

12-27-06

DECLARATION
FOR
CROATAN SURF CLUB CONDOMINIUM

PLATS AND PLANS OF **CROATAN SURF CLUB CONDOMINIUM**
ARE RECORDED IN
UNIT OWNERSHIP FILE _____, PAGES _____ THROUGH _____,
DARE COUNTY REGISTRY (the "Plats and Plans").

**THIS DOCUMENT REGULATES OR PROHIBITS
THE DISPLAY OF POLITICAL SIGNS.**

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TABLE OF CONTENTS

ARTICLE 1

DEFINITIONS Page 1
Section 1.1. Definitions. Page 1
Section 1.2. Additional Definitions. Page 2

ARTICLE 2

DESCRIPTION OF THE CONDOMINIUM Page 3
Section 2.1. Creation of Units Page 3
Section 2.2. Plats and Plans Page 3
Section 2.3. Description of Units, Limited Common Elements and Common Elements Page 3

ARTICLE 3

PROPERTY RIGHTS AND ALLOCATED INTERESTS Page 4
Section 3.1. Ownership of Units Page 4
Section 3.2. Ownership of Common Elements Page 4
Section 3.3. Restraint on Transfer. Page 4
Section 3.4. Allocated Interests and Votes Page 4

ARTICLE 4

MEMBERSHIP, VOTING RIGHTS AND GOVERNANCE OF THE ASSOCIATION Page 5
Section 4.1 Membership. Page 5
Section 4.2. Governance. Page 5
Section 4.3. Voting Rights. Page 5

ARTICLE 5

PROPERTY RIGHTS IN THE COMMON ELEMENTS Page 5
Section 5.1. Easements in the Common Elements. Page 5
Section 5.2. Limitation of Easement. Page 5
Section 5.3. Easement for Utilities. Page 6
Section 5.4. Easement for Governmental, Health, Water, Sewage Disposal, Sanitation and Emergency Services. Page 6
Section 5.5. Environmental Easements. Page 6
Section 5.6. Easement for Unintentional and Non-Negligent Encroachments. Page 6

ARTICLE 6

RESERVATION OF SPECIAL DECLARANT RIGHTS Page 6
Section 6.1. Declaration of Special Declarant Rights Page 6
Section 6.2. Turnover. Page 7

ARTICLE 7

COVENANT FOR ASSESSMENT OF COMMON EXPENSES Page 7

<u>Section 7.1. Creation of the Lien and Personal Obligation of Common Expenses.</u>	Page 7
<u>Section 7.2. Assessment for Limited Common Elements.</u>	Page 7
<u>Section 7.3. Assessment and Lien for Assessment</u>	Page 8
<u>Section 7.4. Basis and Amount of the Periodic and Special Assessments.</u>	Page 8
<u>Section 7.5. Special Assessments.</u>	Page 8
<u>Section 7.6. Subordination of the Lien to Mortgages.</u>	Page 8

ARTICLE 8

MANAGEMENT AND MAINTENANCE OF THE CONDOMINIUM	Page 8
<u>Section 8.1. Management.</u>	Page 8
<u>Section 8.2. Duties and Powers.</u>	Page 8
<u>Section 8.3. Maintenance of Exterior of Buildings and Landscaping.</u>	Page 9
<u>Section 8.4. Maintenance of Owner Improvements to Limited Common Elements.</u>	Page 9
<u>Section 8.5. Assessment for Association Maintenance of Owner's Units.</u>	Page 9
<u>Section 8.6. Open Meetings.</u>	Page 9

ARTICLE 9

.....	Page 10
<u>Section 9.1. Insurance Required by the Act.</u>	Page 10
<u>Section 9.2. Flood Insurance.</u>	Page 10
<u>Section 9.3. Additional Insurance by the Association.</u>	Page 10
<u>Section 9.4. Insurance Policy Requirements.</u>	Page 10
<u>Section 9.5. Evidence of Insurance Coverage.</u>	Page 10
<u>Section 9.6. Insurance Premiums a Common Expense.</u>	Page 11
<u>Section 9.7. Insurance Claim Adjustment.</u>	Page 11
<u>Section 9.8. Insurance Proceeds.</u>	Page 11
<u>Section 9.9. Reimbursement of Initial Insurance Premiums.</u>	Page 11

ARTICLE 10

.....	Page 11
<u>Section 10.1. Additions, Alterations and Improvements that Require Approval.</u>	Page 11
<u>Section 10.2. Article Not Applicable to the Declarant.</u>	Page 11
<u>Section 10.3. Additions, Alterations and Improvements That Do Not Require Approval.</u>	Page 11
.....	Page 11
<u>Section 10.4. Governmental Permits.</u>	Page 12
<u>Section 10.5. No Adverse Effect on Insurance Premiums.</u>	Page 12
<u>Section 10.6. Association May Make Additions, Alterations or Improvements.</u>	Page 12
<u>Section 10.7. Noncompliance</u>	Page 12
<u>Section 10.8. Approvals Set No Precedents</u>	Page 13

ARTICLE 11

RESTRICTIONS ON USE AND RIGHTS OF THE ASSOCIATION AND OWNERS	Page 13
<u>Section 11.1. Permissible Uses.</u>	Page 13
<u>Section 11.2. Signage</u>	Page 13
<u>Section 11.3. Parking</u>	Page 13
<u>Section 11.4. Division of Units.</u>	Page 13

