (a) be subject to immediate removal, eviction, or ejection from the property wrongfully occupied; (b) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notice may be waived under North Carolina Law); (c) reimburse the Owner or Permitted User otherwise entitled to use the property for all costs and expenses incurred by him as a result of such conduct, including but not limited to, costs of alternative accommodations, travel costs, court costs, and reasonable attorney's fees incurred in connection with removing, evicting or ejecting the Detaining Owner or Detaining Permitted User from such property; and (d) pay to the Owner or Permitted User entitled to use the property during such wrongful occupancy a sum equal to two hundred percent (200%) of the fair rental value per day of the property for each day or portion thereof, including the day of surrender, during which the Detaining Owner or Detaining Permitted User prevents occupancy of the property. The Managing Agent shall be responsible for determining and periodically posting or publishing the "fair rental value" of the property. "Fair rental value" for the property shall be based upon the cost of renting comparable accommodations located in the vicinity of the property. By accepting any deed to a Co-Ownership Interest(s), each Owner agrees that, in the event of a wrongful occupancy by him or by a Permitted User, damages would be impractical or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy. If an Owner or Permitted User by his intentional or negligent act renders the property uninhabitable for the successive Use Period(s), such Owner or Permitted User shall be liable to the Owner(s) or Permitted User(s) of successive Use Period(s), just as if such Owner or Permitted User had refused to vacate the property at the end of his Use Period. For the purposes of this section, the act or negligence of a guest or any member of the Owner's or Permitted User's family shall be deemed to be the act of the Owner or Permitted User.

Section 6. USE RESTRICTIONS. Each Owner shall comply with all the use restrictions as set forth in this Declaration and the Rules and Regulations, and the Occupancy Agreement. No Owner shall be entitled to occupy the property in which he has a Co-Ownership Interest while such Owner is delinquent with respect to the payment of any fee, assessment or any other amount due hereunder. No owner shall make any alterations to the residence, common furnishings or the other real property without the prior written consent of the Managing Agent. As an enumeration and not a limitation, no Owner shall paint, repaint, tile, paper or otherwise refinish or redecorate the surfaces of the walls (interior and exterior) ceilings, roof, floors, windows or doors of the residence, or landscape the property or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Managing Agent, inasmuch as the right to perform all of the foregoing acts has been delegated to the Managing Agent by this Declaration. Further, no masts, towers, poles or antennae, shall be erected or maintained upon the property without the prior written approval of the Managing Agent. No animals, livestock, birds, fish, poultry, dogs, cats or household pets of any kind shall be allowed or kept in or upon the property. The foregoing prohibitions, however, shall not modify or affect the obligation of each Owner for the prudent care and ordinary maintenance and upkeep of all property subject to his use. Nothing contained in this Section or elsewhere in the Declaration shall be deemed to prohibit or preclude any Owner from renting any or all of his Use Period(s) for the purposes permitted by this Declaration, provided, however, that no such rental shall interfere with or diminish the rights of all other owners to use and occupy the property in accordance with this Declaration and the Rules and Regulations. For purposes of this Section, each Owner shall be responsible for any loss, damage, or destruction to the property in which he has a Co-ownership Interest or the Common Furnishings therein provided such loss, damage or destruction results from an intentional or negligent act of the Owner or a Permitted User, or for violation of this Declaration or the Rules and Regulations which occurs during any such rental by Owner just as if such Owner were occupying the property.

Section 7. INTERNAL EXCHANGE OF SEASON WEEKS OR USE PERIODS. The Owners of a particular and specified residence may privately exchange assigned Use Weeks or Use Periods among themselves if they so desire.

Section 8. SALE OR TRANSFER OF CO-OWNERSHIP INTEREST.

(a) No Owner shall transfer his Co-Ownership Interest(s) unless such transfer is in compliance with the provisions of this Section (8) and Section 2 of Article VI, and the Occupancy Agreement. Any transfer not in compliance with these provisions shall be null and void and of no effect. For purposes of this Section 8, the term "transfer" means any sale, conveyance, gift, encumbrance or other voluntary disposition by an Owner of his Co-Ownership Interest(s). The term "transfer" does not include a conveyance or transfer by descent, distribution or other operation of law.

(b) No Owner shall transfer of record less than all of a single Co-Ownership Interest or further divide said interest.

