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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR '97 OCT 27 PM 3 40
GREENVILLE SOUND GARDENS YACHT CLUB

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A NONPROFIT ASSOCIATION

RECORDED & VERIFIED
MARY SUE OOTS ✓
REGISTER OF DEEDS
NEW HANOVER CO. NC

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STATE OF NORTH CAROLINA 2259 0443
COUNTY OF NEW HANOVER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
GREENVILLE SOUND GARDENS
YACHT CLUB

THIS DECLARATION, made on the date hereinafter set forth by CEG Associates, LLC, a North Carolina limited liability company, hereinafter referred to as "DECLARANT".

WITNESSETH:

WHEREAS, the DECLARANT is the owner of certain real and personal property in Harnett Township, County of New Hanover, State of North Carolina, which is more particularly described in that map entitled "Greenville Sound Gardens, Phase II, Marina Plat" by Hobbs Surveying Company, Inc., recorded in Map Book 37, Page 195, of the New Hanover County Registry; and

WHEREAS, DECLARANT has constructed or plans to construct a private Boat Dock Facility along the water front area as shown on the map of said facility recorded in Map Book 37, Page 195, of the New Hanover County Registry; and

WHEREAS, DECLARANT has organized or will organize a nonprofit Association, known as GREENVILLE SOUND GARDENS YACHT CLUB, INC., hereinafter referred to as "Association", to hold title to the Boat Dock Facility and all open spaces and common areas intended primarily for the mutual use, benefit and enjoyment of all Members of the Association; and

WHEREAS, DECLARANT desires to impose certain restrictive and protective covenants, conditions, restrictions, reservations, liens and charges as hereinafter set forth.

NOW, THEREFORE, DECLARANT hereby declares that all of the properties, including the Boat Dock Facility, as described in that Map recorded in Map Book 37, Page 195, of the New Hanover County Registry shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of such property. These easements, covenants, restrictions and conditions shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described properties or any part thereof, and shall inure to the benefit of each Member of the Association.

ARTICLE 1

DEFINITIONS

Section 1: "ARTICLES" shall mean and refer to the Articles of Incorporation of GREENVILLE SOUND GARDENS YACHT CLUB, INC.

Section 2: "ASSOCIATION" shall mean and refer to GREENVILLE SOUND GARDENS YACHT CLUB, INC., a North Carolina nonprofit corporation, its successors and assigns.

Section 3: "BOARD or BOARD OF DIRECTORS" shall mean and refer to the Board of Directors of GREENVILLE SOUND GARDENS YACHT CLUB, INC. as lawfully constituted from time to time under the provisions of the Articles of Incorporation, this Declaration and the Bylaws.

Section 4: "BOAT DOCK FACILITY" shall mean and refer to all of the property shown on that plat entitled "Greenville Sound Gardens Phase II Marina Plat, dated September 2, 1997, by Hobbs Surveying Company, Inc. and recorded in Map Book 37, Page 195, of the New Hanover County Registry.

Section 5: "BOAT SLIP" shall mean the space in and above the water adjacent to Masonboro Sound, New Hanover County, North Carolina, for the docking of a boat as shown diagrammatically on that map recorded in Map Book 37, Page 195, of the New Hanover County Registry.

Section 6: "BOAT SLIP LICENSE" shall mean and refer to that instrument conveying a Member a right to use a Boat Slip and entitling a Member to Membership in the Association.

Section 7: "BYLAWS" shall mean and refer to the Bylaws of GREENVILLE SOUND GARDENS YACHT CLUB, INC.

Section 8: "COMMON AREA" shall mean all real and personal property owned by the Association for the common use and enjoyment of the Members of the Association.

Section 9: "COMMON EXPENSES" shall mean and refer to and include actual and estimated expenses of maintaining and operating the Common Areas and operating the Association for general purposes, including any reasonable reserve, as may be found necessary and appropriate by the Board of Directors pursuant to this Declaration, the Bylaws and the Articles of Incorporation of the Association, including the following:

- a. All sums lawfully assessed by the Association against its Members;
- b. Expenses of administration, maintenance, repair or replacement of the Common Areas and the stormwater system;
- c. Expenses declared to be Common Expenses by the provisions of this Declaration or the Bylaws;
- d. Expenses agreed by the Members to be Common Expenses of the Association;
- e. Any ad valorem taxes and public assessments levied against the Common Area;
- f. Expenses for insurance premiums; and
- g. Expenses designated as Common Expenses by the Board of Directors.