<u>Section 11.5. Architectural Rules</u>	Page 13
<u>Section 11.6. Prohibited Parking</u>	Page 13
<u>Section 11.7. Other Rules</u>	Page 14
<u>Section 11.8. Utilities and Easement</u>	Page 14
<u>Section 11.9. Time Shares</u>	Page 14
<u>Section 11.10. Leases</u>	Page 14
<u>Section 11.11. Animals and Pets</u>	Page 14
<u>Section 11.12. Temporary Structures Prohibited</u>	Page 15
ARTICLE 12	
CONDEMNATION	Page 15
ARTICLE 13	
TERMINATION	Page 15
ARTICLE 14	
MORTGAGEE PROTECTION PROVISIONS	Page 16
<u>Section 14.1. Introduction</u>	Page 16
<u>Section 14.2. Percentage of Eligible Mortgagees</u>	Page 16
<u>Section 14.3. Notice of Actions</u>	Page 16
<u>Section 14.4. Eligible Mortgagee Consent Required</u>	Page 16
<u>Section 14.5. First Mortgage's Rights Confirmed</u>	Page 17
<u>Section 14.6. Unpaid Assessments</u>	Page 18
<u>Section 14.7. Inspection of Books and Records</u>	Page 18
<u>Section 14.8. Enforcement</u>	Page 18
ARTICLE 15	
AMENDMENTS	Page 18
<u>Section 15.1. Consent to Amendment</u>	Page 18
<u>Section 15.2. Amendments by Declarant</u>	Page 18
<u>Section 15.3. Amendments Requiring Declarant Consent</u>	Page 18
ARTICLE 16	
REMEDIES IN THE EVENT OF DEFAULT	Page 18
<u>Section 16.1. General Default Remedies</u>	Page 18
<u>Section 16.2. Liability for Damage by Owners</u>	Page 19
<u>Section 16.3. Attorneys' Fees</u>	Page 19
<u>Section 16.4. No Waiver</u>	Page 19
<u>Section 16.5. Cumulative Remedies for Default; Self Help</u>	Page 19
<u>Section 16.6. No Waiver by Declarant</u>	Page 19
<u>Section 16.7. No Waiver by Mortgagee</u>	Page 20
ARTICLE 17	
GENERAL PROVISIONS	Page 20
<u>Section 17.1. Duration</u>	Page 20
<u>Section 17.2. No Trespass</u>	Page 20
<u>Section 17.3. Interpretations</u>	Page 20

Section 17.4. Severability. Page 20
Section 17.5. Notices. Page 20
Section 17.6. Lienholder Consent. Page 20

EXHIBIT A - LEGAL DESCRIPTION OF CONDOMINIUM PROPERTY Exhibit A, Page 1
EXHIBIT B - CERTIFICATE OF COMPLETION Exhibit B, Page 1
EXHIBIT C - TABLE OF INTERESTS Exhibit C, Page 1

NORTH CAROLINA
DARE COUNTY

THIS DECLARATION OF CROATAN SURF CLUB CONDOMINIUM is made and established on _____, 2007 by CROATAN SURF CLUB, a North Carolina limited liability company, whose address is 808 Swamp Road, Furlong, PA 18925, hereinafter referred to as "Declarant."

RECITALS

Declarant is the Owner of certain real property located in Dare County, North Carolina, and which is described on **Exhibit A** attached hereto and incorporated herein by reference (the "Property").

Declarant desires to subject the property to the provisions of this Declaration and to develop the Property under the name of Croatan Surf Club Condominium, and desires to create thereon a condominium (the "Condominium") pursuant to the North Carolina Condominium Act, Chapter 47C of the North Carolina General Statutes (the "Act"), together with Common Elements located within the Condominium for the benefit of the Condominium; and

Declarant desires to provide for the preservation of the values and amenities in the Condominium and for the maintenance of the Condominium and, to this end, desires to subject the real property described above to the covenants, conditions, restrictions, easements, charges and liens, hereinafter set forth, each and all of which is, and are, for the benefit of each real property and each owner of a portion thereof; and

Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Condominium, to create an association to which should be delegated and assigned the powers of maintaining and administering the Condominium and facilities, administering and enforcing the covenants, conditions and restrictions, and collecting and disbursing the assessments and charges hereinafter created; and

Declarant has caused or will cause to be incorporated under the laws of the State of North Carolina, Croatan Surf Club Condominium Association, Inc. (the "Association"), for the purpose of exercising the functions contained in this Declaration and its Articles and Bylaws; and

NOW, THEREFORE, Declarant does hereby declare that all of the Property described above, together with any additional property which it may hereafter add by supplement to this Declaration, shall be held, transferred, conveyed, occupied and used subject to the following easements, covenants, conditions, restrictions, liens and charges which shall run with the title to the real property and which shall be binding upon and inure to the benefit of all of the parties having any right, title or interest in the above described properties, their heirs, successors and assigns.

ARTICLE 1 DEFINITIONS

Section 1.1. Definitions. The definitions contained in Section 47C-1-103 of the Act shall apply to this Declaration and to the Condominium.

Section 1.2. Additional Definitions. The following words when used in this Declaration shall have the following meaning:

1.2.1 "Architectural Rules" shall mean rules and guidelines adopted by the Executive Board to establish standards for all aesthetic matters in the Condominium.

1.2.2. "Articles" means the Articles of Incorporation of the Association.

1.2.3. "Assessment" shall have the same meaning as "Common Expense Liability" as defined in Section 47C-1-103 of the Act.

1.2.4. "Association Documents" means collectively the Articles of Incorporation of the Association, the Bylaws of the Association, this Declaration, the Architectural Rules, and the Rules adopted by the Association, all as may be amended, restated and revised from time to time. Any exhibit, schedule, or amendment to a Association Document shall be considered a part of that document.

1.2.5. "Bylaws" shall mean the Bylaws of the Association.

1.2.6 "Charges" shall mean any costs, expenses, dues, interest, fees, late fees, fines, collection costs, attorney's fees, and other such sums arising under the Association Documents owing to the Association or an Owner from one or more Owners or a Tenant, other than Common Expenses.

1.2.7. "Common Elements" shall mean and comprise (i) all of the real property, improvements and facilities of the Condominium, excluding the Units as herein defined, (ii) all personal property and equipment held and maintained for the joint use and enjoyment of all the Owners of Units, and (iii) all permits for construction, maintenance and operation of the Condominium assigned by Declarant to the Association or otherwise procured or acquired by the Association.

1.2.8. "Eligible Mortgagee" shall mean any Mortgagee holding a first mortgage or deed of trust encumbering one or more Units in the Condominium which has submitted to the Association a written request for the Association to such mortgagee on any proposed action requiring the consent of a specified percentage of eligible mortgage holders. Such written request to the Association from a mortgagee shall include (1) the name of the holder, (2) the mailing address of the holder, (3) the names of the Owner(s) who are obligated for the payment of any evidence of indebtedness secured by such mortgage or deed of trust, and (4) the Unit numbers(s) encumbered by the mortgagee's mortgage or deed of trust. The term "Eligible Mortgagee" shall also include any guarantor of a mortgage or deed of trust encumbering one or more Units in the Condominium who has provided to the Association a written request containing the information described in this Section.

