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STATE OF NORTH CAROLINA : DECLARATION OF CONDOMINIUM  
COUNTY OF NEW HANOVER : SANDPIPER OCEAN FRONT TOWNHOUSES

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FRED GRAHAM CONSTRUCTION COMPANY and BENJAMIN GRAHAM, hereinafter called "Declarants", being the owners in fee simple of the property hereinafter described, hereby submit said property to condominium ownership pursuant to Chapter 47A of the General Statutes of North Carolina as amended, known as the "Unit Ownership Act", and to that end do hereby publish and declare that all of the said property, to be known as "SANDPIPER OCEAN FRONT TOWNHOUSES", is and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to the following conditions, covenants, restrictions, uses, limitations and obligations, all of which shall be deemed to run with the land and shall be a burden and benefit to Declarants, their heirs and assigns, and any person acquiring or owning an interest in the property and improvements, their grantees, successors, heirs, executors, administrators, devisees and assigns.

1. DESCRIPTION OF PROPERTY All that certain tract or parcel of land with the buildings and improvements thereon erected or to be erected, situate, lying and being in Wrightsville Beach, County of New Hanover, and State of North Carolina, and more particularly described as follows:

All of Lot 49 as shown on a map prepared by J. C. Chase and recorded in Book 10, Pages 15 and 16 of the New Hanover County Registry and being that property conveyed to Frederick B. Graham, et ux Katherine C. Graham by deed recorded July 30, 1943 in Book 353, Page 229, New Hanover County Registry.

2. DESCRIPTION OF BUILDING There is to be constructed upon the property described in Paragraph 1 hereof a three-story building with three condominium units to be used for residential purposes. A plat of survey of the property by Jack G. Stocks, R.L.S., showing the location of said building is attached hereto and made a part hereof as Exhibit A. The building is more particularly described on the plans thereof, copies of which plans are attached hereto as Exhibits B, C, D and E, and made apart hereof, showing all particulars of the buildings

as required by law. There is no basement and each unit is located on the first, second and third stories of the building, with a separate interior stairway for each unit. The building is of frame construction. The building has a gross area of approximately 8100 square feet divided into three individual condominiums, the middle unit (Unit 2) having common interior walls separating it from the two end units (Units 1 and 3).

3. UNIT DESIGNATION AND DESCRIPTION

A. DESIGNATION: The unit designation of each unit and its location and type of floor plan, is set forth on Exhibits A, B, C and D hereto attached.

B. DESCRIPTION: Each unit is three stories in height, and is bounded both as to horizontal and vertical boundaries by the interior surface of its perimeter walls, second floor ceilings and ground concrete floor which are shown on said plans, subject to such encroachments as are contained in the building, whether the same now exist or may be caused or created by construction, settlement or movement of the buildings, or by permissible repairs, construction or alteration. The floor plans of the three floors of the building, hereto attached, as Exhibits B, C and D show the location and arrangement of each of the units. All three units have the same basic floor plan.

4. COMMON AREAS AND FACILITIES

A. The common areas and facilities consist of the following:

(1) The land submitted to condominium ownership as described in Paragraph 1 hereof.

(2) All cement foundations, columns, girders, beams, supports, chimneys, roofs, sills and subflooring, exterior walls and the interior walls which separate Units 1 and 2 and Units 2 and 3.

(3) All other parts of the property and all apparatus and installations existing in the building or upon the property for common use or necessary or convenient to the enjoyment, existence, maintenance or safety of the property.

B. (1) The undivided share in the common elements which are appurtenant to a unit shall not be separated therefrom and shall pass with the title to the unit, whether or not separately described.

(2) A share in the common elements appurtenant to a unit can only be conveyed or encumbered together with the unit.

(3) The shares in the common elements appurtenant to units shall remain undivided, and no action for partition of the common element shall lit.

