

BOOK 2703 PAGE 0299

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RECORDED AND VERIFIED
MARY S. GIBBS
REGISTERED CLERK
FEBRUARY 22 2003

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DECLARATION OF CONDOMINIUM
WRIGHTSVILLE YACHT CLUB CONDOMINIUM

CGST, INC., A North Carolina Corporation, hereinafter called "Declarant", being the owner in fee simple of the property hereinafter described, hereby submits said property to condominium ownership pursuant to Chapter 47C of the General Statutes of North Carolina, as amended, known as the "North Carolina Condominium Act", and to that end does hereby publish and declare that all of the said property to be known as "WRIGHTSVILLE YACHT CLUB CONDOMINIUM" is and shall be held, conveyed, hypothecated, encumbered, used, occupied, and improved subject to the following conditions, covenants, restrictions, uses, limitations and objections, all of which shall be deemed to run with the land and shall be a burden and benefit to Declarant, its successors and assigns, and any person acquiring or owning an interest in the property and improvements, their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I

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DEFINITIONS

- A. Act or North Carolina Condominium Act means the statutory provisions set forth in Chapter 47C of the North Carolina General Statutes, the North Carolina Condominium Act, under which the condominium is established.
- B. Assessment means a share of the funds required for the payment of common expenses which from time to time is assessed against the unit owner by the Association.
- C. Association means the entity responsible for the operation of the condominium pursuant to the Act which entity includes all of the unit owners acting as a group in accordance with the By-laws and Declaration.
- D. Board of Directors or Board means the Board of Directors of the Association, and Director means a member of the Board.
- E. By-Laws means the By-Laws for the government of the condominium as they exist from time to time.
- F. Building or Buildings shall mean all structures and improvements now or hereafter erected upon the property.
- G. Common Areas and Facilities means the portion of the condominium property owned in undivided interest, by all of the owners, as more specifically set forth herein in Paragraph 5.
- H. Common Expenses include the expenses of administration, maintenance, operation, repair and replacement (including a capital reserve for repair, maintenance and replacement), of the common area and facilities, and other expenses declared by the Association to be common expenses, as further defined in the Act.
- I. Common Profits means the balance of all revenue of the Association remaining after deduction of common expenses.
- J. Condominium means real estate portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of those portions. Real estate is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

RETURNED TO W. James Jones

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- K. Condominium Documents means this Declaration, the By-Laws, the Rules and Regulations and all other Exhibits attached hereto and all other documents and regulations promulgated pursuant to the authority created herein and in the Act, and as such documents shall be amended from time to time.
- L. Declarant means CGST, Inc., A North Carolina Corporation, its successors and assigns.
- M. Declaration means this instrument as it may be from time to time amended or supplemented.
- N. Eligible Mortgage Holder or Eligible Holders is defined as a holder of a first mortgage or lien on a unit that has requested notice of certain matters from the Association.
- O. Limited Common Areas and Facilities means and includes those common areas facilities which are reserved for the use of a certain unit or units, to the exclusion of other units, as more specifically defined herein.
- P. Mortgagee shall mean a beneficiary under a mortgage or Deed of Trust.
- Q. Plans shall mean and refer to the plans and specifications of the condominium prepared by Boney Architects, Inc., and recorded under the name of the condominium in the Office of the New Hanover County Register of Deeds recorded in Condominium Plat Book 11 at Pages 379-382.
- R. Property means and includes the land described in Exhibit "A" to this Declaration together with any buildings and improvements located thereon.
- S. Unit or Condominium Unit means a part of the property which is to be subject to private ownership, as designated on the Exhibits attached to this Declaration, shown on the plans as described in paragraph "O" above, and as further defined in the Act.
- T. Unit Owner or Owner means a person or entity, or any combination thereof, who owns a unit.

ARTICLE II

DESCRIPTION OF PROPERTY

All of that certain tract or parcel of land with the building and improvement thereon erected, or to be erected, situate, lying and being in The Town of Wrightsville Beach, New Hanover County, North Carolina, and being more particularly described in Exhibit "A" attached hereto and incorporated by reference as though fully set forth herein. The Property is subject to those exceptions and liens set forth on Exhibit "C" attached hereto and incorporated by reference as though fully set forth herein.