(c) If an Owner desires to sell his Co-Ownership Interest such Owner shall, in writing, first offer to sell the Co-Ownership Interest to Declarant (or Declarant's assignee) for a purchase price and upon terms and conditions specified by Owner (the "Sale Offer"). Declarant shall have fifteen (15) days after receipt of the Sale Offer to accept the Sale Offer by written notice to such Owner. If the Sale Offer is accepted, the purchase and sale of the Co-Ownership Interest shall be consummated within thirty (30) days of Declarant's acceptance of the Sale Offer. If Declarant fails to accept the Sale Offer within said fifteen (15) day period, such Owner may thereafter, and for a period of ninety (90) days following the expiration of said fifteen (15) day period, sell his Co-Ownership Interest upon terms no more favorable than and at a price no less than those offered to Declarant. In the event that the Co-Ownership Interest is not sold within the said ninety (90) day period and the Owner continues to desire to sell that Co-Ownership Interest he must continue to comply with the provisions of this Section in effecting the sale. The sale of any Co-Ownership Interest shall operate to transfer to the new Owner the interest of the prior Owner in all funds in the hands of the Managing Agent without further instrument of transfer.

(d) Subject to the provisions of this Declaration and the Occupancy Agreement, an Owner may mortgage his Co-Ownership Interest(s).

Section 9. NOTIFICATION OF SALE OF CO-OWNERSHIP INTEREST. No later than five (5) days after the sale or transfer of any Co-Ownership Interest under circumstances whereby the transferee becomes the Owner thereof, the transferor shall notify the Managing Agent in writing of such sale or transfer. Such notice shall set forth: (i) the name and address of the transferee and transferor, (ii) the residence and business phone number of the transferee and transferor and (iii) the date of sale. Unless and until such notice is given, the Managing Agent shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by the Managing Agent. Prior to receipt of any such notification by the Managing Agent, any and all communication required or permitted to be given by the Managing Agent shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

Section 10. The tenancy-in-common attributes of the Co-Owners of SIX O NINE OCEAN CLUB are governed by Section 93A-43 of the General Statutes of North Carolina, which provides that when two or more persons are tenants-in-common of an interest in a time share unit, they may seek a partition by sale of that interest. The statute also provides that no purchaser of a time share interest may maintain an action for partition by sale or in kind of the unit in which such time share interest is held.

Section 11. PROTECTION OF CO-OWNERSHIP INTEREST. No Owner shall permit his Co-Ownership Interest(s) to be subject to any lien (other than the lien of current real property taxes), claim or charge, the enforcement of which may result in a sale or threatened sale of the Co-Ownership Interest(s) of any other owner. In the event of a threatened sale of the property or the Co-Ownership Interest(s) of any Owner or any part thereof, or should the use and enjoyment of any portion thereof by any Owner be threatened by reason of any lien, claim or charge against the Co-Ownership Interest(s) of any other Owner, or should proceedings be instituted to effect any such sale or interference, any Owner acting on his own behalf or the Declarant acting on behalf of any one or more Owners (provided that the Declarant is

promptly indemnified to its satisfaction) may, but shall not be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Owner whose interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or expended to the Owner or the Declarant whomsoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as he or it may have incurred. No Owner shall permit his interest in any funds from time to time in possession of the Managing Agent to be subject to any attachment, lien, claim or charge or other legal process and each Owner shall promptly restore any funds held by the Managing Agent in respect of his Co-Ownership Interest(s) to the extent depleted by the reason of the assertion of any such attachment, lien, claim, charge or other legal process and shall reimburse the Managing Agent for any reasonable attorney's fees or other costs incurred in respect thereof.

ARTICLE III

Management

Section 1. AUTHORITY AND DUTY TO ENGAGE MANAGING AGENT. Each Owner authorizes and directs Declarant, as agent for each Owner, to engage a reputable person or firm as the Managing Agent for the property and the Co-Ownership Interest operation contemplated hereby pursuant to a written agreement (the "Management Agreement") meeting the requirements of this Section. Each Owner further authorizes and directs Declarant, as agent for each Owner, to administer the Management Agreement with the Managing Agent until such time as all Co-Ownership Interests have been initially sold and Declarant no longer has any interest in SIX O NINE OCEAN CLUB, at which time the Management Agreement shall be administered by the Owners with one Owner in each townhouse elected to act as a representative in so administering the Agreement. Each Management Agreement shall:

(a) Authorize and obligate the Managing Agent to perform all the duties and obligations specified in Section 3 below, provided, however, that the Managing Agent may delegate its authority and responsibilities to one or more sub-agents for such periods and upon such terms as the Managing Agent deems proper.