C. The undivided interest of each unit owner in such common areas and facilities is as follows:

Unit 1	35.92%
Unit 2	31.85%
Unit 3	32.23%

5. LIMITED COMMON AREAS AND FACILITIES The land areas lying between Arringdale Street and the North wall of each unit and all decks shall be known as Limited Common Areas. The owner of each unit shall have exclusive use, possession and control of the limited common area appurtenant to his unit, subject to the same rights and limitations applicable to each dwelling unit as provided herein and in the By-Laws of the Association; provided, however, that said limited common areas shall be maintained by the Association.

6. USE No unit shall be used or occupied for any purpose other than as a private residence. Nothing shall be stored in the common area without the prior consent of the Board of Directors of the Association and there shall be no obstruction of common areas. No animals, livestock or poultry of any kind shall be raised, bred or kept in any unit or in the common area except as may be permitted by the rules and regulations adopted by the Association. No noxious or offensive activity shall be carried on in any unit or in the common area, nor shall anything be done therein which may be or become an annoyance to the other owners. No sign of any kind shall be displayed on any unit or in the common areas without the prior consent of the Board of Directors of the Association, and there shall be no violations of the rules for the use of the common areas adopted by the Board of

Directors.

7. PROCESS AGENT Frederick B. Graham, Jr., 709 Princess Street, Wilmington, North Carolina, 28401, is hereby designated as the person to receive service of process in any action provided for in N.C.G.S., Chapter 47A. The Board of Directors of the Association may change the Process Agent by filing a Declaration of Change in the Office of the Register of Deeds of New Hanover County, North Carolina.

8. MAINTENANCE

A. All plumbing, air conditioning, floor and wall coverings, heating, electrical, telephone, cabinetry, partitions, walls, ceilings, and other fixtures and equipment located within the unit, and all windows and doors opening into the unit, shall be maintained (and, if owner desires, insured) by the Owner. Any replacements or substitutions of such fixtures and equipment shall be compatible with any common areas and facilities affected thereby. The Association shall not be responsible for repairing, maintaining and replacing such fixtures and equipment.

B. All parts of the condominium unit shall be kept in good condition and repair by and at the expense of the owner. The unit shall be maintained by the owner in a clean and safe condition, free of nuisance. Each unit owner will comply promptly with any requirements of the insurance underwriters of the insurance for the common areas and facilities when so requested by the Board of Directors of the Association or its designated agent. If any owner shall fail to repair, maintain or replace any facilities, fixtures or equipment located in his unit as may be required pursuant to the Condominium Documents or a determination by the Board or its designated agent that such failure will endanger or impair the value of the common area and facilities or any unit belonging to another member of its common elements, the same may be repaired or replaced by the Association at the expense of the unit owner, to be collected by special assessment as herein provided. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the unit owner herein.

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9. EASEMENTS The Declarants or the Board of Directors of the Association may hereafter grant easements for utility purposes for the benefit of the property, including the right to install, lay, maintain, repair and replace water lines, pipes, sewer lines, gas mains, television and telephone wires and equipment and electrical conduits, and wires over, under, along and on any portion of the common areas; each unit owner hereby grants the Declarants, or the Board of Directors, an irrevocable power of attorney to execute, acknowledge and record such instruments as may be necessary to effectuate the foregoing.

10. COMMON EXPENSES The unit owners are bound to contribute pro rata, in the percentages set forth in Paragraph 4 above, toward the expenses of administration and of maintenance and repair of the general and limited common areas and facilities, and toward any other expenses lawfully assessed by the Association. No unit owner may exempt himself from contributing toward such expenses by waiver of the use or enjoyment of the common areas and facilities or by the abandonment of the unit belonging to him.