Section 10: "DECLARANT" shall mean and refer to CEG Associates, LLC.

Section 11: "DECLARATION" shall mean and refer to this instrument as it may be from time to time amended or supplemented.

Section 12: "LESSEE" shall mean and refer to any person or entity who leases a Membership from a Member. All such leases shall be approved by the Board of Directors following such procedures as it may prescribe; and notwithstanding any other provision of this Declaration, during all periods of any lease of such membership, the approved Lessee shall possess, hold and use all of the leased Membership rights; and during such periods the Member-Lessor shall have no right to the use and enjoyment of his/her Membership, except that the Member only may vote at any meetings of the Members for any purposes or any matter.

Section 13: "MEMBER" shall mean and refer to every person or entity, whether one or more, who has a Membership in the Association. All Members must be an owner of lots in Greenville Sound Gardens, Phase II as shown on that map recorded in Map Book 36, Page 148, of the New Hanover County Registry or any owner of a lot in Greenville Manor as shown on that map recorded in Map Book 35, Page 217 of the New Hanover County Registry and all revisions thereto, or any tract of real property or lot fronting on Towles Road, except that DECLARANT and Stovall/Belmont Associates and the Association may be a Member, even though they do not own any real property fronting on Towles Road or Greenville Sound Gardens, Phase II.

Section 14: "MEMBERSHIP" shall mean and refer to the rights, benefits, duties and obligations, evidenced by an appropriate Boat Slip License, entitling its holder to the exclusive use of a Boat Slip, together with all other rights, benefits, duties and obligations, which inure to the benefit of and burden each Member of the Association.

Section 15: "PROPERTIES" shall mean and refer to that certain real property described in that map recorded in Map Book 37, Page 195, of the New Hanover County Registry.

Section 16: "RULES AND REGULATIONS" shall mean and refer to the Rules and Regulations of the GREENVILLE SOUND GARDENS YACHT CLUB, INC.

ARTICLE 2

ANNEXATION OF ADDITIONAL PROPERTIES

Annexation of additional property outside the boundary shown on the plat recorded in Map Book 37, Page 195, of the New Hanover County shall require the assent of two-thirds (2/3) of the Members, at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the time, date, place and purpose of the meeting. A quorum shall be fifty (50%) percent of the Members of the Association. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirement set forth above and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE 3

ASSOCIATION

Section 1: PURPOSE. An Association named GREENVILLE SOUND GARDENS YACHT CLUB, INC. has been or will be formed pursuant to the requirements of the Nonprofit Corporation Act (Chapter 55A) of the General Statutes of North Carolina. Its purposes are to own, manage, maintain and operate the Common Areas and facilities located upon the Common Areas, the Boat Dock Facility, and Boat Slips; to enforce this Declaration; and to make and enforce the Rules and Regulations governing Members use and occupation of the Common Areas, Boat Dock Facility and Boat Slips.

Section 2: MEMBERS. Each owner of a Boat Slip License who meets the qualification to be a Member as set forth in Article 1, Section 13, shall be a Member of the Association. The number of Members in the Association shall not be less than 16 and shall be at least equal to the number of Boat Slips in the Boat Dock Facility. All Members must own lots in Greenville Sound Gardens Phase II, as shown on that map recorded in Map Book 36, Page 148, of the New Hanover County Registry, or own a lot or tract of land fronting on Towles Road. Each Membership shall relate to and have a unity of interest with the Boat Slip License in GREENVILLE SOUND GARDENS YACHT CLUB, INC., which may not be separated from ownership of said Boat Slip License.