ARTICLE III

DESCRIPTION OF BUILDING

The Declarant has constructed upon the property described in Exhibit "A", attached hereto, one (1) two-unit building to be used for residential, lodging, and office purposes as herein provided. A plat or survey of the property showing the location of said building is recorded in the Condominium Plat Book 11 at Pages 379-382 of the New Hanover County Registry. In general, the building has two stories built on wooden pilings above a garage and storage area located on the ground floor and is constructed primarily of wood frame on treated timber pilings. The building contains two (2) units - Unit A located on the North side of the Building and Unit B located on the South side of the Building. Both units consist of approximately 3552 square feet. The ground floor contains 170 square feet with 27 square feet of same being heated. The first floor contains 1632 square feet of heated space and the second floor contains 1723 square feet of heated space. Each unit is similar in size and design and contains a kitchen, four bedrooms, two and one-half bathrooms and a living room.

In addition, the building has porches which serve each unit, walkways, stairs, parking areas and other appurtenances, as are more particularly delineated on the above referenced map and plans of the condominium.

ARTICLE IV

UNIT DESIGNATION AND DESCRIPTION

A. Designation. The unit designation of each unit, its location and dimensions, are set forth on the condominium plat referred to above. Each unit is identified as either Unit A or Unit B.

B. Description. The legal description of each unit shall consist as either Unit A or Unit B which identifies such unit as shown on the plat of the condominium as referred to in Article I (Q), "Plans of the Condominium". Each unit is bounded both as to horizontal and vertical boundaries by the interior surface of its perimeter walls, ceilings and floors which are shown on said plans, subject to such encroachments as are contained in the buildings, 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.

Each unit shall be conveyed and treated as an individual property capable of independent use and fee simple ownership, and the unit owner of each unit shall also own, as an appurtenance to the ownership of each unit, an undivided interest in the common areas and facilities. Each unit owner shall own a 50% share in the common facilities pertinent to each unit as set forth in Exhibit "B" attached hereto and made a part hereof. The percentage of undivided interest in the common areas and facilities appurtenant to each unit has been determined by determining the ratio of the value of each unit to the value of all units at the time of the Declaration and assigning that undivided interest in the common areas and facilities to the respective unit. Except as provided in Paragraph 26 below, the percentage of undivided interest in the common areas and facilities assigned to each unit shall not be changed without the unanimous consent of the unit owners.

ARTICLE V

COMMON AREAS AND FACILITIES

A. The common areas and facilities generally shall mean and refer to all of the real property, described in ARTICLE II, and all of the improvements and facilities thereon which are not units, as herein above defined, and which are not items of personal property owned, held and maintained by unit owners. Without in any way limiting the generality of the foregoing, the common area, shall include, but not be limited to, the following:

1. All of the real property more particularly described in ARTICLE II of this Declaration
2. All foundations, columns, girders, beams, supports, roofs, ventilation fans and vents, load bearing walls, including all exterior walls and all interior walls (except non-load bearing partition walls wholly within a unit) of the buildings.
3. All stairways, stairwells and stairs and their components, if any, which give access to more than one unit.
4. All yard and garden areas, parking and drive areas, sidewalks and any other amenities.
5. All installations of any facilities, apparatus, conduits, and equipment for the provision of a utility service, including, but not limited to, all water and sewer service, electricity, telephone, irrigation, trash disposal, if any, and cable TV, if any, supplied for the common use and convenience of the unit owners and which are defined as part of the units herein below.
6. All other portions of the real property and the improvements thereon which are not specifically part of the units themselves, as herein above defined, or owned by unit owners as personal property, shall be common areas and facilities intended for the common and necessary or convenient use and enjoyment, maintenance or safety of the condominium project.

B. Unit Share in Common

1. The undivided share in the common elements or common areas 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 areas appurtenant to a unit cannot be conveyed or encumbered except together with the unit.

3. The shares in the common areas appurtenant to units shall remain undivided, and no action for partition of the common elements shall lie.

4. The undivided interest of each unit owner in the common areas and facilities is set forth in Exhibit "B" as attached hereto and made part hereof.

ARTICLE VI

LIMITED COMMON AREAS AND FACILITIES

The limited common areas and facilities appurtenant to each unit are as follows:

A. Decks accessible only from a particular unit, outside stairways serving less than all units, any outside entry serving less than all units and driveways, parking areas and garages serving only one unit. Each limited common area is allocated to the unit or units, served by that limited common area, as shown on the condominium map referred to in Article I (O).