11. TAXES Each Condominium Unit and its percentages of undivided interest in the common areas and facilities set forth in Paragraph 5 hereof, shall be deemed to be a separate parcel and shall be separately assessed and taxed for all types of taxes authorized by law, including, but not limited to, special ad valorem levies and special assessments. Each unit holder shall be liable solely for the amount of taxes against his individual unit and shall not be affected by the consequence resulting from the tax delinquency of any other unit holders. Neither the building, the property, nor any of the common areas and facilities shall be deemed to be a separate parcel for purposes of taxation.

12. LIENS

A. No liens of any nature may be created subsequent to the recording of this Declaration against the condominium property as a whole (as distinguished from an individual unit, together with its undivided common interest in the common areas and facilities) except with the unanimous consent of the unit owners and the holders, if any, of prior liens thereon.

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B. No labor performed or materials furnished to the common elements shall be the basis for a lien thereon unless authorized by the Condominium Documents or expressly authorized by the Board, in which event, same might be the basis for the filing of a lien against all condominium units in the proportions for which the owners thereof are liable for common expenses.

C. Unless otherwise provided by law, in the event a lien against one or more condominium units becomes effective each owner thereof may relieve his condominium unit of the lien by paying the proportionate amount attributable to his condominium unit. Upon such payment, it shall be the duty of the lienor to release the lien of record for such condominium unit.

D. Assessments against unit owners by the Association 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 owners as provided by Section 47A-22 of the Unit Ownership Act, and shall be collected as therein provided.

E. All liens provided for herein shall be subordinate, and are hereby subordinated, to the lien of any first mortgage 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 prior to the recordation of said first lien mortgage in the office of the Register of Deeds of New Hanover County, North Carolina.

### 13. NATURE OF INTEREST IN UNIT

A. Every unit, together with its undivided common interest in the common areas and facilities, shall for all purposes be a separate parcel of real property and the unit owner thereof shall be entitled to the exclusive ownership and possession of such unit subject only to the provisions of the Unit Ownership Act, the Condominium Documents and the covenants, restrictions, easements, regulations, resolutions and decisions adopted pursuant thereto.

B. The owner shall be entitled to use the common areas and facilities in accordance with the purpose for which they are intended, but no such use shall hinder or encroach upon the lawful

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rights of the owners of other units. There shall be a joint use of the common areas and facilities and a joint mutual easement for that purpose is hereby created.

14. INSURANCE The Board of Directors (or the Managing Agent, if so designated by the Board), on behalf of the Association, as its common expense shall at all times keep the property (except personal property within a unit) insured against loss or damage by fire or other hazards normally insured against at 100% of 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 mortgages according to the loss or damage to their respective apartments and appurtenant common interest as their interests 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 Directors (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 Directors (or its Designee) be brought into contribution with insurance purchased by individual owners or their mortgagees.

15. 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 all units shall be liable for assessment of any deficiency in accordance with their undivided

interest in the common areas and facilities as set forth in Paragraph 4; provided, however, if the building shall be more than two-thirds (2/3) destroyed by fire or other casualty, as determined by the Board of Directors and the owners of two-thirds (2/3) of the units resolve not to proceed with the 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 in the same percentages as set forth in Paragraph 4 previously applicable to the share of such owner in the common areas and facilities.

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 among the Unit Owners in proportion to their respective undivided interest in the common areas and facilities, as set forth in Paragraph 4, after paying off, out of the respective shares of the Unit Owners all liens on the respective unit.

16. TRANSFER OF UNITS

A. Right of First Refusal In the event that any person or entity who owns a unit shall desire to sell, lease or transfer such unit, then the said unit shall be offered for sale or lease to the Association at the same net price and on the same terms at which the highest bona fide offer has been made for the said unit. The unit owner shall give the Association written notice of his desire to sell or lease, by certified registered mail, return receipt requested, and shall further advise the President of the Association of the name and address of the person, firm or corporation making the highest bona fide offer as well as the amount and terms of such offer. Within thirty days after receipt of such said notice, the Association may exercise its option to lease or purchase the unit. Should the Association fail

or refuse within thirty days after receipt of the written notice to exercise its option, the unit may then be leased or sold at the price or rental not less than that for which it is offered to the Association. Any sale or lease of any unit by the owner to the person, firm or corporation, making such offer shall be subject to all of the terms, covenants, limitations and provisions of the Condominium Documents.