1.2.9. "First Mortgagee" shall mean any Mortgagee holding a mortgage or deed of trust that is a first lien encumbering one or more Units in the Condominium.

1.2.10. "Mortgagee" shall mean the holder of a mortgage or deed of trust encumbering one or more Units in the Condominium, which has been recorded in the Dare County Registry. The term "Mortgagee" shall also include any guarantor of a mortgage or deed of trust encumbering one or more Units in the Condominium of which the Association has actual notice.

1.2.11. "Owner" shall have the same meaning as "Unit Owner" as defined in Section 47C-1-103 of the Act.

1.2.12. "Plats and Plans" shall mean the plats and plans of the Condominium, recorded in the Dare County Registry as specified on the cover page of this Declaration.

1.2.13. "Rules" shall mean any and all regulations of the Association promulgated by the Executive Board pursuant to its power under this Declaration or any other land use document.

1.2.14. "Upkeep" means care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

ARTICLE 2 DESCRIPTION OF THE CONDOMINIUM

Section 2.1. Creation of Units. Declarant does hereby create and establish within the Condominium thirty-six (36) Units, and does hereby designate all such Units for separate Ownership. All structural components and mechanical systems of all buildings containing or comprising any Units are substantially completed in accordance with the Plats and Plans of the Condominium, as certified by the Certificate of Completion attached as **Exhibit B** to this Declaration.

Section 2.2. Plats and Plans. The Plats and Plans of the Condominium set forth the following: (i) a general description and diagrammatic plan of the Condominium; (ii) the location and dimension of all real property subject to a development right; (iii) all major improvements, including each Unit, showing its location within the Condominium and floor(s); and (iv) such other information as is desirable or required pursuant to the Act.

Section 2.3. Description of Units, Limited Common Elements and Common Elements.

2.3.1. Unit Boundaries. The boundaries of each Unit created by this Declaration are shown and described on the Plan and Plats of the Condominium. Unit Boundaries are defined in Section 47C-2-102 of the Act and are further described as follows: The walls, floors, and ceilings of the Units hereby are designated as the boundaries of each respective Unit except as provided otherwise by the Plats and Plans and by this **Section 2.3**. The lower horizontal boundary of each Unit is the unfinished flooring or surface on the ground floor, and the upper horizontal boundary of each Unit is the ceiling of the upper-story, both of which are shown and designated on the Plats and Plans of the Condominium. Supplementing the provisions of Section 47C-2-102(2) of the Act, the horizontal floor and ceiling joists and appurtenant components within each Unit, excepting the finished surface of such floors or ceilings, shall be considered "bearing walls" for all purposes of this Section and in the Act.

2.3.2. Limited Common Elements. In addition to the description of Limited Common Elements contained in Section 47C-2-102 of the Act, the following portions of the Common Elements shall be Limited Common Elements, and are specifically allocated to the Units in which they are installed:

2.3.2.1. All exterior doors and door frames, including screen doors or storm doors as may have been permitted by the Association, all exterior windows and window frames, and all related components of the exterior doors and exterior windows including glass, panes and screens.

2.3.2.2. Any shutters, awnings, window boxes, doorsteps, stoops, porches, decks, balconies, terraces, patios and any other fixture adjacent to or designed to serve a single Unit that is located outside the boundaries of the Unit.

2.3.2.3. Stoops, steps and walls above door openings at the entrances to each building, which provide access to less than all Units.

2.3.2.4. Any attic space above each Unit with an attic, the use of which is limited to the Unit beneath it.

2.3.2.5. Utility and storage areas, the use of which is limited to the Unit or Units as shown on the Plats and Plans.

2.3.3. In the event of any inconsistencies between the Act, the Plats and Plans, and this **Section 2.3**, the order of authority shall be the Plats and Plans, the Act, and this **Section 2.3**.

ARTICLE 3 PROPERTY RIGHTS AND ALLOCATED INTERESTS

Section 3.1. Ownership of Units. Ownership of a Unit shall vest fee simple title to such Unit in the Owner.

Section 3.2. Ownership of Common Elements. Each Owner shall own an undivided interest in the Common Elements and shall have a right and easement of enjoyment in the Common Elements which shall be appurtenant to and shall pass with the title to every Unit. Each undivided interest in the Common Elements and the right and easement of enjoyment in such Common Elements are subject to the right of the Association to adopt such rules and regulations as may be needed to regulate the use and enjoyment of the Common Elements.

Section 3.3. Restraint on Transfer. The shares or interests of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated or transferred in any manner except to the extent that a transfer of ownership of a Unit also transfers the membership in the Association which is an appurtenance to such Unit.

Section 3.4. Allocated Interests and Votes. The table showing Unit numbers and their allocated undivided interests in the Common Elements, the common expense liability, and votes in the Association, is attached hereto as **Exhibit C**.

ARTICLE 4
MEMBERSHIP, VOTING RIGHTS AND
GOVERNANCE OF THE ASSOCIATION

Section 4.1 Membership. Membership in the Association is defined in Section 47C-3-101 of the Act.

Section 4.2. Governance. The Association shall be governed pursuant to Section 47C-3-103 of the Act.

Section 4.3. Voting Rights. Except as otherwise provided herein, voting rights of Unit Owners shall be those rights provided by Section 47C-3-110 of the Act. Each Unit shall have one equal vote. Any percentage of Owners herein, unless provided otherwise, means the specified percentage of all of the votes as allocated on the attached **Exhibit C**, as amended from time to time. Declarant shall be entitled to vote with respect to Units owned by it.

ARTICLE 5
PROPERTY RIGHTS IN THE COMMON ELEMENTS

Section 5.1. Easements in the Common Elements. Subject to the Special Declarant Rights reserved to Declarant in this Declaration and the provisions of Section 47C-3-112 of the Act, all of the Common Elements, except the Limited Common Elements, shall be, and the same are hereby declared to be, subject to a permanent, perpetual and non-exclusive easement in favor of all of the Owners of Units for their use and the use of their tenants, guests, invitees and customers, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended for the use and enjoyment of the Units. Such easement shall be appurtenant to and shall pass with a title to every Unit. Such easement shall include but not be limited to the Owners' right of ingress and egress over and across the Common Elements for the purpose of access to the Owners' Unit. Subject to the Special Declarant Rights, the Association shall have the exclusive right to establish Rules pursuant to which the Owner of any Unit, its tenants, agents, guests, licensees, invitees and customers, may be entitled to use the Common Elements and to establish regulations concerning the use of the Common Elements.