Section 3: MEMBERS' RIGHTS.

a. Each Member shall have the exclusive right, subject to the provisions of this Declaration and the Bylaws and Rules and Regulations promulgated by the Board of Directors, and any applicable local, state, or federal regulations, to occupy, possess and lawfully use the Boat Slip assigned to such Member.

b. Each Member shall have a right and easement of enjoyment in and to the Common Area and Boat Slip assigned to such Member subject to the right of the Association:

1. To promote and regulate the use and enjoyment of such Common Area and Boat Slip for the benefit of the Members.

2. In accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Properties, Common Area and Boat Dock Facilities.

3. To suspend the offending Member's voting rights and the use by such Member, his/her family members, guests, lessees, licensees and invitees, of the Common Areas and Boat Slip for any period during which a violation of this Declaration, Articles, Bylaws, and Rules and Regulations by a Member, his/her family members, guests, lessees, licensees and invitees continues except that such penalties may not be for more than sixty (60) days for violation of any of the Associations' Rules and Regulations; and to lease or otherwise lawfully use all rights of any such member during any period of suspension; and the right to remove any boat from the Boat Slip during any period of suspension.

4. To dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purpose and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless approved by two-thirds (2/3) of the Members and further subject to the Bylaws and Rules and Regulations of the Board of Directors.

5. To limit the number of guests of Members.

Section 4: VOTING RIGHTS. Each Membership shall have one (1) vote for each Boat Slip License owned at any meeting of Members. When more than one person or entity holds an interest in any Membership, the vote for such Membership shall be exercised as they among themselves shall determine, but in no event shall more than one vote be cast with respect to any such Membership.

Section 5: MANAGEMENT AND ADMINISTRATION. The management and administration of the Common Areas, Boat Dock Facility, Boat Slip, and Association shall be the sole right and responsibility of the Association. The management shall be carried out in accordance with the terms and conditions of this Declaration, the Articles, Bylaws and Rules and Regulations, but they may be delegated to manager(s) or a management service.

Section 6. INSURANCE. The Board shall obtain public liability insurance on the Common Areas and may obtain other insurance which it deems appropriate in such amounts and according to such terms as the Board may from time to time determine.

Section 7. DECLARANT CONTROL. The DECLARANT shall have the right to appoint all the members of the Board of Directors until June 1, 1998 or until it voluntarily relinquishes control, whichever first occurs. An election by the Members of the new Board of Directors shall occur at a special meeting called for that purpose, at least 15 days prior to the relinquishment of control of the Board by the DECLARANT. Notice of the special meeting shall be given to the Members in accordance with the bylaws. The newly elected Board shall take office on the date the DECLARANT relinquishes control.

Section 8. ASSIGNMENT TO ASSOCIATION. All water, sewer, land use, stormwater system, and utility permits, agreements and easements between DECLARANT and any governmental or municipal agency or department or public or private utility company shall be assumed by the Association upon the assignment of all such permits, agreements and easements to the Association by the DECLARANT. The Association shall thereafter be responsible for and assume all duties, obligations, and rights and privileges of DECLARANT under such permits, agreements and easements, including all maintenance responsibility.

ARTICLE 4

COVENANTS FOR ASSESSMENTS

Section 1: CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS: Each owner of each Membership agrees and by acceptance of a Boat Slip License, is deemed to covenant and agree to pay the Association:

- a. General assessments or charges for Common Expenses, and
- b. Special assessments for capital improvements, or special assessments as established by the Board, and

c. Individual assessments against specific Boat Slip(s) and/or Membership(s) or property, in the event a Member or any Lessee, family member, guests, licensees and invitees of a Member fails to comply with the provisions of this Declaration, the Articles, Bylaws or Rules and Regulations of the Association. The Association, through its Board, may perform such required task or remedy such matter, or assess a fine for such failure to comply and may levy the cost of such fine, performance, or remedy against the Member(s) and the Member's Membership or Boat Slip or property as an individual assessment; and

The general, special and individual assessments, together with interest, late fees, costs and reasonable attorney's fees, shall be a charge on the Membership and Boat Slip and shall be a continuing lien upon the Membership and Boat Slip against which each such assessment is made. Each such assessment, together with such interest, late fees, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the owner of such Membership and Boat Slip at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to any successors in title or interest unless expressly assumed by them.

The Board is specifically empowered on behalf of the Association to make and collect assessments and to replace, maintain, and repair all property of the Association including the bulkheads, docks, piers, and pilings.

Section 2: PURPOSE OF ASSESSMENTS. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Members and their property; and for the enforcement of this Declaration, the Articles, Bylaws, and the Rules and Regulations the Association promulgated by the Board of Directors; and for the improvement and maintenance of the Properties, Common Area, services and Boat Dock Facility devoted to this purpose and related to the use and enjoyment of the Common Area and to pay the taxes and other municipal charges or fees of the Common Area.