(b) Provide for a term of not more than five (5) years, except that the Management Agreement may provide that the term will be automatically renewed for successive five-year terms unless notice of non-renewal is given no later than three (3) months prior to the end of any five-year term by the Managing Agent or by a two-thirds (2/3) majority of the Owners of Co-Ownership Interests. The original Management Agreement shall be subject to termination by the Declarant, as the Owners' Agent, as follows:

(i) At any time, for cause.

(ii) Prior to two (2) years after the date of the conveyance by Declarant of the first Co-Ownership Interest by Original Deed ("Starting Date"), the Declarant shall terminate the Management Agreement if requested to do so by a two-thirds (2/3) majority of all Co-Ownership Interests.

(iii) After two (2) years from the Starting Date, the Declarant shall terminate the Management Agreement if requested to do so by a two-thirds (2/3) majority of all Co-Ownership Interests, with Declarant's Co-Ownership Interests, if any, excluded.

(c) Provide that the Managing Agent may resign only upon compliance with the following conditions:

(i) The Managing Agent shall have given at least sixty (60) days prior written notice to all Owners and to the Declarant, if Declarant at that time retains any interest in SIX O NINE OCEAN CLUB.

(ii) Prior to or at the expiration of the period of such notice (not less than 60 days) the Declarant, or the Owners, if the Declarant no longer retains any interest in SIX O NINE OCEAN CLUB, shall have entered into a Management Agreement with another firm meeting the requirements of this Section. If at the end of the period specified in such notice the Declarant or the Owners, despite reasonable efforts to do so, have not entered into such a Management Agreement, the resignation of the Managing Agent shall not be effective until such a new Management Agreement is entered into.

(iii) On or before the effective date of the Managing Agent's resignation, the Managing Agent shall turn over all books and records or duplicates relating to the management and operation of the property to the successor Managing Agent.

(d) Provide that the compensation to be paid the Managing Agent shall not exceed a basic fee of \$100.00 per month, plus an annual percentage increase not to exceed ten percent (10%). Such basic fee may be increased if authorized by a two-thirds (2/3) majority of all Co-Ownership Interests, or, if despite the failure to obtain a two-thirds (2/3) majority vote after requesting the same, the Declarant is responsible for procuring a Managing Agent and is unable to procure a reputable and experienced real estate management firm to act as Managing Agent without increasing such compensation.

(e) If for any reason no Managing Agent can be engaged or if the Managing Agent refuses to act for any reason, then Declarant, if it retains any interest in SIX O NINE OCEAN CLUB, will become the acting Managing Agent until a new Managing Agent can be engaged. In such event, Declarant shall be entitled to compensation as Managing Agent in accordance with the provisions of this Section.

Section 2. POWER AND DUTIES GENERALLY. The Managing Agent, acting alone, through its officers, or other duly authorized representatives may, subject to the provisions of this Declaration and the Management Agreement, exercise any or all rights and powers hereinafter enumerated.

Section 3. SPECIFIC POWERS AND DUTIES OF THE MANAGING AGENT. The management, maintenance and repair of the real property and the two residences to be located thereon, the acquisition (by purchase or lease), maintenance, repair and replacement of the Common Furnishings and the administration of the affairs of the Owners, the occupancy of the residences and payment of expenses and costs enumerated in this Declaration shall be under the direction and control of the Managing Agent. The Managing Agent shall have the duty to maintain and repair the residences, to sell, acquire, maintain, repair, and replace Common Furnishings as needed; to permit the real property and residences thereon to be used and occupied by a Permitted User, provided such use is in accordance with this Declaration and such occupancy is in compliance with and subject to all of the terms and conditions of this Declaration and the Rules and Regulations; to administer the Co-Ownership Interest operation provided herein; and to levy, collect, and enforce the fees and assessments enumerated in this Declaration. On or before December 1 or each year, the Managing Agent shall furnish each Owner with a roster of the names and addresses of each of the Owners of the residence. The Managing Agent shall have the power to do all things that are required to be done by it pursuant to this Declaration. Without limitation of the foregoing powers and duties, the Managing Agent is expressly authorized, in its discretion and on behalf of the Owners, to do any or all of the following:

(a) Repair and Maintenance. To repair, maintain, repaint, furnish or refurnish the residences or any part thereof; to repair and maintain the landscaping, driveway and other aspects of the real property comprising SIX O NINE OCEAN CLUB; to establish reserves for anticipated costs, including the costs of acquisition and replacement of Common Furnishings or the replacement of landscaping and the driveway;

to acquire and pay for materials, supplies, furniture, furnishings, labor or services which the Managing Agent deems necessary or proper for the maintenance and operation of the real property and the residence thereon and the Common Furnishings therein.