Section 5.2. Limitation of Easement. The Owners' easement rights in the Common Elements shall be subject to the following:

5.2.1. The right of the Association to adopt and enforce, at any time, Rules governing the use of the Common Elements and all facilities situated thereon. Any Rules so adopted shall apply until rescinded or modified the same as if originally set forth at length in this Declaration.

5.2.2. The right of the Association to set specific charges for the use and maintenance of the Common Elements.

5.2.3. The right of the Association as provided in the Association Documents, to suspend the enjoyment rights of any Owner for any period during which any Common Expense Liability remains unpaid,

or for a period that may be determined by the Executive Board for any violation of the Association Documents; provided however, that the right of an Owner of ingress and egress to and from the Owner's Unit shall not be abrogated.

5.2.4. The right of the Declarant and the Association to dedicate or transfer any portion of the Common Elements to any public agency, authority or utility for public purposes.

Section 5.3. Easement for Utilities. There is hereby reserved for the benefit of the Declarant, the Association, any public utility or governmental unit providing services in the Condominium, and their respective successors and assigns, an easement upon, over, under and across all of the Common Elements, for the purpose of installing, replacing, maintaining and operating all utilities.

Section 5.4. Easement for Governmental, Health, Water, Sewage Disposal, Sanitation and Emergency Services. A non-exclusive easement is hereby granted to the appropriate governmental authorities and to the appropriate private organizations supplying health, sanitation, police services and emergency service such as fire, ambulance and rescue services, for purpose of ingress and egress over the Common Elements. Declarant further reserves an easement over the Common Elements as needed for the installation, maintenance and operation of any central water and sewage disposal systems which may serve the Condominium.

Section 5.5. Environmental Easements. Declarant reserves for its benefit and the Association and their respective agents and employees an easement on, over and across any and all unimproved areas in the Condominium for the purpose of taking any action necessary to effect compliance with environmental rules, regulations, procedures promulgated or instituted by the Executive Board or by any governmental entity.

Section 5.6. Easement for Unintentional and Non-Negligent Encroachments. In the event that any Unit shall encroach upon any Common Elements or other Unit, for any reason not caused by the purposeful or negligent act of the Unit Owner, or agents of such Owner, then an easement appurtenant to such Unit shall exist for the continuance of such encroachment upon the Common Elements or other Unit as the case may be, for so long as such encroachment naturally shall exist. In the event that any portion of the Common Elements shall encroach upon any Unit, then an easement shall exist for the continuance of such encroachment of the Common Elements upon any Unit for so long as such encroachment naturally shall exist. If any Unit or Common Elements shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such Unit and/or Common Elements, there exist encroachments of portions of the Common Elements upon any Unit, or of any Unit upon any portion of the Common Elements or another Unit, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments naturally shall remain.

ARTICLE 6 RESERVATION OF SPECIAL DECLARANT RIGHTS

Section 6.1. Declaration of Special Declarant Rights. In addition to other Special Declarant Rights reserved by the Declarant in this Declaration, the Declarant reserves the following additional Special Declarant Rights:

Section 6.1.1. Rights Listed in the Act. Declarant reserves all Special Declarant Rights enumerated in Section 47C-1-103(23) of the Act.

Section 6.1.2. Development Right. Pursuant to Section 47C-2-105(a)(4) of the Act, the maximum number of Units which the Declarant reserves the right to create is thirty-six (36), which is the number of Units created in this Declaration. The Declarant does not reserve the right to create any additional Units in the Condominium beyond those Units created in this Declaration.

Section 6.1.3. Easement for Declarant. The Declarant reserves to itself, its successors and assigns the right of temporary roads, utility services and drainage systems as are necessary in its sole discretion for the proper development and administration of the Condominium. Such right shall extend over, through, under and across the Common Elements.

Section 6.1.4. Changes in Boundaries; Additions to Designated Common Elements. Declarant expressly reserves for itself and its successors and assigns the right to change and realign the boundaries of any designated Common Property within the Condominium, and to make additions thereto.

Section 6.1.5. Identification of Limited Common Elements. The Declarant may identify as Limited Common Elements those portions of the Common Elements identified on the recorded Plats and Plans, or by a recorded Amendment to this Declaration.

Section 6.1.6. Sales and Construction. The Declarant, its agents, employees, successors and assigns may maintain such facilities and carry on such activities as may be reasonably convenient or incidental to the completion, improvement and sale of Units within the Condominium, including without limitation, the right to (a) install and operate construction trailers, sales offices, signs and model Units and (b) maintain such facilities and carry on such activities.

Section 6.2. Turnover. The Period of Declarant Control of the Executive Board, reserved by Declarant in this Declaration, shall terminate not later than the date provided in Section 47C-3-103(d) of the Act. Prior to Turnover, the Owners may not elect members of the Executive Board except pursuant to Sections 47C-3-103(e) and (f) of the Act. At the time that Turnover is to occur, the Association shall conduct a special meeting of the membership, hereinafter called the Turnover Meeting, for the purpose of assuring the transition of the Association to Owners other than the Declarant.

ARTICLE 7 COVENANT FOR ASSESSMENT OF COMMON EXPENSES

Section 7.1. Creation of the Lien and Personal Obligation of Common Expenses. Except as hereinafter more fully provided, the Declarant, for each Unit owned by it which is subject to this Declaration, hereby covenants and each Owner of any Unit, by acceptance of a deed for such Unit, whether or not it shall be so expressed in the particular deed of conveyance, shall be deemed to covenant and agree to all the Covenants and Restrictions of this Declaration and to pay the Association: (1) Periodic Assessments and (2) Special Assessments for capital improvements and other assessments to be fixed, established, and collected from time to time as hereinafter provided.

Section 7.2. Assessment for Limited Common Elements. The Common Expense associated with any Limited Common Elements shall be assessed to the Owners of those Units to whom the Limited Common Elements are allocated.