Section 3. DETERMINATION OF GENERAL ASSESSMENT.

A. The Board shall determine the amount of the general assessment. General assessments against Members shall be determined, imposed, levied and collected by the Board and shall be fixed to a uniform rate for all Boat Slips and Memberships.

Section 4: SPECIAL ASSESSMENTS. In addition to the general assessments authorized above, and special assessments established by the Board, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a capital improvement upon any of the Common Area, including easement areas, fixtures and personal property related thereto, or defraying in whole or in part the cost of any dredging, or defraying the expenses of operation, maintenance or renovation not adequately funded by general assessments. Except as specified herein, all special assessments described in Section 1.b. above shall be determined, imposed, levied, and collected in the manner prescribed herein or in the Bylaws, provided that, if such special assessment exceeds ONE HUNDRED (\$100.00) DOLLARS in any assessment year for any Member, such assessment shall have the approval of a majority of the Members who are voting in person or by proxy at a meeting duly collect for this purpose. Special assessments for the maintenance of sewer lines and other elements of the sewer system, the drainage and stormwater runoff systems, and other utility systems and maintenance or other action for the Boat Dock Facility, as required by government permits or regulations, may be assessed by the Board without a vote of the Members. All special assessments shall be fixed to a uniform rate for all Boat Slips and Memberships.

Section 5: NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTION 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 4 shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence at the meeting of Members or of proxies entitled to cast fifty-one (51%) percent of all the votes shall constitute a quorum. The required quorum at any subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6: DATE OF COMMENCEMENT OF GENERAL ASSESSMENTS AND DUE DATES. The general assessments provided for herein shall commence as to each Membership on the first day of its acquisition of a Boat Slip License by a Member. The first general assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the general assessment against each Membership and Boat Slip at least thirty (30) days in advance of each general assessment period. Written notice of the general assessment shall be sent to every Member. The due dates shall be established by the Board of Directors. The Board shall require the general assessments to be paid at least annually, but may require the general assessments to be paid more often. The Association shall, upon demand at any reasonable time, and for a reasonable charge, furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments against a specified Membership have been paid.

Section 7: INDIVIDUAL ASSESSMENTS FOR REPAIRS OF DAMAGE CAUSED BY FAULT. If a Member, or assignee, or Lessee or one of his other family Members or guests, damages or destroys by his or her fault, intentional conduct or negligence, any of the property of the Association including the bulkheads, piers, docks, pilings, Boat Slips, and other facilities, the Association shall repair the damage or replace the destroyed property as soon as practicable and shall levy an Individual Assessment upon the owner of that Membership for the full cost of repair or replacement in accordance with Section 1 herein.

Section 8: WORKING CAPITAL ASSESSMENT. At the time the Boat Slip License is conveyed by DECLARANT to a Member, each Member shall contribute to the Association as working capital an amount equal to \$200.00. Such funds shall be used for initial operating and capital expenses of the Association, such as prepaid insurance, supplies, furnishings, equipment, etc. Amounts paid into the working capital fund are not to be considered as advance payment of regular assessments. All working capital funds shall become part of the general operating funds of the Association.

Section 9: EFFECT OF NONPAYMENT OF ASSESSMENTS. REMEDIES OF THE ASSOCIATION. Any assessments or any portions thereof which are not paid when due shall be delinquent. Any assessment or portion thereof not paid within thirty (30) days after the due date, together with interest at the maximum rate allowed by law, costs of collection, court costs, late fees and reasonable attorney's fees, shall constitute a lien upon such Membership upon which such assessments are levied. The Association may record notice of the same in the office of the Clerk of Superior Court of New Hanover County, or file a suit to collect such delinquent assessments and charges. The Association may bring an action at law against the Member personally obligated to pay the same and/or may foreclose the lien against the Membership and sell the same, after ten (10) days notice to such Member at his last known address, and the interest, reasonable attorneys' fees and costs of any such action shall be added to the amount otherwise due, all of which shall be part of the lien. No Member may waive or otherwise escape liability for the assessments provided for herein by non-use or abandonment of his Membership or for any other reason.