(b) Taxes and Assessments. As agent and not as principal, to pay all taxes and assessments, and other costs affecting or relating to the property or Common Furnishings; and to discharge, contest or protest liens or charges affecting the property.

(c) Utilities. As agent and not as principal, to obtain and pay the costs of electrical, telephone, cablevision, gas and other utility services.

(d) Rules and Regulations. To adopt, publish and enforce, from time to time, Rules and Regulations relating to the possession, use and enjoyment of the real property and residence thereon, which Rules and Regulations shall be consistent with the provisions of this Declaration.

(e) Legal and Accounting. To obtain and pay the cost of legal and accounting services necessary or proper in the maintenance and operation of the property and the enforcement of this Declaration and the Rules and Regulations.

(f) Insurance. As agent and not as principal, to obtain and pay the cost of (i) insurance covering the real property and residences and the Common Furnishings therein against loss or damage by fire and other hazards customarily covered by fire insurance policies written with extended coverage; (ii) insurance covering the residences and the Common Furnishings therein against loss or damage by flooding; (iii) public liability insurance, insuring against liability for personal injury or property damage resulting from an occurrence in, or about the property; and (iv) any other insurance deemed necessary or desirable by the Managing Agent. The policies of insurance shall cover such risks, be written by such insurers and be in such amounts as the Managing Agent shall deem proper under the circumstances. The Managing Agent and any employee of the Managing Agent who has charge of the Owners' funds shall be bonded.

(g) Levy and Collection of Assessments. To levy, collect and enforce the fees and assessments against the Owners in the manner provided in Articles IV and V hereof in order to pay the expenses of the Co-Ownership Interest operation and the fee of the Managing Agent; and to do all things necessary to enforce each Owner's regulations hereunder.

(h) Financial Statements. To cause the following statements to be regularly prepared and copies thereof distributed to each Owner:

(i) A pro forma operating statement (the "Budget") of the collective expenses of each of the residences covered by this Declaration for each Club Year which shall be distributed to each Owner not less than sixty (60) days before the beginning of each Club Year.

(ii) A regular statement (annually or semi-annually, at the Managing Agent's discretion) of the collective receipts and disbursements for each of the residences covered by this Declaration.

(iii) A collective balance sheet as of the last day of each Club Year for each of the residences covered by this Declaration and an operating statement for such Club Year, which shall be distributed to each Owner within ninety (90) days after the end of each Club Year.

(iv) Bank Accounts. All funds collected from Owners pursuant to Article IV hereof and all other amounts collected by the Managing Agent in connection with its duties provided herein shall be deposited as follows:

(i) All funds shall be deposited in a separate account (the "General Account") with a bank or savings and loan association located in the State of North Carolina. The Managing Agent shall keep accurate books and records reflecting the amount of such account attributable to each Owner. Funds deposited in such account may be used by the Managing Agent only for the purposes for which such funds have been collected.

(ii) Funds which the Managing Agent shall collect for Reserve Expenses, as defined in Section 3 of Article IV, pursuant to this Section shall, within twenty-nine (29) days after deposit in the General Account, be deposited in an interest bearing account with a bank or savings and loan association located within the State of North Carolina selected by the Managing Agent, or invested in U. S. Treasury Bills or Certificates of Deposit of banks or savings and loan associations located in the State of North Carolina (said interest bearing bank or savings and loan account or Treasury Bills or Certificates of Deposit are all herein collectively referred to as the "Reserve Account"), and the Managing Agent shall keep accurate books and records reflecting the amount in the Reserve Account attributable to each Owner. Funds deposited in the Reserve Account shall be held in trust and may be used by the Managing Agent only for the specific purposes for which such amounts have been collected.

(j) Statements of Status. Upon the request of any Owner, purchaser or other prospective transferee of a Co-Ownership Interest, to issue a written statement as of the last fiscal year setting forth the amount in the General Account and the Reserve Account pertaining to such Co-Ownership Interest, any amounts unpaid with respect thereto, and the use entitlement for the remainder of the Club Year. Such statement, for which a reasonable fee may be charged, shall be binding upon the Managing Agent in favor of any person who may rely thereon in good faith.