B. All non-load bearing walls located entirely within the unit.

C. All materials, including, but not limited to, studs, Sheetrock, plywood, carpet, paint, paneling, tile, vinyl or brick, attached to or on the inside surfaces of perimeter walls, floors and ceilings of the units.

D. All doors, windows, screens, ventilation fans and vents located entirely within the unit or extending into the unit from the perimeter walls, floors or ceilings thereof.

E. All air handling units, including heating and air conditioning units for a particular unit, ducts and components and all water, power, telephone, television and cable television, electricity, plumbing, gas and sewage lines located in the unit, including all heating and air conditioning units designated as limited common areas appurtenant to a particular unit as shown on the condominium plat whether said units are located within interior walls of an individual unit; provided, however, that the portion of any utility lines located in a common compartment for, or installation of, such lines shall be general common areas and facilities as described above.

F. The limited common areas and facilities which are appurtenant to any unit(s) shall not be separated therefrom and shall pass with title to any unit(s), whether or not separately described in the deed of conveyance.

ARTICLE VII

USE

The buildings and each of the units shall be used for residential, lodging and office purposes, which shall include the rental of any units by the owner(s) thereof pursuant to rules and regulations established by the Association and other uses reasonably incidental thereto, including meetings by persons owning or occupying

such units, and uses allowed by applicable ordinances of the Town of Wrightsville Beach. Each unit owner shall have the right to use the common areas and facilities in accordance with the purposes for which they are intended and for all purposes incidental to the use and occupancy of his or her unit and such right shall be appurtenant to and run with his or her unit, provided, however, that no person shall use the common areas and facilities or any part thereof in such manner as to interfere with or restrict or impair the use thereof by others entitled to the use thereof or in any manner contrary to or not in accordance with this Declaration, the By-Laws, and such Rules and Regulations as may be established from time to time by the Board of Directors. The uses contemplated by this Paragraph cannot be changed, amended or modified without the written consent of the owners of all units.

ARTICLE VII

PROCESS AGENT

William O.J. Lynch, 10. S. Third Street, Wilmington, NC 28402, is hereby designated as the person to receive service of process in any action provided for in the Act. The Board of Directors may change the process agent by filing a Declaration of Change in the Office of the Register of Deeds of New Hanover County.

ARTICLE IX

MAINTENANCE

A. All floor and wall covering, heating, electrical, telephone, cabinets, partition walls, suspended ceilings and other fixtures and equipment located within the unit, and all windows or doors opening into the unit, as well as plumbing and HVAC units serving the unit shall be maintained (and, if owner desires, insured) by the owner. Any replacement or substitution of such fixtures and equipment shall be compatible with any common areas and facilities effected thereby. The Association shall not be responsible for repairing, maintaining, or insuring such fixtures and equipment. If the Association receives any insurance proceeds for damage or destruction of any of the foregoing facilities which an owner is required to maintain, then the Association shall pay such proceeds to the owner.

B. Maintenance, replacement, and operational costs of any common area and/or equipment, fixtures or facilities used jointly by all units will be a common expense of the homeowners.

C. All parts of a 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 promptly comply with any requirements of the insurance underwriters of the insurance for the common areas and facilities when so requested in writing by the Board or its designated agent. Any failure of an owner to repair, maintain or replace as may be required pursuant to the Condominium Documents or a determination by the Board or its designated agent when such failure will endanger or impair the value of the common areas and facilities of any unit, or the limited common areas and facilities belonging to another owner may, upon written notice to the owner of the nature of the required repair, maintenance or replacement, be repaired or replaced by the Association at the expense of the unit owner and shall be collected by special assessment as provided herein and in the BY-Laws. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the unit owner therein.

ARTICLE X

EASEMENTS

A. Each unit owner shall have an easement in common with the other owners of all other units to use all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities serving such other units and located in such unit. The Association shall have the right, to be exercised by the Board of Directors or its agents, to enter each unit from time to time at reasonable hours as may be necessary for the operation of the

condominium to inspect the same, to remove a violation therefrom and to maintain, repair or replace the common facilities, if any, contained therein or elsewhere in the building.