Section 10: SUBORDINATION TO THE LIEN TO MORTGAGES. The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage or pledge of the Membership. A sale or transfer of any Membership shall not affect the assessment lien. However, the sale or transfer of any Membership subject to any mortgage or pledge, pursuant to a decree of foreclosure under such mortgage or pledge in any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to payments thereon which become due prior to such sale or transfer. No sale or transfer shall relieve such Member from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE 5

MAINTENANCE

The Association shall provide maintenance of all of its Properties and Common Areas, including bulkheads, docks, deadmen, piers and pilings as well as maintenance dredging of the submerged lands of the Boat Dock Facility. The cost of such maintenance shall be added to and become a part of the total, general assessment for which all Memberships are liable as specified herein.

ARCHITECTURAL CONTROL

No building, fence, wall, sign or other structure shall be commenced, stored, erected or maintained upon the Common Area or other property of the Association, nor shall any addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of such change shall have been submitted to and approved in writing by the Board of Directors or by an architectural committee composed of three (3) or more representatives of the Board.

ARTICLE 7USE RESTRICTIONS

Section 1: RULES AND REGULATIONS. Subject to the provisions of the Articles of Incorporation and this Declaration, the Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable Rules and Regulations concerning the use and enjoyment of the Boat Slips and all the property of the Association, including bulkheads, docks, piers and pilings.

Section 2: USE OF PROPERTIES, ETC. No portion of the Boat Slips or property of the Association, including Boat Slips, docks, piers, pilings and facilities may be used for any commercial purpose without the prior, written approval of the Board of Directors.

Section 3: QUIET ENJOYMENT. No obnoxious or offensive activity shall be carried on in or upon the Boat Slips or the property of the Association, including docks, piers, pilings, bulkheads and facilities, nor shall anything be done which may be or may become a nuisance or annoyance to any Member, assignee or Lessee.

Section 4: WATER QUALITY. No refuse, sewage, trash, oil, gasoline or other item may be released into the water of the harbor.

Section 5: DOCKING. No boat in any Boat Slip shall exceed twenty-four (24) feet in size. No boat in any Boat Slip shall extend beyond the Boat Slip in which it is docked.

Section 6: ELECTRIC LIFTS. No electric lifts shall be allowed in the Boat Dock Facility.

Section 7: PARKING. Parking shall be allowed only in specially designated area(s) as determined by the Board.

Section 8: LEASING. A Member may lease his/her Boat Slip in accordance with Article 10 herein. A Member may not allow any boat, other than a boat owned by a Member or Member's Lessee to occupy a Member's Boat Slip. The Association reserves the right to lease any Boat Slip it owns or has the right to use according to the terms of this Declaration.

Section 9: REMOVAL OF BOATS FROM BOAT DOCK FACILITY. The Board may require all Members to remove their boats from the Boat Dock Facility in inclement weather. Members shall remove their boats from the Boat Docking Facility in inclement weather, whether or not required to do so by the Board. Should any boat not be so removed, whether or not the Board required removal, and such boat or boats damage any part of the Boat Dock Facility, including the bulkheads, piers, pilings, docks, Boat Slips and other facilities, the Association shall repair the damage or replace the destroyed property and shall levy an Individual Assessment upon such Member for the full cost of repair or replacement. If boats owned by more than one Member caused such damage or destroyed such property, the cost of repair or replacement shall be shared by such Members in such amounts as shall be established by the Board. The DECLARANT and the Board shall not be held liable for injury, damages or loss arising from a failure to request the removal of boats from the Boat Docking Facility.

Section 10: JUNK BOATS. No stripped, partially wrecked, junk boat, or part thereof, shall be permitted to be parked or kept in any Boat Slip.

Section 11: BOAT MAINTENANCE. No Member may perform any long term or major maintenance on any boat in the Boat Dock Facility. Any minor boat maintenance lasting more than three (3) days shall not be permitted without approval by the Board.

Section 12: NOISE. All members must take all appropriate action to minimize the noise of boats within the Boat Dock Facility.

Section 13: FIREWORKS. No fireworks of any type shall be permitted in the Boat Dock Facility or Common Areas.

Section 14: REMOVAL OF PERSONAL PROPERTY. No items of personal property or items of any sort may be left in any of the Common Areas or Boat Dock Facility. All trash must be properly disposed.

Section 15: LIMITATION OF USE. Use of the Boat Dock Facility and Common Areas shall be limited to Members, the family of any Member and their guests, Lessees of any Member, and the Lessee's family members and guests.