(k) Maintenance. To provide for maintenance and repairs during Maintenance Periods and at all other reasonable times so that the property is maintained in good order and repair. Specific maintenance activities are delineated in Paragraph (a) of this Section. The Managing Agent's maintenance responsibilities are in no way limited by Paragraph (a) and will include all actions necessary to maintain the real property, the residences thereon and the Common Furnishings which comprise SIX O NINE OCEAN CLUB. If provided for in the applicable Budget, the Managing Agent will provide upon the departure of each Owner or other occupant a once-a-week cleaning and maid service.

(l) Right of Entry. The Managing Agent shall have the right and authority during Maintenance Periods and at any reasonable time the residence is not occupied, to enter the real property and residence for the purpose of painting, maintenance and repair. In addition, the Managing Agent shall have the right and authority to enter upon the real

property and within the residence thereon, at any reasonable time, whether or not during a Maintenance Period and whether or not in the presence of an Owner, for the purpose of (i) making emergency repairs therein, (ii) abating any nuisance or any dangerous, unauthorized, prohibited, or unlawful activity being conducted or maintained, (iii) protecting the property rights and welfare of the other Owners, (iv) cleaning and maid service or (v) for any other purpose reasonably related to the performance by Managing Agent of its responsibilities under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and/or enjoyment by the Owner or occupant of the property and shall be preceded by reasonable notice to the Owners or occupant thereof whenever the circumstances permit.

(m) Use of Property by Permitted User. To permit a Permitted User to use and occupy the property in accordance with this Declaration and the Rules and Regulations.

(n) Other Necessary Acts. To do all other things or acts deemed by the Owners to be necessary, desirable or appropriate for the operation and maintenance of the real property and the residences thereon, and the Co-Ownership Interest operation.

ARTICLE IV

Fees and Assessments

Section 1. CREATION OF PERSONAL OBLIGATIONS FOR FEES AND ASSESSMENTS. Declarant, for each Co-Ownership Interest owned by it (Declarant shall, for the purposes of this Article IV, be considered the owner of that number of Co-Ownership Interests equal to the difference between the total number of Co-Ownership Interests and the number of Co-Ownership Interests conveyed to third parties by Original Deed), hereby covenants and each Owner by acceptance of a deed for a Co-Ownership Interest, whether or not it shall be so expressed in said deed, shall be deemed to have covenanted and agreed, for each Co-Ownership Interest owned, to pay to the Managing Agent the annual Maintenance Fee, all Special Assessments and Personal Charges, as hereinafter described in Sections 3, 5 and 6 respectively, of this Article (all of which are sometimes herein individually and collectively called "Assessment(s)", which shall be established, made and collected as hereinafter provided. The Assessments, together with interest, costs and reasonable attorneys' fees shall be the personal obligation of each Owner at the time the Assessment becomes due and payable and shall be a lien and charge upon the Co-Ownership Interest against which the Assessment or charge is made. The personal obligation for delinquent Assessments shall not pass to a successor-in-title unless expressly assumed by them. No owner may waive or otherwise avoid liability for the Assessment by non-use of his Co-Ownership Interest or any part thereof or any abandonment thereof. The Declarant will not be considered as the owner of the 10 undivided interest in Townhouse #2, Phase II of SIX O NINE OCEAN CLUB until both a certificate of occupancy is issued by the Town of Wrightsville Beach on said house and a supplemental declaration is recorded for Phase II.

Section 2. PURPOSE OF ASSESSMENTS. Assessments shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners, the improvements and operation of the property, and reimbursement of expenses incurred by the Managing Agent in the performance of the duties of the Managing Agent as set forth in this Declaration.

Section 3. ANNUAL MAINTENANCE FEE. On a Club Year basis, an annual Maintenance Fee for each Co-Ownership Interest shall be assessed the Owners. The Maintenance Fees collected from the Owners shall be used to operate, manage, maintain and repair the real property and residences thereon; to provide utility services, cleaning services, maintenance, replacement and repair of the Common Furnishings and other household items as required; to administer the Co-Ownership Interest

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operation; property taxes, or other assessments to which the property is or may become subject; to provide for reserves to insure payment when due of the cost of capital expenditures relating to repair of the residences landscaping, driveway, and repair and replacement of Common Furnishings and for such other purposes as are required by good business practice (the "Reserve Expenses"); to provide for a fund to account for the possibility that some Maintenance Fees may not be paid on a current basis; and to provide for the payment of the fee of the Managing Agent. The amount of the annual maintenance fee as estimated by the Managing Agent for each Co-Ownership Interest is \$1135.00. Maintenance expenses shall not include any expenses constituting a Personal Charge. The Maintenance Fee may be increased or decreased by the Owners holding two-thirds (2/3) of all of the Co-Ownership Interests.