B. Each unit and all common areas and facilities and limited common areas and facilities are hereby subject to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation or other service of or to all gas, electricity, television, telephone, water, plumbing, sewer, utility, drainage or other lines or other common areas and facilities, whether or not the cause of any or all of those activities originates in the unit in which the work must be performed.

C. Easements are hereby declared and granted, and the Board may hereafter declare, grant or assume 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, telephone and television wires and equipment and electrical conduits, and wires over, under, along and on any portion of the common areas, each unit owner hereby grants to the Board, or its designee, an irrevocable power of attorney to execute, acknowledge, and record, for and in the name of the Association or each unit owner such instruments as may be necessary to effectuate the foregoing.

D. In the event that by reason of the construction, reconstruction, settlement or shifting of the building, any portion of the common areas and facilities encroaches upon any unit, or any unit encroaches upon any other unit, or any unit encroaches upon the common areas and facilities, (whether the same now exists or may be caused or created by existing repairs, construction or alteration), valid cross-easements for the maintenance of such encroachment are hereby established and shall exist for the benefit of such unit or common elements so encroaching so long as all or any part of the building containing such unit or common elements so encroaching shall remain standing, provided, however, that in no event shall a valid easement for any encroachment be created in favor of the owner of any unit or in favor of the owners of the common elements if such encroachment occurred due to the willful conduct of said owner or owners.

E. Ingress and egress is reserved for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes as the same from time to time may exist upon the common areas and facilities, and, for vehicular traffic over, through and across such portions of the common areas and facilities as from time to time may be paved and intended for such purposes, for all unit owners in WRIGHTSVILLE YACHT CLUB CONDOMINIUM, their guests, families, invitees, lessees, the Association, the Declarant, its successors and assigns.

F. In case of any emergency originating in or threatening any unit or the common Areas and facilities, regardless whether the unit owner is present at the time of such emergency, the Board of Directors or any other person authorized by it, shall have the right to enter any unit for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs not performed by the unit owners, and such right of entry shall be immediate.

G. All easements and rights described herein are easements appurtenant, running with the land, and shall inure to the benefit of and be binding on the undersigned, their successors and assigns, and any other owner, purchaser, mortgagee and other person having an interest in said land, or any part or portion thereof, regardless of whether or not reference to said easement is made in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE X

PARTITIONING

The common area and facilities shall remain undivided, and no unit owner or any other person shall have the right to bring any action to partition any part thereof, unless the property has been removed from the provisions of the Act. Nothing herein contained, however, shall be deemed to prevent ownership of a dwelling unit by the entities jointly, or in common, or in any other form permitted by law except the selling of any unit in "time shares" is hereby expressly prohibited.

ARTICLE XI

COMMON EXPENSES, COMMON PROFITS

The unit owners are bound to contribute pro rata, in the percentages computed according to Chapter 47C of North Carolina General Statute which percentages are set forth in Exhibit "B" hereto attached 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 expense by waiver of the use or enjoyment of the common area and facilities or by the abandonment of the unit belonging to him.

The common profits of the property, if any, after payment of all expenses of operation and maintenance of the property and the establishment of a sinking fund or other reserve funds or any other matters reasonably necessary and appropriate for the maintenance of the property as determined by the Board of Directors in accordance with the Condominium Documents, shall be distributed among the unit owners according to the percentages for each unit set forth in Exhibit "B"

ARTICLE XII

TAXES

Each condominium unit and its percentages of undivided interest in the common areas and facilities set forth in Exhibit "B" hereto attached, 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, 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 owner. 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.

ARTICLE XIII

LIENS

A. With the exception of liens which may result from the initial construction of this condominium, 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.

B. No labor performed or materials furnished to the common areas and facilities 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, bear interest at such rate as is determined by the Board, not to exceed the maximum rate allowed by law, and shall create a lien to the extent of such assessment, together with interest thereon, in favor of the Association against the unit of the defaulting owner and shall be enforced as provided by § 47C-3-116 of the North Carolina Condominium Act.

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, recorded in the Office of the Register of Deeds of New Hanover County, North Carolina, prior to the recording of said liens

ARTICLE XIV

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 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 rights of the owners of other units.