ARTICLE 8

EASEMENTS

Section 1: UTILITY EASEMENTS. The Association shall have the right to grant and establish upon, over, under, and across the Common Areas and its Properties such easements and rights-of-way as may be necessary for drainage and utilities and such further easements as are requisite for the convenient use and enjoyment of such Common Areas and Properties.

Section 2: GREENVILLE SOUND GARDENS PHASE II EASEMENTS. The Common Area of the Association shall be subject to and burdened with an easement for drainage and stormwater runoff and related facilities from Greenville South Gardens Phase II, which easement shall run to the benefit of the DECLARANT, Greenville Sound Gardens Phase II Homeowners' Association, Inc., and all owners of real property located within Greenville Sound Gardens Phase II. The easement shall include the right of the Greenville Sound Gardens Phase II Homeowners' Association, Inc. to install, locate, and maintain the facilities, including any pipes or conduits. The Association must be notified in writing of at least two (2) weeks prior to any work being done on the Common Area by the Greenville Sound Gardens Phase II Homeowners' Association, Inc.

Section 3: EASEMENTS FOR MEMBERS. Each Member shall have a perpetual easement upon, over and across the Common Areas for each and every purpose for which such Common Areas generally are used, including, but not limited to, easement for access to the Common Areas. Such easements are appurtenant to and shall pass with the Membership and Assignment of Boat Slip. Any Member may delegate in accordance with the Rules and Regulations, his/her right of enjoyment to the Common Areas the Members of his/her family, guests and Lessees.

ARTICLE 9

INSURANCE

Section 1: POLICIES. The Board of Directors on behalf of the Association, as an operational expense shall insure against public liability, and may obtain other insurance which it deems appropriate, including hazard insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the interests of the Association. Any hazard insurance proceeds shall be payable in case of loss to the Association or its mortgagee, as the case may require.

Section 2: RELATIONSHIP TO MEMBERS' POLICIES. Such insurance shall be obtained without prejudice to the right of each Member to insure his personal property for his own benefit at his own expense. In no event shall the insurance coverage obtained by the Association be brought into contribution with insurance purchased by Members or their pledgees or mortgagees.

TRANSFER RIGHTS

Section 1: TRANSFER RIGHTS. In the event that any Member desires to sell or transfer his or her Membership, the Member may, at his or her option, offer such Membership for sale to the DECLARANT, so long as the DECLARANT is in existence, and if the DECLARANT is no longer in existence, then, thereafter to the Association at the same net price and on the same terms and conditions at which the highest bona-fide offer has been made for such Membership or upon such other terms and conditions as may be acceptable to the Member. The Member shall then give the DECLARANT, or, if applicable, the Association, written notice of his or her desire to sell or transfer by registered mail, return receipt requested, and shall further advise the DECLARANT or the Association of the name and address of the person, firm or corporation making the highest bona-fide offer, the amount and terms of such offer, or the terms and conditions of terms acceptable to the Member, and such other information pertinent to the offer as the DECLARANT or Association may require. Within thirty (30) days after receipt of that notice, the DECLARANT or Association may exercise its option to purchase the Membership. Should the Board fail or refuse within thirty (30) days after the receipt of the written notice to purchase the Membership and/or to exercise its option, the Membership may then be sold or transferred at a price and upon such terms acceptable to the Member. Once the Membership has been offered for sale to the DECLARANT or the Association, the offer must remain open for the 30 day period and the Member cannot enter into another contract and cannot sell the Membership to any other party during the 30 day period.

Section 2: TERMS OF SALE, TRANSFER OR LEASE. Any sale, transfer or lease of any Membership by any Member to a person, firm, corporation or other entity shall be subject to all the terms, covenants, limitations and provisions of this Declaration and attendant documents.

Section 3: LEASE. No Member shall be allowed to lease his or her Membership rights without the express prior approval of the Board of Directors, but such approval shall not be unreasonably withheld. The Board of Directors shall adopt a procedure for Application for and approval of leases. All leases shall contain a provision requiring the lessee to abide by all of the terms and conditions of this Declaration, the Articles, Bylaws and Rules and Regulations.

Section 4: TRANSFER VOIDABLE. Any sale, transfer, conveyance or lease of any Membership without complying with the provisions of this Article is voidable at the election of the DECLARANT or Association.