B. Mortgaging No unit owner may mortgage his unit or any interest therein without the approval of the Association except as to a first mortgage lien, in which event notice shall be given to the Association as to the name and address of such mortgagee. Upon request of the Association, the owner shall provide to the Association a copy of all mortgage documents relating to the unit.

C. Transfer Voidable Any sale, voluntary transfer, conveyance, lease or mortgage, except as to a first mortgage lien as mentioned in Paragraph 17B above, which is not authorized by the terms of this Declaration or for which authorization has not been obtained pursuant to the terms hereof is voidable and may be voided by a certificate of the Board duly recorded in the recording office where this Declaration is recorded.

D. Effective Date The provisions of this Paragraph shall become operative upon each unit upon the transfer of title by the Declarants to the first purchaser thereof.

E. Inter-Family Transfer An owner may give, devise or bequeath his interest in any unit to his spouse, his parents or to any lineal descendants, including adopted children; or to a corporation or partnership (not created primarily for the purpose of avoiding Paragraph 16 A hereof), of which all classes of stock or partnership interests are more than eighty percent owned by each unit owner, his spouse and his lineal descendants, without the prior written consent of the Board of Directors.

17. MANAGEMENT AGREEMENT The Declarants or their designee, by agreement to be entered into with the Association, shall act as Managing Agent from the date of the first conveyance of title to an owner until the date of the first annual meeting of the Association,

and thereafter until terminated by the parties, with responsibility for co-ordinating all normal management services of the Association; provided, however, that the Declarants shall have the right, at any time, upon giving sixty (60) days notice to the Association, to terminate the Management Agreement with the Association; and provided, further, that the Board of Directors of the Association shall have the right at any time after the first annual meeting of the Association upon giving sixty (60) days notice to Declarants, to terminate and cancel said Management Agreement.

During such period, the Managing Agent shall receive for his services from each owner, a management fee to be agreed upon by a majority of the unit owners, commencing on the date of the closing of the first sale of a unit or an owner.

Under the Management Agreement, the Managing Agent, to the exclusion of all persons, including the Association and its members, shall be delegated all the powers and duties of the Association as set forth in this Declaration of Condominium and the By-Laws of the Association (except such thereof as are specifically required to be exercised by the Board of Directors or the members), including, but not limited to the power of levy and collection of assessments for the common expenses of the condominium; and it shall be the duty of the Managing Agent to supervise, generally manage, and maintain the common elements of the condominium at the expense of and for the benefit of the Association and its members.

Each owner shall pay monthly to the Managing Agent an assessment equal to the unit's pro-rata share, as set forth in Paragraph 5 of this Declaration, of the estimated total operating expenses, including the above management fee, which assessments shall be due on the first day of each month. Payments not received when due shall bear interest at the maximum legal rate.

18. UNITS SUBJECT TO CONDOMINIUM DOCUMENTS All present and future owners, tenants and occupants of dwelling units and their guests or invitees, shall be subject to, and shall comply with the provisions of the Condominium Documents, and as the Condominium Documents may be amended from time to time. The acceptance of a deed of conveyance

or the entering into a lease or the entering into occupancy of any dwelling unit shall constitute an agreement that the provisions of the Condominium Documents are accepted and ratified by such owner, tenant or occupant, and all such provisions shall be deemed and taken to be covenants running with the lands and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease. Failure to comply with the provisions of the Condominium Documents shall entitle the Association or any owner to seek legal and/or equitable relief.