ARTICLE XV

INSURANCE

A. Amount and Scope of Insurance. All insurance policies upon the property (except personal property within a unit and limited common areas and facilities) shall be secured by the Board or by the Managing Agent, if so designated by the Board, who shall have the authority to, and shall obtain such insurance against (i) loss or damage by fire or other hazards normally insured against, and (ii) such other risks, including public liability insurance, as from time to time shall be customarily required by private institutional Mortgage Investors for projects similar in construction, location and for such amounts as the responsible authority shall determine. However, such liability coverage shall be for at least \$ 300,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insured for property damage bodily injuries and deaths of persons in connection with the operation, maintenance or use of the common areas and legal liability arising out of lawsuits related to employment contracts of the Owners Association. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities. In obtaining such coverage the responsible authority shall consider the reasonable requirements of holders of first liens on individual units.

B. Insurance Provisions. The Board of Directors shall make diligent efforts to ensure the said insurance policies provide for the following:

1. A waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, the unit owners and their employees, agents, tenants and invitees
2. A waiver by the insurer of its right to repair and reconstruct instead of paying cash.
3. Coverage may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty days prior written notice to the named insured and all mortgagees
4. Coverage will not be prejudiced by act or neglect of the unit owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any warranty or condition regarding any portion of the property over which the Association has no control.
5. The master policy on the property cannot be canceled, invalidated or suspended on account of the conduct of any one or more individual unit owners.

6. The master policy on the property cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors without prior demand in writing that the Board of Directors cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, any unit owner or any mortgagee.

7. Each unit owner shall be an insured person under the policy with respect to liability arising out of his interest in the common elements or membership in the Association.

8. If, at the time of a loss under the policy, there is other insurance in the name of a unit owner covering the same risk covered by the policy, the Association's policy shall provide primary insurance coverage.

C. Premiums. All insurance premiums on the property and for the benefit of the Association purchased by the Board or the Managing Agent and any deductibles payable by the Association on account of a loss shall be a common expense.

D. Proceeds. All insurance policies purchased pursuant to these provisions shall provide that all proceeds thereof shall be payable to the Board as insurance trustee or to such attorney-at-law or institution with trust powers as may be approved by the Board of Directors. The sole duty of the insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes elsewhere stated herein or stated in the By-Laws and for the benefit of the unit owners and their mortgagees, as their interests may appear.

Any portion of the condominium for which insurance is required which is damaged or destroyed shall be repaired or replaced promptly by the Association unless the condominium is terminated, or repair or replacement would be illegal, or one hundred percent (100%) of the unit owners decide not to rebuild. Proceeds of insurance shall be disbursed first for the repair or restoration of the damaged property and unit holders and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

If the entire condominium is not repaired or replaced, the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the condominium, and/or the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units and the owners of the units to which those limited common elements were allocated or to their lienholders, as their interests may appear, and/or the remainder of the proceeds shall be distributed to all the unit owners or lienholders, as their interests may appear, in proportion to their common element interest. If the unit owners vote not to rebuild any unit, that unit's undivided interest is automatically reallocated as if the unit had been condemned, and the Association shall promptly prepare, execute and record an amendment to the Declaration reflecting the reallocations.

In the event a mortgagee endorsement has been issued with respect to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their respective interests may appear.

F. Policies. All insurance policies purchased by the Board of Directors shall be with a company or companies licensed to do business in the State of North Carolina and holding a rating of "AAA" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Board of Directors and the unit owners and their mortgagees as their respective interests may appear, and shall provide that all proceeds thereof shall be payable to the Board of Directors as insurance trustee. The originals of all such policies and the endorsements thereto shall be deposited with the Board of Directors and duplicates of said policies and endorsements and all renewals thereof, or certificates thereof, together with proof of payment of premiums, shall be delivered to the unit owners at least ten days prior to the expiration date with respect to the then current policies. Duplicates shall also be obtained and issue by the Association to each mortgagee if any, upon request of such mortgagee at any time.

ARTICLE XVI

DAMAGE AND DESTRUCTION

Except as herein otherwise provided, damage to or destruction of the common areas and facilities, shall be promptly repaired and restored by the Board using the proceeds of any insurance available for those purposes, and the unit owners of all units shall be liable for assessment of any deficiency, in accordance with their undivided interests in the common areas and facilities; provided, however, if one hundred percent (100%) of the units resolve not to proceed with reconstruction or restoration, the property shall be either: (i) sold or otherwise transferred as hereinafter provided, or (ii) deemed to be owned as tenants in-common by the unit owners, and subject to the provisions of Section 47C-2-118 of the Act as the same exists at the date hereof or as amended hereafter. Any reconstruction or repair shall be substantially in accordance with the plans and specifications of the original building and improvements, unless other plans and specifications are approved by the Board and by all institutional lenders holding deeds of trust on the units.