Section 7.3. Assessment and Lien for Assessment. The assessment, lien for such assessment, and remedies to the Association for nonpayment of such assessment shall be as provided by Sections 47C-3-115 and 47C-3-116 of the Act, with the following additional provisions:

7.3.1. The Executive Board may appoint a Trustee to foreclose the lien of the assessment as provided by Section 47C-3-116 of the Act and Article 2A of Chapter 45 of the North Carolina General Statutes. Such Trustee shall be authorized to commence and prosecute a nonjudicial foreclosure of a Unit, and to sign and execute a Trustee's Deed to the purchaser of such Unit at the foreclosure sale, all pursuant to the provisions and procedures contained in Chapter 47C and in Article 2A of Chapter 45 of the North Carolina General Statutes.

7.3.2. The Association may enter one or more bids at the foreclosure sale and may purchase the property at the foreclosure sale, even if the foreclosure sale is conducted by or at the direction of the Association.

Section 7.4. Basis and Amount of the Periodic and Special Assessments. Periodic and special assessments shall be allocated among the Units based on the Fractional Share of Common Expense allocated to each Unit as set forth on **Exhibit C** to this Declaration.

Section 7.5. Special Assessments. In addition to the periodic assessment authorized by this Article, the Executive Board may levy in any assessment period 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, unexpected repair or replacement of a described capital improvement upon the Common Elements including the necessary fixtures and personal property related thereto, or for other purposes deemed appropriate by the Association. The due date of any special assessment under this Article shall be fixed in a resolution of the Executive Board authorizing such assessment.

Section 7.6. Subordination of the Lien to Mortgages. The lien for the assessments provided for in this Declaration shall be subordinate to the lien of any mortgage now or hereafter placed upon an Owner's Unit subject to assessment, unless such assessment is secured by a Claim of Lien that is recorded prior to the recording of such mortgage.

ARTICLE 8 MANAGEMENT AND MAINTENANCE OF THE CONDOMINIUM

Section 8.1. Management. The Association, subject to the rights of the Declarant and the rights and duties of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Elements and all improvements located thereon. As provided by Section 47C-3-103 of the Act, the Executive Board may act in all instances on behalf of the Association except as provided in the Association Documents or in the Act.

Section 8.2. Duties and Powers. The duties and powers of the Association shall be those set forth in the Association Documents and in Section 47C-3-102 of the Act.

Section 8.3. Maintenance of Exterior of Buildings and Landscaping. The Association shall be responsible for maintaining the Common Elements, including upkeep and care of exterior walls, roofs, gutters, downspouts, parking lot, and other Common Elements except as otherwise provided in this Declaration.

Section 8.4. Maintenance of Owner Improvements to Limited Common Elements. Except as otherwise stated herein, all betterments and improvements added to the Limited Common Elements by an Owner is a part of the respective Unit, and shall be maintained by the respective Owner. Each Owner desiring to install betterments or improvements to the Limited Common Elements shall first obtain the prior approval of the Association in each instance. The obligation and cost of the Upkeep of the portion of such Limited Common Element on which the betterments and improvements are installed, shall be that of the Owner. The Association shall not be required to maintain insurance coverage for any betterments or improvements to the Units and/or Limited Common Elements added by any Owner. The Association may require such Owner to maintain such liability insurance coverage as deemed appropriate by the Association, at the Owner's sole cost and expense.

Section 8.5. Assessment for Association Maintenance of Owner's Units. Where the Association, in the interest of the Condominium, authorizes maintenance on individual Units, the work shall be performed in a cost efficient manner and the Association shall have the right to assess the Unit. In the case of failure to pay the charges or assessment, the Executive Board shall place a lien on the Unit which shall be a personal obligation of the Owner and shall be due and payable in all respects.

Section 8.6. Open Meetings.

8.6.1. Access. All meetings of the Executive Board and committees of the Executive Board, at which action is to be taken by vote at such meeting, will be open to the Unit Owners, except as hereafter provided.

8.6.2. Notice. In addition to other notices which may be required by the Association Documents or the Act, notice of every meeting of the Executive Board and committees of the Executive Board will be given not less than 24 hours prior to the time set for such meeting by posting such notice in a conspicuous location in the Condominium, except that such notice will not be required if an emergency situation requires that the meeting be held without delay.

8.6.3. Closed Sessions. Meetings of the Executive Board may be held in closed session, without giving notice and without the requirement that they be open to Unit Owners, in either of the following situations:

8.6.3.1. No action is taken at the closed session requiring the affirmative vote of the Directors; or

8.6.3.2. The action taken at the closed session involves or includes:

8.6.3.2.1. personnel matters;

8.6.3.2.2. advice from the Board's attorney which requires confidentiality in order to preserve the attorney-client privilege;

8.6.3.2.3. pending litigation; or

8.6.3.2.4. actions involving enforcement of the Association Documents.

ARTICLE 9 INSURANCE

Section 9.1. Insurance Required by the Act. The Association shall purchase and maintain all policies of insurance that condominium associations are required to carry pursuant to Section 47C-3-113 of the Act, as amended from time to time.

Section 9.2. Flood Insurance. The Association shall purchase and maintain flood insurance on the Condominium at any time that all or a part of the Condominium is located in a special flood hazard area as designated on the applicable Flood Insurance Rate Map.

Section 9.3. Additional Insurance by the Association. The Association may also purchase such additional policies or coverages of insurance as it deems advisable.

Section 9.4. Insurance Policy Requirements. Insurance policies carried pursuant to this **Article 9** shall provide that:

9.4.1. Each Unit Owner is an insured person under the policy with respect to liability arising out of his interest in the Common Elements or membership in the Association;

9.4.2. The insurer waives its right to subrogation under the policy against any Unit Owner or members of his household, if applicable;

9.4.3. No act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy;

9.4.4. If, at the time of any 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 provides primary insurance; and

9.4.5. The insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Unit Owner and each Mortgagee or beneficiary under a deed of trust to whom certificates or endorsements have been issued at their respective last known addresses.

Section 9.5. Evidence of Insurance Coverage. Upon request from an Owner, the Association shall furnish to such Owner evidence of all insurance coverages carried by the Association. The Owner is solely responsible for determining what other policies or coverages of insurance would be prudent for the Owner to purchase and maintain.