19. AMENDMENT OF DECLARATION Except as provided in Paragraph 7 for changing the Process Agent, this Declaration may be amended only by the vote of at least two-thirds (2/3) of all unit ownership (each unit having one vote, regardless of the number of individuals or entities owning interests in a unit), cast in person or by proxy at a meeting duly held in accordance with the provisions of the By-Laws. The By-Laws may be amended in accordance with the procedure set forth in such By-Laws. No such amendment shall be effective until recorded in the Office of the Register of Deeds for the county wherein the property is located. In no event may the Declaration be amended so as to deprive the Declarants of any rights granted herein.

20. WARRANTIES Declarants make no warranties, expressed or implied, in any respect with regard to the lands and buildings which are the subject of this Declaration, except for such warranties set forth in the general warranty deed to the unit.

21. NON-PROFIT CORPORATION It is the intention of the Declarants that all rights of the Association shall be vested in a non-profit corporation known as the "SANDPIPER OCEAN FRONT TOWNHOUSES ASSOCIATION, INC.", which shall be or has been formed pursuant to the laws of the State of North Carolina and the applicable Federal laws. Such corporation shall be formed and operated in accordance with this Declaration and the By-Laws attached hereto and incorporated herein, and all governing laws, as they shall be amended from time to time.

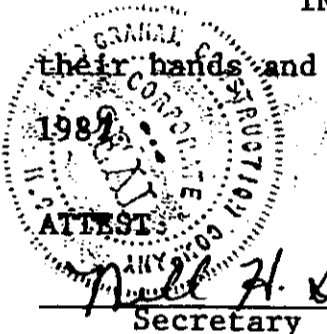
22. INVALIDITY The invalidity of any provisions of this Declaration shall not impair or affect the validity and enforceability

of the remainder of this Declaration, and in such event, all of the provisions of this Declaration shall continue in full force and effect as if such invalid provisions had never been included.

23. WAIVER No provisions contained in this Declaration 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 which may occur.

24. LAW CONTROLLING This Declaration and the By-Laws attached hereto shall be construed under and controlled by the laws of the State of North Carolina.

IN TESTIMONY WHEREOF, the Declarants have hereunto set their hands and affixed their seals, this 1st day of Sept, 1987.



Neil H. Graham  
Secretary

FRED GRAHAM CONSTRUCTION COMPANY

BY Neil H. Graham  
President  
Benjamin Graham (SEAL)  
Benjamin Graham

STATE OF NORTH CAROLINA :

COUNTY OF NEW HANOVER :

I, Helen S. Skipper, a Notary Public in and for the State of North Carolina, County of Brunswick, hereby certify that BENJAMIN GRAHAM personally appeared before me this day and acknowledged the due execution of the foregoing and annexed instrument.

Witness my hand and notarial seal, this 1st day of Sept, 1987.

Helen S. Skipper  
Notary Public

My Commission expires: Oct 28, 1987

STATE OF NORTH CAROLINA :  
COUNTY OF NEW HANOVER :

I, Helen S. Skipper, a Notary Public in and for the above named State and County, hereby certify that Neil H. GRAHAM personally appeared before me this day and acknowledged that he/she is \_\_\_\_\_ Secretary of FRED GRAHAM CONSTRUCTION COMPANY a corporation, and that by authority duly given and as the act of the corporation the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by himself/herself as its Secretary.

Witness my hand and notarial seal, this 1st day of Sept, 1982.

Helen S. Skipper  
Notary Public  
My Commission expires: Oct 28 1984



STATE OF NORTH CAROLINA :  
COUNTY OF NEW HANOVER :