ARTICLE XVII

EMINENT DOMAIN

A. If a unit is acquired by eminent domain, or if part of a unit is acquired by eminent domain leaving the unit owner with a remnant which may not practically or lawfully be used for any purpose permitted by the Declaration, the award must compensate the unit owner for his unit and its interest in the common elements, whether or not any common elements are acquired. Unless the condemner acquires the right to use the unit's interest in common elements, that unit's undivided interests are automatically reallocated to the remaining units in proportion to the respective undivided interests of those units before the taking, exclusive of the unit taken, and the Association shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations. Any remnant of a unit remaining, after part of a unit is taken under this Subsection is hereafter common area.

B. Except as provided in Subsection A, if part of a unit is acquired by eminent domain, the award must compensate the unit owner for the reduction in value of the unit and of its interest in the common elements, whether or not any common elements are acquired. Upon acquisition, unless the decree otherwise provides, (i) that unit's undivided interests are reduced in proportion to the reduction in the size of the unit, or on any other basis specified in the Declaration, and (ii) the portion of the undivided interests divested from the partially acquired unit is automatically reallocated to that unit and the remaining units in proportion to the respective undivided interests of those units before the taking, with the partially acquired unit participating in the reallocation on the basis of its reduced undivided interests.

C. If part of the common area is acquired by eminent domain, the portion of the award not payable to unit owners under Subsection A must be paid to the Association. Unless the Declaration provides otherwise, any portion of the award attributable to the acquisition of a limited common area must be apportioned among the owners of the units to which that limited common area was allocated at the time of acquisition.

D. The court decree shall be recorded in every county in which any portion of the condominium is located.

ARTICLE XVIII

RIGHTS OF ELIGIBLE MORTGAGE HOLDERS

To the extent permitted by law, an eligible mortgage holder upon written request to the Homeowners Association, identifying the name and address of the holder, will be entitled to timely written notice of

A. Any condemnation, loss or casualty loss which affects a material portion of the project or any units on which there is a first mortgage held by such eligible mortgage holder.

B. Any delinquency in payment of assessments or charges owed by an owner of the unit, subject to a first mortgage held by such eligible holder, which remains uncured for a period of sixty days.

C. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Homeowners Association.

D. Any proposed action which would require the consent of a specified percentage of eligible mortgage holders.

E. In addition to the foregoing rights, the eligible mortgage holders shall be afforded the following rights subject to the extent permitted by law and as allowed by the North Carolina Condominium Statutes as they now exist or as they may be amended from time to time.

1. Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property must require the approval of at least 51% of the votes of the unit estates subject to eligible mortgage holders.

2. Unless otherwise provided in the Declaration or By-Laws, no reallocation of interest in the common areas resulting from a partial condemnation or partial destruction of the project may be effected without the prior approval of eligible holders holding mortgages on all remaining unit estates whether existing in whole or in part, and which have at least 51% of the votes of such remaining unit estates subject to eligible holders of mortgages.

3. If a professional management is ever used to administer the condominium, any decisions to establish self management by the Association shall require the prior consent of owners of unit estates to which at least 67% of the votes of the Owners Association are allocated and the approval of eligible holders holding mortgages on unit estates which have at least 51% of the votes of the unit estates subject to eligible holder mortgages.

ARTICLE XIX

UNITS SUBJECT TO CONDOMINIUM DOCUMENTS

All present and future owners, tenants and occupants of 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 of 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 of such provisions shall be deemed and taken to be covenants running with the land 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 other owner to seek legal and/or equitable relief, including costs and reasonable attorney's fees incurred in enforcing such compliance.

ARTICLE XX

AMENDMENT OF DECLARATION

This Declaration may be amended by the vote of not less than all of the unit owners cast at a meeting duly held in accordance with the provisions of the By-Laws. No such amendment shall be effective until

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recorded in the Office of the Register of Deeds for New Hanover County. The By-Laws may be amended in accordance with the procedure set forth in such By-Laws.