Section 5: BINDING NATURE. The provisions of this Article shall be binding upon and inure to the benefit of all the Members of the Association, their respective heirs, administrators, successors and assigns; and, as further evidence of the binding nature of these provisions, each Boat Slip License shall contain the following language:

"No sale, transfer, assignment, pledge, mortgage or lease of this Boat Slip and/or Boat Slip License or any rights of Membership in the Association shall be made without first complying with all terms and conditions of Article 10 of the Declaration."

ARTICLE 11

ENFORCEMENT

In the case of failure of a Member to comply with the terms and provisions contained in this Declaration, the Articles, the Bylaws or Rules and Regulations of the Association, the following relief shall be available:

Section 1: RIGHT TO ENFORCE. The Association, the DECLARANT, any Member, an aggrieved Member on behalf of the Association, or any Member on behalf of all Members shall have the right to enforce by any proceeding at law or in equity, all of the conditions, covenants and restrictions of this Declaration and the Articles, Bylaws and Rules and Regulations of the Association and any and all laws hereinafter imposed pursuant to the terms of

this Declaration. The prevailing party shall be entitled to collect all costs thereof, including reasonable attorney's fees.

Section 2: RIGHT TO REMEDY. The Association or DECLARANT shall have the right to remedy the violation and assess the costs of remedying same against the offending Member as an individual assessment as provided in Article 4 herein.

Section 3: SUSPENSION. For any violation of this Declaration, the Articles, the Bylaws, or the Rules and Regulations by a Member, including, but not limited to, the nonpayment of any general, special, or individual assessment, the Association shall have the right to suspend the offending Member's voting rights and the use by such Member, his/her family members, guests, lessees, licensees and invitees, of the Common Areas and Boat Slip for any period during which a violation continues except that such penalties may not be for more than sixty (60) days for violation of any of the Association's Rules and Regulations. The Association shall have the right to lease or otherwise lawfully use all rights of any such Member during any period of suspension.

Section 4: FINES. The Board may establish a schedule of fines for the violation of this Declaration, the Articles, Bylaws and Rules and Regulations. If a Member does not pay the fine within fifteen (15) days the fine shall be an Individual Assessment against the Membership and Boat Slip and may be enforced by the Association in accordance with Article 4 herein.

Section 5: REMOVAL OF BOATS. The Association, through its Board of Directors shall have the right to remove any boat located in a Member's Boat Slip during any period of suspension by that Member. The boat will be stored at the Member's expense, which sum may be assessed as an Individual Assessment in accordance with Article 4. The Association, including the Board, shall not be liable for damages, injury or loss which may arise as a result of the removal and/or storage of any boat.

Section 6: LESSEES. All Lessee(s) of any Member(s) shall be bound by the terms and conditions of this Declaration, the Articles, Bylaws and Rules and Regulations. Any violation of this Declaration, the Articles, Bylaws and Rules and Regulations by any Lessee, his/her family members, guests, licensees or invitees may result in the suspension of the right to use the Common Area and Boat Slip, the imposition of fines and/or the removal of Lessee's boat from the Boat Slip. Additionally the Member leasing the Boat Slip shall be responsible for all penalties and fines assessed against any Lessee and the same may become Individual Assessments against that Membership in accordance with Article 4 and further a Member's voting rights may be suspended for any violation by a Lessee of that Member.

Section 7: REMEDIES CUMULATIVE. The remedies provided by this Article are cumulative, and are in addition to any other remedies provided by law.

Section 8: WAIVER. The failure of the Association, DECLARANT, or any person or Member to enforce any covenant or condition contained in this Declaration, the Articles, Bylaws or Rules and Regulations shall not be deemed a waiver of the right to do so thereafter.