Section 4. PAYMENT OF MAINTENANCE FEE. The Maintenance Fee shall be payable in equal periodic installments over periods determined by the Managing Agent, but in any event not more frequently than monthly. Each installment payment of the Maintenance Fee shall be paid by each Owner within fifteen (15) days of the date of the statement therefor, and, if an Owner does not pay said installment payments in a timely fashion, he shall be subject to any late fee penalty provided for in the Rules and Regulations. Each portion of the Maintenance Fee which is attributable to the reserve established for capital expenditures shall be deposited in the Reserve Account provided for in Section 3 (ii) of Article III hereof. The Managing Agent shall be entitled to collect a reasonable surcharge to cover the expenses of collecting the fee on less than an annual basis.

Section 5. SPECIAL ASSESSMENTS. If the Maintenance Fees are, or will become, inadequate to meet all expenses incurred by the Managing Agent hereunder (other than for items constituting Personal Charges) for any reason, including nonpayment by any Owner of Maintenance Fees on a current basis, the Managing Agent shall immediately determine the approximate amount of such inadequacy and levy against each Owner a special assessment (the "Special Assessment") in an amount sufficient to provide for such inadequacy. Any other assessment may be made only by a two-thirds (2/3) vote of all of the Co-Ownership Interests.

Section 6. PERSONAL CHARGES. The term "Personal Charges" means: (i) any expense resulting from the act or omission to act of any Owner or other persons occupying the residence during the Use Period of an Owner including, without limitation, the cost of long distance telephone charges or telephone message unit charges, any telephone service charge provided for in the Rules and Regulations, and other special services or supplies attributable to the occupancy of the residence during such Owner's Use Period; the cost to repair any damage to the landscaping, driveway, the residence or to repair or replace any Common Furnishings located therein on account of loss or damage occurring during such Owner's Use Period; and the cost to satisfy any expense to any of the other Owners or to the Managing Agent attributable to any intentional or negligent act or omission to act of such Owner, his family, guests or invitees or resulting from the breach by such Owner of any provisions of this Declaration or the Rules and Regulations. Such Personal Charges shall be paid by each Owner to the Managing Agent within thirty (30) days after receipt of a statement.

ARTICLE V

Enforcement of Restrictions

Section 1. IN GENERAL. The Managing Agent shall have full power and authority to enforce compliance with this Declaration and the Rules and Regulations in any manner provided for by law or in equity including, without limitation, the right to enforce the Declaration and Rules and Regulations by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of this Declaration and Rules and Regulations, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and appointment of a receiver for an Owner and the right to take possession of the Co-Ownership Interest of any Owner in the manner provided for by law. In the event the Managing Agent shall employ an attorney to enforce the provisions of this Declaration or the Rules and Regulations against any Owner, the prevailing party shall be entitled to reasonable attorney's fees and costs in addition to any

other amounts due as provided for herein. All sums payable hereunder by an Owner shall bear interest at a rate not to exceed the maximum legal rate per annum from the due date, or, if advanced or incurred by the Managing Agent or any other Owner pursuant to authorization contained in this Declaration, within ten (10) days after repayment is requested. All enforcement powers of the Managing Agent shall be cumulative. The Declarant shall have full power and authority to enforce the provisions of this Section, coextensive with the power and authority of the Managing Agent, so long as it retains any interest in SIX O NINE OCEAN CLUB.