No amendment shall be allowed which acts to the detriment of the Declarant or any right reserved to Declarant by this Declaration, or any concomitant document drawn in connection with this condominium project, without the express written approval of the Declarant.

ARTICLE XXI

TERMINATION

Except as provided in Article XVII above, this Declaration may be terminated, and the condominium property removed from the provisions of the North Carolina Condominium Act, only by an instrument meeting the requirements of N.C.G.S. 47C-2-118 and executed by all of the unit owners and duly recorded, which said instrument shall provide either that the property is to be sold following termination or is not to be sold following termination. If the property is to be sold upon termination, title to the real estate in the condominium vests in the Association upon termination. If the condominium is not to be sold upon termination, title to all the real estate of the condominium vests in the unit owners as tenants in common in proportion to their respective interests as herein provided. While the tenancy in common exists, and during the period between termination and sale of the property, each unit owner and his successors and Assigns have an exclusive right to occupancy of the portion of the real estate that formerly constituted his unit.

Following the termination of the condominium, the proceeds of any sale of real estate, together with the assets of the Association, are held by the Association as trustee for unit owners and holders of liens on the units as their interests may appear. Following termination, creditors of the Association holding liens on the units, which were recorded before termination, may enforce those liens in the same manner as any lienholder. All other creditors of the Association are to be treated as if they had perfected liens on the units immediately before termination.

The respective interests of unit owners referred to are as follows:

A. Except as may be otherwise provided herein, the respective interests of unit owners are the fair market value of their units, limited common elements, and common element interests immediately before the termination, as determined by one or more independent appraisers selected by the Association. The decision of the independent appraisers shall be distributed to the unit owners and becomes final unless disapproved within 30 days after distribution by unit owners of units to which fifty percent (50%) of the votes in the Association are allocated. The proportion of any unit owner's interest to that of all unit owners is determined by dividing the fair market value of that unit owner's unit and common element interest by the total fair market values of all the units and common elements.

B. If any unit or any limited common element is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made, the interests of all unit owners are their respective common element interests immediately before the termination.

In the event it is determined in the manner provided in ARTICLE XVI hereof that the property shall not be repaired or reconstructed after fire or other casualty, the condominium will be terminated and the Condominium Documents revoked. The determination not to repair or reconstruct after fire or other casualty shall be evidenced by a certificate of the Association providing that all liens affecting all of the units are transferred to the percentage of undivided interest of the Unit owners as set forth herein above, and certifying as to facts effecting the termination, which certificate shall become effective upon being duly recorded in the New Hanover County Register of Deeds.

ARTICLE XXI

HOMEOWNERS ASSOCIATION

It is the intention of Declarant that all rights of the Association shall be vested in a nonprofit Association known as WRIGHTSVILLE YACHT CLUB CONDOMINIUM ASSOCIATION, which shall be or has been formed pursuant to the laws of the State of North Carolina and the applicable Federal laws. Such Association shall be formed and operated in accordance with this Declaration and the By-Laws hereinafter adopted and all governing laws as they shall be amended from time to time.

The homeowner membership list will be comprised of those persons or entities owning units in WRIGHTSVILLE YACHT CLUB CONDOMINIUM. The annual meeting of members shall be held at Wrightsville Beach, North Carolina, on the 3rd Wednesday of July, or such other time as designated by the directors. The first directors and officers will hold office until new directors are elected in accordance with the By-laws.

ARTICLE XXIII

INVALIDITY

The invalidity of any provision 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 other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included.

ARTICLE XIV

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.

ARTICLE XXV

PERPETUAL NONEXCLUSIVE EASEMENT IN COMMON AREAS

The common area and facilities shall be, and the same are, hereby declared to be subject to a perpetual nonexclusive easement in favor of all of the owners of condominium units in the condominium for their use and the use of their immediate families, guests, and invitees for all proper and normal purposes and for the furnishing of services and facilities for which the same are reasonably intended. Notwithstanding anything above provided in this ARTICLE, WRIGHTSVILLE YACHT CLUB CONDOMINIUM OWNERS ASSOCIATION, herein identified, shall have the exclusive right to establish the Rules and Regulations pursuant to which the owner of any condominium unit, his family, guests and invitees, may be entitled to use the Common Areas and Facilities, including the right to make and to establish Rules and Regulations concerning the use thereof.