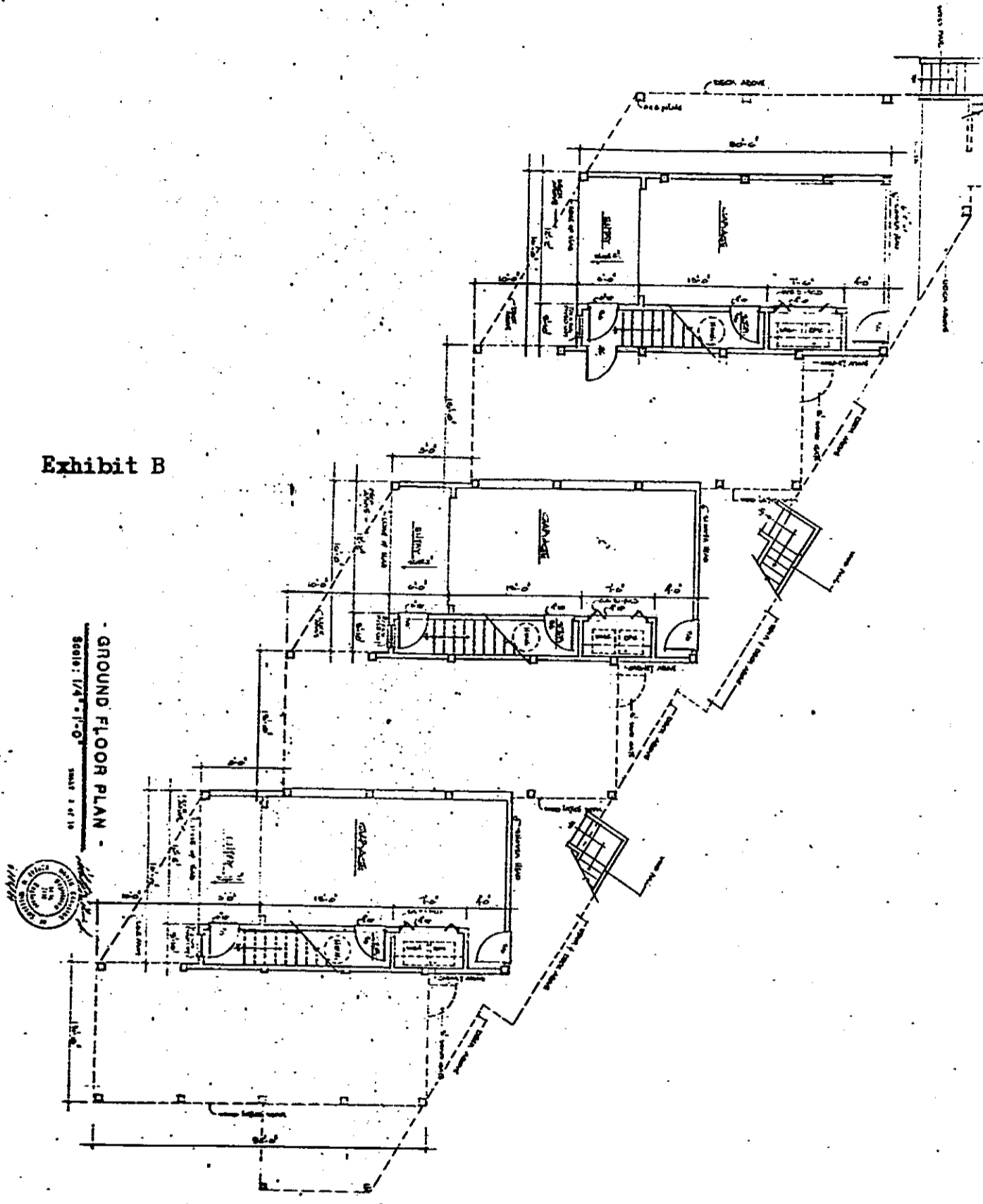
The foregoing certificates of Helen S. Skipper and \_\_\_\_\_, Notaries Public in and for the State of North Carolina, County of Brunswick are certified to be correct.

This 1 day of March, 1982.

REBECCA P. TUCKER, REGISTER OF DEEDS  
NEW HANOVER COUNTY, NORTH CAROLINA  
BY Mary Sue Otter, Deputy



Exhibit B



GROUND FLOOR PLAN  
Scale: 1/4" = 1'-0"