Section 9.6. Insurance Premiums a Common Expense. Premiums upon insurance policies purchased by the Association shall be paid by the Association as Common Expenses to be assessed and collected from all of the Owners of Units.

Section 9.7. Insurance Claim Adjustment. Any loss covered by the property insurance maintained by the Association shall be adjusted with the Association; provided, however, all insurance policies purchased by the Association shall be for the benefit of the Association and the Unit Owners and their Mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Association as Trustee. The Trustee shall hold such proceeds in trust for the benefit of the Unit Owners and their respective Mortgagees as their interests may appear.

Section 9.8. Insurance Proceeds. In the event a mortgage endorsement has been issued for a Unit, the share of any insurance proceeds of the Condominium Unit Owner shall be held for the Mortgagee and the Unit Owner as their interests may appear, but nothing herein contained shall be construed so as to give any Mortgagee the right to determine or participate in the determination of reconstruction or repair.

Section 9.9. Reimbursement of Initial Insurance Premiums. If Declarant pays any premium(s) of the initial insurance policies required by this **Article 9**, the Declarant shall be reimbursed by the Association for such premium(s).

ARTICLE 10 ADDITIONS, ALTERATIONS, AND IMPROVEMENTS

Section 10.1. Additions, Alterations and Improvements that Require Approval. No Owner shall make any addition, alteration or improvement in or to any Unit or the Condominium without the prior written approval of the Association in each instance. No Owner may change the appearance of the Common Elements, or the exterior appearance of a Unit or any other portion of the Condominium, without the prior written approval of the Association in each instance. An Owner may submit a written request to the Executive Board for approval to do anything that the Owner is forbidden under this Article. The Executive Board shall answer any written request for such approval, after written notice and a scheduled hearing, within sixty (60) days after the request thereof. Failure to do so within such time shall constitute a denial of the request. The Executive Board shall review requests in accordance with the provisions of its rules.

Section 10.2. Article Not Applicable to the Declarant. This **Article 10** shall not apply to the Declarant in the exercise of any Special Declarant Right.

Section 10.3. Additions, Alterations and Improvements That Do Not Require Approval.

10.3.1. An Owner may make any other improvements or alterations to the interior of the Unit Owner's Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium.

10.3.2. After acquiring an adjoining Unit, an Owner shall not remove or alter any intervening partition or create apertures therein, unless such proposed removal or alteration is first reviewed by the Executive Board in advance to confirm that such removal or alteration will not impair or adversely affect the structural integrity or mechanical systems or lessen the support of any portion of the Condominium. Removal

of partitions or creation of apertures under this subsection shall not be an alteration of boundaries. If a part of an adjoining Unit is acquired, boundaries may be relocated only in accordance with Section 47C-2-112 of the Act.

Section 10.4. Governmental Permits. Any applications to any department or to any governmental authority for a permit to make any addition, alteration or improvement in or to any Unit shall be executed only by the Association. Such execution will not, however, create any liability on the part of the Association or any of its members to any contractor, subcontractor or materialman on account of such addition, alteration or improvement or to any person having any claim for injury to person or damage to property arising therefrom.

Section 10.5. No Adverse Effect on Insurance Premiums. Except pursuant to prior approval by the Executive Board, no additions, alterations and improvements to the Units and Common Elements shall cause any increase in the premiums of any insurance policies carried by the Association or by the Owners of any Units other than those affected by such change.

Section 10.6. Association May Make Additions, Alterations or Improvements. The Executive Board may make any additions, alterations, or improvements to the Common Elements which, in its judgment, it deems necessary or desirable.

Section 10.7. Noncompliance. The Executive Board shall have power to enforce compliance with this **Article 10** in accordance with the following provisions:

10.7.1. The Executive Board may exercise its right to impose sanctions for violations of this Declaration and other rules and regulations of the Association, and, acting in the name of the Association, may apply to any court of competent jurisdiction injunctive or other equitable relief against any Owner who undertakes or threatens to undertake any alteration or improvement that has not been approved by the Executive Board.

10.7.2. The Executive Board may, at the initial cost of the Association, take such action as is reasonably necessary to remedy any noncompliance. Upon completion of any such action, the Executive Board shall notify the Owner responsible for the noncompliance of the cost (including attorneys' fees and other professional fees, if any) of the remedial action, and such Owner shall reimburse the Association for such cost within 15 days after the date of such notice. If such Owner fails to make such reimbursement within such 15-day period, the Board shall assess such cost against all Units owned by such Owner in the manner and with the effect specified in Section 47C-3-115 of the Act.

10.7.3. The Executive Board or its duly authorized representative may at any time inspect any improvement for which approval of plans is required, except that the Executive Board's right to inspect improvements or alterations for which plans have been submitted and approved shall terminate 180 days after completion of such improvements or alterations. The Executive Board's right to make inspections shall not terminate pursuant to this subsection if plans for such improvements or alterations were not approved by the Executive Board.

10.7.4. If, as a result of an inspection conducted pursuant to this Section, the Executive Board finds that an improvement or alteration was done without obtaining the Executive Board's approval or was not done in substantial compliance with plans approved by the Executive Board, the Executive Board shall notify the Owner in writing of the failure to comply, specifying the particulars of noncompliance.

10.7.5. If the Owner disputes the Executive Board's determination of noncompliance, the Owner may, within 30 days after the date of the Executive Board's notice, request a hearing before the Executive Board. If such a hearing has been timely requested, no action to enforce compliance shall be taken until the hearing has been held and the Executive Board has announced its determination.

10.7.6. Any Owner who is determined to have made alterations or improvements in violation of the provisions of this Article shall remedy such violation within 30 days after the Executive Board has given notice of such violation or, if such Owner has requested a hearing before the Executive Board pursuant to this Section, within 30 days after the date of any notice that the Executive Board has found such violation to exist.

Section 10.8. Approvals Set No Precedents. The approval by the Executive Board of any plans, specifications, drawings or other proposal for any alteration or improvement, or any variances from the Rules, shall not constitute approval of, or require the Executive Board to approve, any similar plans, specifications, drawings, variances, or other proposal pending concurrently or subsequently submitted for approval.