ARTICLE 12

DURATION, AMENDMENT AND TERMINATION

Section 1: DURATION AND TERMINATION. All Present and future Members, their assignees, guests or invitees or licensees, shall be subject to, and shall comply with the covenants, conditions, restrictions and affirmative obligations set forth in this Declaration, and as the Declaration may be amended from time to time. The acceptance of a Boat Slip License or the entering into of occupancy of any Boat Slip shall constitute an agreement that the provisions of this Declaration is accepted and ratified by such Member, or occupant and that they will full comply with the terms and conditions of this Declaration. The covenants, conditions, restrictions, and affirmative obligations of this Declaration shall inure to the benefit of and be enforceable by the Association, or Member, their respective legal representatives, heirs, successors and assign, for a term of twenty (20) years from the date this Declaration is recorded in the New Hanover County Registry, after which date this Declaration shall be extended for successive periods of twenty (20) years, unless a majority of the then

Members agree to revoke the same, and the covenants, conditions, restrictions and affirmative obligations of this Declaration shall run with and bind the Properties and shall bind any person having at any time any interest or estate in any Membership as though such provision were made a part of each and every Boat Slip License or assignment thereof.

Section 2: AMENDMENT. At any time prior to December 31, 2002, or until all the Memberships are sold, this Declaration may be amended by DECLARANT in its discretion. Retention of this right by the DECLARANT is not intended to affect the general or common scheme of development for the property herein described but to correct and/or modify situations or circumstances which may arise during the course of development. This Declaration may be amended by vote of not less than fifty-one percent (51%) of the Members and an instrument must be recorded in the New Hanover County Registry for such an amendment to be effective at any time after DECLARANT has sold all of the Memberships. In no event may the Declaration be amended so as to alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect any lien for the payment thereof established herein, or so as to deprive DECLARANT, its designee or successors and assigns of any rights granted or reserved unto DECLARANT.

ARTICLE 13

GENERAL PROVISIONS

Section 1: WAIVER. No provision contained in this Declaration, the Articles, Bylaws or Rules and Regulations shall be deemed to have been waived, abandoned, or abrogated by reason of failure to enforce them on the part of any person as to the same similar future violations, no matter how often the failure to enforce is repeated.

Section 2. SEVERABILITY. Invalidation of any one of these covenants, conditions or restrictions by judgment or any court, agency or legislative order shall in no way affect any other provision, covenant, condition or restriction contained in this Declaration which shall remain in full force and effect.

Section 3: CONFLICT. In the event of any irreconcilable conflict between this Declaration and the Bylaws of the Association, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between this Declaration and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

Section 4: CAPTIONS. The captions of the various Articles of this Declaration are for the convenience of reference only, and shall not be used as an aid in interpretation or construction of this Declaration. As used herein, the singular includes the plural and where there is more than one Member of a Membership, said Members are jointly and severally liable for the obligations herein imposed. Throughout this Declaration, references to the masculine shall be deemed to include the feminine, the feminine to include the masculine and the neuter to include the masculine and feminine.

Section 5: ASSIGNABILITY OF RIGHTS AND LIABILITIES. DECLARANT shall have the right to sell, lease, transfer, assign license and in any manner alienate or dispose of any rights, interests and liabilities retained, accruing and reserved to it by this Declaration. Following any such disposition, DECLARANT in no way shall be liable or responsible to any party with regard to any such right, interest, or liability or any claim or claims arising out of same in any manner.

Section 6: LIBERAL CONSTRUCTION. The provisions of this Declaration shall be construed liberally to effectuate its purpose of creating a Boat Dock Facility governed and controlled by rules, regulation, restrictions, covenants, conditions, reservations and easements administered by an Association with each Member entitled to and burdened with the rights equivalent to those of other Members.

IN WITNESS WHEREOF, DECLARANT has caused this instrument to be executed this 27th day of October, 1997.

BOOK PAGE
2259 0454

CEG ASSOCIATES, LLC

By: [Signature]
Manager

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

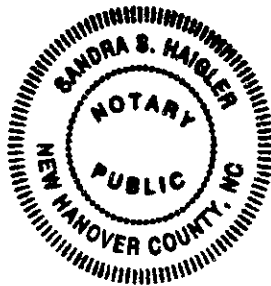
I, Sandra S. Haigler, a Notary Public of the State and County aforesaid, certify that Charles N. Garrett, Jr., Manager of CEG Associates, LLC, a limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.

WITNESS my hand and official seal this 27th day of October, 1997.

[Signature]
Notary Public

My Commission Expires:

3/10/98



NORTH CAROLINA

NEW HANOVER COUNTY

The foregoing certificate of Sandra S. Haigler, Notary Public, is certified to be correct.

This 27 day of October, 1997

MARY SUE OOTS,
REGISTER OF DEEDS OF NEW HANOVER COUNTY

BY: [Signature]
Deputy