Section 2. CERTAIN SPECIFIC ENFORCEMENT POWERS. In amplification of, and not in limitation of, the general powers specified in Section 1 above, the Managing Agent shall have the following rights and powers:

(a) Suspension of Privileges. If any Owner shall be in breach of this Declaration or the Rules and Regulations, including but not limited to, the failure of such Owner to pay any Assessment on or before the due date thereof, subject to the limitations hereinafter set forth in this subsection, the Managing Agent, to the extent permitted by law, may suspend the Owner's right to occupy the residence in which he has a Co-Ownership Interest and the right of such Owner to participate in any vote or other determination provided for herein. If such suspension of privileges is based on any act or omission other than the failure of the Owner to pay Assessments or any other amounts due hereunder when due, no such suspension shall be made except after written notice of such proposed suspension is given to the Owner whose privileges are being sought to be suspended at least ten (10) days prior to the effective date of the suspension. Such Owner shall be entitled to present his case to the Managing Agent as to why his privileges should not be suspended. The decision as to whether such privileges should be suspended shall be made by the Managing Agent.

(b) Enforcement by Lien. The Assessments provided for in Article IV of this Declaration, together with interest, costs and reasonable attorney's fees (as permitted by law), shall be a charge on and a continuing lien upon the Co-Ownership Interest against which the Assessments are made when a notice of such lien has been filed of record in the Office of the Clerk of Superior Court of New Hanover County, North Carolina, in the manner provided by Article 8, Chapter 44 of the North Carolina General Statutes, or any successor legislation, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of thirty (30) days after the same shall become due. Said notice of lien shall also secure all Assessments against the Co-Ownership Interest becoming due thereafter until the lien has been satisfied. In addition, each Owner shall be personally liable for any Assessments against his Co-Ownership Interest becoming due and payable while he is the Owner of the Co-Ownership Interest.

(c) Priority of Assessments Lien. The Assessments Lien provided for in this Article shall be prior and superior to all other liens except (a) ad valorem taxes, (b) all sums unpaid on deeds of trust, mortgages or other encumbrances against the Co-Ownership Interest prior to the docketing of the lien herein, and (c) any other levies which, by law, are prior to the lien. The sale or transfer of any Co-Ownership Interest shall not affect the Assessments lien against the Co-Ownership Interest. The sale or transfer of any Co-Ownership Interest pursuant to a foreclosure sale or execution sale instituted by a superior lien holder, however, shall extinguish the inferior lien provided for herein against the subject Co-Ownership Interest, but no such sale or transfer shall relieve such Co-Ownership Interest from liability for any Assessments thereafter becoming due and for any future lien in connection therewith.

ARTICLE VI

PLAN OF DEVELOPMENT AND SCOPE OF DECLARATION

The name by which this project shall henceforth be known as is SIX O NINE OCEAN CLUB. As presently defined the project is located entirely within the boundaries of the real property described in Exhibit "A". The project now consist of one townhouse situated on Townhouse Lot #1 which shall be divided into ten undivided interests and sold as ten Interval Interests subject to this Declaration. The Interval Interests, together with their privileges and appurtenances, shall be offered for sale to the public by the Declarant pursuant to Article 4, Section 93A-39 "North Carolina Time Share Act".

The Declarant, by this Declaration, hereby reserves to itself, its successors and/or assigns, the exclusive right and option, but not the obligation, to add to or expand the property subject to this Declaration by the construction of Townhouse #2 of SIX O NINE OCEAN CLUB on Townhouse Lot #2 upon the following terms and in the following manner:

A. Any addition to this Declaration, shall occur by recordation of a Supplemental Declaration recorded in the Office of the Register of Deeds of New Hanover County, which shall be executed only by the Declarant. The expansion of the real property subject to this Declaration shall be at the sole discretion of the Declarant without consultation with or consent of any Interval Owner of SIX O NINE OCEAN CLUB, by accepting a deed for an Interval Interest therein, shall be deemed to have agreed for himself, his heirs, devisees, successors and assigns, to such addition to or expansion of the property subject to this Declaration in accordance with the provisions of this Article.

B. The right and option as described hereinabove shall terminate on the 31st day of December, 1996; and

C. In the event the Declarant adds to the real property subject to this Declaration by the construction and sale of Townhouse #2, SIX O NINE OCEAN CLUB, the Declarant covenants that no more than a total of ten (10) Interval Interests will be sold; and

D. The Declarant covenants and agrees that Townhouse #2 shall be no more than three (3) stories in height from ground level situated upon finished grade and shall be constructed with materials like or substantially similar to those used in Townhouse #1.