ARTICLE 11 RESTRICTIONS ON USE AND RIGHTS OF THE ASSOCIATION AND OWNERS

Section 11.1. Permissible Uses. Each Unit created by this Declaration shall only be used for single family residential purposes. A Unit may contain a home office used by the Owner of such Unit. Notwithstanding the foregoing, however, the Owner's employees, customers or clients shall not meet with Owner in Owner's Unit or work in Owner's Unit on a regular basis.

Section 11.2. Signage. No Owner shall show any sign, advertisement or notice on any of the Common Elements, windows, porches or balconies, or upon any Unit. Such prohibition shall include but not be limited to "For Sale" signs, "For Rent" or "For Lease" signs, political signs, political campaign signs, and issue advocacy signs.

Section 11.3. Parking. The Association shall from time to time assign parking spaces to the Units consistent with applicable zoning requirements. The Association shall have the discretion to change the parking lot assignments at any time. The parking lot spaces shall remain as Common Elements and shall not be permanently assigned to any specific Units.

Section 11.4. Division of Units. No Unit shall be further subdivided, or its boundary lines changed by its Owner, except with the written consent of the Declarant (or by the Association after Turnover). Such division shall not be effective until the Association and the Owner sign and record an Amendment to this Declaration, pursuant to Section 47C-2-113 of the Act.

Section 11.5. Architectural Rules. The Architectural Rules adopted by the Executive Board shall establish standards for all aesthetic matters in the Condominium.

Section 11.6. Prohibited Parking. No boat, boat trailer, other trailer, camper, recreational vehicle, unlicensed vehicle, inoperable vehicle or commercial truck shall be allowed to remain in any portion of the

Common Elements overnight. The Executive Board may adopt reasonable rules and regulations not inconsistent herewith specifying in more detail the types of vehicles prohibited by this Section.

Section 11.7. Other Rules. The Rules adopted by the Executive Board shall establish standards for all other matters in the Condominium.

Section 11.8. Utilities and Easement. All utility lines of every type, including, but not limited to, water, electricity, telephone, television cables or sewage, must be underground.

Section 11.9. Time Shares.

11.9.1. No Unit may be subdivided to permit the creation of a time share or time shares as same is defined by Chapter 93A, Article 4 of the North Carolina General Statutes, or any subsequent legislation affecting time shares, unless such creation of a time share or time shares is approved as described below.

11.9.2. On all other Units, the Declarant must approve such creation of a time share or time shares in its sole discretion; provided, however, that after Turnover, the creation of a time share or time shares must be approved by both a seventy-five percent (75%) of the Directors of the Association, and by the agreement of Owners to which at least eighty percent (80%) of the votes in the Association are allocated.

11.9.3. If the creation of a time share or time shares is approved as outlined above, an appropriate supplement or amendment to this Declaration shall be executed and filed with the Dare County Registry, designating both the approval and the property or properties which are affected by said approval.

Section 11.10. Leases. Leaseholds of any Unit may be granted or be conveyed by an Owner only in accordance with the following restrictions:

11.10.1 Any lease, assignment, or sublease must be for the entire Unit unless Declarant (or after Turnover, the Association) gives prior written consent to leasing of a portion of a Unit; and

11.10.2 Each tenant, by becoming a tenant, agrees to be bound by this Declaration. If any tenant violates any of the provisions of this Declaration, the Association may bring an action in its own name or in the name of the Owner, or both, to have the tenant evicted or to recover damages, or both. These remedies are not exclusive and are in addition to other remedies available. The cost of such action shall be recovered by the Association which shall be a continuing lien on the Unit, binding on the Owner, his heirs, successors and assigns. The Association shall give the tenant and the Owner written notice of the nature of the violation(s) and 20 days from the mailing of the notice in which to cure the violation before the Association may file an action for eviction or damages or both.

Section 11.11. Animals and Pets.

11.11.1. No animals, livestock or poultry of any kind shall be kept or maintained on any portion of the Condominium or in any Unit except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes, that they do not create a nuisance (in the judgment of the Executive Board), such as, but without limitation, by number, noise, odor, damage or destruction of property, or refuse and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, Dare County, the Town of Kill

Devil Hills, or other applicable governmental entity relating thereto; and (ii) such rules and regulations pertaining thereto as the Board may adopt from time to time. In no event shall more than **ONE (1)** dog or **ONE (1)** cat be regularly kept in any Unit, except for newborn offspring of household pets which are under nine (9) months of age.

11.11.2. Notwithstanding the foregoing, the following dog breeds (whether pure bred or mixed breed) are expressly prohibited: American Pit Bull Terrier and Rottweiler. The Association shall have the right to prohibit or require the removal of any dog or animal, which after consideration of factors such as size, breed, disposition of the animal, interference by the animal with the peaceful enjoyment by other Owners of their Units, and the security measures taken by the Owner with respect to such animal, the Association, in its sole discretion, deems to be undesirable, a nuisance or a safety hazard.

11.11.3. Every person owning or having possession, charge, care, custody, or control of any dog shall keep such dog exclusively upon his own Unit; provided, however, that such dog may be allowed outside of the Unit if it is under the control of a competent person and restrained by a chain, leash or other means of adequate physical control.

Section 11.12. Temporary Structures Prohibited. No trailer, tent, storage shed, garage or other similar outbuilding or structure shall be placed on the Condominium at any time, either temporarily or permanently, without the advance written approval of the Executive Board in each instance. Individual boat trailers, not exceeding the size of one parking space, may be permitted, provided said parking space or area is properly assigned to the individual Unit Owner who owns the said boat trailer or with the express written consent of any other Unit Owner for the use of such Owner's assigned parking space thereof.

ARTICLE 12 CONDEMNATION

12.1. In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Property, the same shall be repaired or restored, and/or the awards paid on account thereof shall be used and applied in accordance with Section 47C-1-107 of the Act.

ARTICLE 13 TERMINATION

13.1. The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act and with **Article 14** of this Declaration.

ARTICLE 14
MORTGAGEE PROTECTION PROVISIONS

Section 14.1. Introduction. This Article establishes certain standards and covenants which are for the benefit of Eligible Mortgagees. This Article is supplemental to, and not in substitution for, any other provisions of the Act.