ARTICLE XXVI

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.

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ARTICLE XXVII

ARBITRATION AND AWARD

Any concern or claim arising under this declaration which remains unresolved and deadlocked between the unit owners for a point in excess of ninety days may be submitted to arbitration in New Hanover County, North Carolina, in accordance with Article 45 A Arbitration and Award NCGS § 1-567.1.

IN WITNESS WHEREOF the Declarant has caused this Declaration to be executed by its President and attested to by its Secretary, all of this the 22nd of February, 2000



CGST, INC.

By: Tim F. Turner President

Attest: Fred B. Strachan Secretary

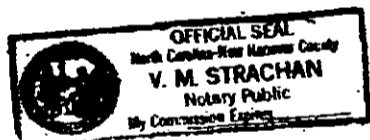
STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, V. M. STRACHAN, a Notary Public for said County and State, do hereby certify that FRED B. GRAHAM, JR. personally came before me this day and acknowledged that he is ~~Acting~~ Secretary of CGST, INC., a North Carolina Corporation, and that by authority duly given and as the act of the corporation the foregoing instrument was signed in its name by its Tim F. Turner President, sealed with its corporate seal, and attested by himself as its ~~Acting~~ Secretary.

Witness my hand and official stamp or seal, this 22 day of February, 2000.

My Commission Expires: 2-20-2001
(SEAL)

V. M. Strachan
Notary Public



STATE OF NORTH CAROLINA
New Hanover County

The foregoing Annexed Certificate(s) of

V. M. Strachan

Notary (Notaries) Public is/are certified to be correct.

This the 22 day of Feb, 2000

by Patricia Barnes
Deputy/Assistant

EXHIBIT A
PROPERTY DESCRIPTION

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TRACT ONE:

Located in the Town of Wightville Beach, New Hanover County, North Carolina, and more particularly described as follows:

All of Tract C2 as shown on a plat entitled "Causeway Properties Division" recorded in Map Book 36 at Page 345 in the New Hanover County Registry, reference to which is hereby made for a more particular description.

There is also conveyed herewith that tract of land bounded (i) on the east by the western line of Tract C2 as shown on said map, said line being depicted on the map as running South 34 degrees 32 minutes 50 seconds West 90.53 feet and South 35 degrees 45 minutes 59 seconds West 18.36 feet, (ii) on the west by a line one foot east of and parallel to the easternmost face of the bulkhead located immediately West of said Tract C2 and (iii) on the North and South by the North and South lines of said Tract C2 extended westwardly to their intersection with the line lying one foot east of the bulkhead mentioned in (ii) above.

Together with an infeasible and perpetual landscape and maintenance easement over and across that certain area shown as "Landscape and Maintenance Easement in favor of Tract C2" on said plat, said easement being in favor of the owners of Tract C2, which easement shall run with the land, with the right to construct, install, repair, operate, inspect, maintain, replace and/or remove trees, shrubs, grass and other landscaping, and any appurtenances necessary or appropriate in connection therewith including irrigation systems, but Grantor shall not have the right to erect or install any structures within said easement area. The owners of Tract C1 as shown on said plat may not use the landscape and maintenance easement area without the written consent of Grantor, its successors or assigns. Grantor shall hold harmless and indemnify the owners of said Tract C1 from any and all claims for personal injury or property damage caused by use of said easement, and shall have in effect at all times liability insurance to cover such indemnification obligations of Grantor, its successors or assigns. The foregoing terms of the landscape and maintenance easement shall be binding on the successors and assigns of the owners of Tract C1.

Together also with an infeasible and perpetual easement over and across that portion of Tract C1 which adjoins the northwestern line of Tract C2 hereby conveyed, which easement shall run with the land, for (i) the unobstructed view of the owners of Tract C2, (ii) the unobstructed and unimpeded passage of air and sunlight over and upon said easements and (iii) for the installation and maintenance of landscaping (but Grantor, and Grantor's successors and assigns, shall not be responsible for any damage to landscaping located within this easement caused by the maintenance of the bulkhead which is located within this easement strip). It is the intent that no structures or other constructions will be constructed or suffered upon the easement strip which would interfere with the view from Tract C2 or the passage of air and sunlight over the easement area.