ARTICLE VII

Miscellaneous Provisions

Section 1. POWER OF ATTORNEY. Each Owner, by acceptance of a deed for a Co-Ownership Interest, hereby constitutes and appoints the Managing Agent, whomever it may from time to time be, as his attorney-in-fact in his name, place and stead, and for his use and benefit to execute, acknowledge and deliver the following documents and instruments:

(a) Any instrument or document which is required to be executed by an Owner under this Declaration;

(b) Any instrument or document which the Managing Agent may deem advisable for an Owner to execute, acknowledge or file to effect termination of this Declaration; or

(c) Any instrument or document which the Managing Agent in good faith determines is necessary or proper to serve the best interests of the Owners.

Each Owner does further give and grant unto his attorney-in-fact full power and authority to do and perform any act necessary and proper to be done in the exercise of any of the foregoing powers as fully as said Owner might or could do if personally present, with full power of substitution, hereby ratifying and confirming all that their said attorney shall lawfully do or cause to be done by virtue hereof. Such special power of attorney is coupled with an interest, irrevocable and binding on each Owner's successors and assigns.

Section 2. SALE OF PROPERTY. All Owners of the Co-Ownership Interests may, after twenty-four (24) months from the date on which any Co-Ownership Interest was conveyed by Original Deed to an Owner, elect to cause the real property comprising SIX O NINE OCEAN CLUB to be sold upon such terms and conditions, at a price, and in a manner as such Owners shall determine, subject to the Declarant's right of first refusal, as set forth in Section 9(c) of Article II of this Declaration and subject to the provisions of the Occupancy Agreement. In the event that such Owners decide to sell the property and the Declarant declines to exercise its right of first refusal, the said Owners may elect to release the property from this Declaration by filing a declaration of release with the Register of Deeds of New Hanover County, North Carolina, which declares that the property is no longer subject to this Declaration and which is executed by all of the Owners. The proceeds from any said sale of the property shall be distributed pro rata to each Owner of a Co-Ownership Interest, subject to the rights of the Property Mortgagee(s); provided, however, that such pro rata share shall be reduced by the amount, if any, of all unpaid sums owing hereunder due from the Owners.

Section 3. RELEASE FROM DECLARATION. If every Owner of the real property agrees to release the real property from the covenants, conditions and restrictions of the Declaration, they may file at any time a declaration of release with the Register of Deeds of New Hanover County, North Carolina, as described in Section 2 of this Article.

Section 4. TERMINATION. This Declaration shall remain in effect for a period of fifty (50) years from the date of recordation hereof and thereafter shall remain in effect for successive periods of ten (10) years each unless, prior to the expiration of the original period or any such extension period, a declaration of release is recorded terminating this Declaration.

Section 5. NOTICES. Notices provided for in this Declaration shall be in writing and shall be deemed sufficiently given when delivered personally or forty-eight (48) hours after deposit in the United States Mail, postage prepaid, addressed to an Owner at the last address such Owner designates to the Managing Agent for delivery of notices, or in the event of no such designation, at such Owner's last known address, or if there be none, at the address of SIX O NINE OCEAN CLUB. Notices to the Managing Agent shall be addressed to the address designated by the Managing Agent by written notice to all Owners or by recordation of a notice of such change of address. Notices to Declarant shall be addressed c/o Porter and Russell, #10 Creekstone, Castle Hayne, North Carolina 28429, or such other address as may be designated by Declarant by written notice to all Owners or by recordation of a notice of such change of address.

Section 6. SEVERABILITY AND THE RULE AGAINST PERPETUITIES. If any provision of this Declaration, or any section, sentence, clause, phrase or word or the application thereof in any circumstances, shall be held invalid, the validity of the remainder of this Declaration shall not be affected thereby. If any provision of this Declaration would violate the Rule against Perpetuities or any other limitation on the duration of the provisions contained herein imposed by law, then such provisions shall be deemed to remain in effect only for the maximum permissible period permitted by law or until twenty-one (21) years after the death of the last survivor of the now living descendants of former President Jimmy Carter.

Section 7. SUCCESSORS. The provisions of this Declaration shall be binding upon all parties having or acquiring any Co-Ownership Interests or any right, title or interest therein, and shall be for the benefit of each Owner and his heirs, successors and assigns. Each Owner (including Declarant) shall be fully discharged and relieved of liability on the covenants herein insofar as such covenants relate to each Co-Ownership Interest after paying all sums and performing all obligations hereunder insofar as the same relate to each Co-Ownership Interest up to the time his ownership terminated.

Section 8. VIOLATION OR NUISANCE. Every act or omission whereby any provisions of this Declaration or the Rules and Regulations is violated in whole or in part is hereby declared to be a nuisance and may