Section 14.2. Percentage of Eligible Mortgagees. Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgagees is required, it will mean the approval or consent by Eligible Mortgagees holding mortgages on Units which in the aggregate have allocated to them such specified percentage when compared to the total allocated to all Units then subject to mortgages held by Eligible Mortgagees.

Section 14.3. Notice of Actions. The Association shall provide timely written notice to each Eligible Mortgagee of the following:

14.3.1. Any amendments to this Declaration which are of a material adverse nature to Eligible Mortgagees.

14.3.2. Any action to terminate the legal status of the Condominium after substantial destruction, condemnation or for other reasons.

14.3.3. Any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its mortgage.

14.3.4. Any 60-day delinquency in the payments of assessments or charges owned by the Owner of any Unit on which it holds the mortgage.

14.3.5. A lapse, cancellation, or material modification of any insurance policy maintained by the Association.

14.3.6. Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in **Section 14.4** which notice shall be sent by registered or certified mail return receipt requested.

Section 14.4. Eligible Mortgagee Consent Required.

14.4.1. Amendments to this Declaration of a material adverse nature to mortgagees shall be agreed to by Eligible Mortgagees that represent at least fifty-one percent (51%) of the votes of Units that are subject to mortgages or deeds of trust held by Eligible Mortgagees. A change to any of the provisions of this Declaration governing the following subject areas would be considered material:

14.4.1.1. Voting rights;

14.4.1.2. Increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;

- Common Elements;
- 14.4.1.3. Reductions in reserves for maintenance, repair, and replacement of
 - 14.4.1.4. Responsibility for maintenance and repairs;
 - 14.4.1.5. Reallocation of interests in the general or limited common elements, or rights to their use;
 - 14.4.1.6. Redefinition of any Unit boundaries;
 - 14.4.1.7. Convertibility of Units into Common Elements or vice versa;
 - 14.4.1.8. Expansion or contraction of the Condominium, or the addition, annexation, or withdrawal of property to or from the Condominium;
 - 14.4.1.9. Hazard or fidelity insurance requirements;
 - 14.4.1.10. Imposition of any restrictions on the leasing of Units;
 - 14.4.1.11. Imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;
 - 14.4.1.12. A decision by the Association project that consists of 50 or more units to establish self-management if professional management had been required previously by the Association Documents or by an Eligible Mortgagee;
 - 14.4.1.13. Restoration or repair of the Condominium (after damage or partial condemnation) in a manner other than that specified in the Association Documents; or
 - 14.4.1.14. Any provisions that expressly benefit mortgage holders, insurers, or guarantors.

14.4.2. Action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs or for other reasons shall be agreed to by Eligible Mortgagees that represent at least fifty-one percent (51%) of the votes of Units that are subject to mortgages or deeds of trust held by Eligible Mortgagees.

14.4.3. Consent of any Eligible Mortgagee shall be implied and assumed when an Eligible Mortgagee fails to submit to the Association a response to any written proposal for an amendment within sixty (60) days after such Eligible Mortgagee receives proper notice of the proposal, provided the notice was delivered to the Eligible Mortgagee by certified or registered mail, with a "return receipt" requested.

Section 14.5. First Mortgagee's Rights Confirmed. Notwithstanding any provision of this Declaration to the contrary, no Unit Owner or any other party shall have any priority over any rights of any First Mortgagee of the Unit pursuant to its mortgage or deed of trust in the case of payment to the Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

Section 14.6. Unpaid Assessments. Any First Mortgagee who obtains title to a Unit pursuant to the remedies in the mortgage or through foreclosure shall not be liable for more than six (6) months of the Unit's unpaid Assessments or other Charges accrued before acquisition of the title to the Unit by such First Mortgagee. If the Association's lien priority includes costs of collecting unpaid Assessments, the First Mortgagee will be liable for any fees or costs related to the collection of the unpaid dues.

Section 14.7. Inspection of Books and Records. The Association shall permit any Mortgagee to inspect the books and records of the Association during normal business hours.

Section 14.8. Enforcement. The provisions of this Article are for the benefit of Mortgagees and their successors, and may be enforced by any of them by any available means, in law or in equity.

ARTICLE 15 AMENDMENTS

Section 15.1. Consent to Amendment.

15.1.1. This Declaration may be amended by the Owners pursuant to Section 47C-2-117 of the Act. For purposes of this Declaration, "sixty-seven percent (67%) of the votes in the association" as set forth in Section 47C-2-117 shall have the same meaning as "two-thirds of the votes in the association."

15.1.2. Any amendment of this Declaration shall also require the written consent of Eligible Mortgagees as set forth in **Article 14** of this Declaration.

Section 15.2. Amendments by Declarant. A Declarant may amend this Declaration as set forth herein and in the Act in order to exercise Development Rights, without the consent of any other Person or the Association.

Section 15.3. Amendments Requiring Declarant Consent. During the period reserved by the Declarant to exercise Development Rights, this Declaration may not be amended without the prior written consent of the Declarant. Except to the extent expressly permitted by the Act or other provisions of this Declaration (in compliance with the Act), no amendment may create or increase special Declarant Rights, create or increase Development Rights, increase the number of Units, change the boundaries of any Unit, change the allocated interest of any Unit, or change the uses to which any Unit is restricted in the absence of unanimous consent of the Owners.

ARTICLE 16 REMEDIES IN THE EVENT OF DEFAULT

Section 16.1. General Default Remedies. The Owner or Owners of each Unit shall be governed by and shall comply with the provisions of this Declaration, and the Bylaws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Owner of any Unit shall entitle the Association or the Owner of other Condominium Units to the following relief: Failure to comply with any of the terms of the Association Documents shall be grounds for relief including, without limitation, fines, actions to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination

thereof. Assessments in the form of fines for the violation of the Association Documents shall be subject to the provisions of Section 47C-3-107A of the Act. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner. The Association may also collect from an Owner in default any service fees, collection fees, consulting fees and administration fees incurred by the Association due to such default.

Section 16.2. Liability for Damage by Owners. Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Unit or its appurtenances. Assessments for such liability shall be subject to the provisions of Section 47C-3-107(d) of the Act. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

Section 16.3. Attorneys' Fees. In any proceeding arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court, but in no event shall any Unit Owner be entitled to such attorneys' fees except as otherwise provided in Section 47C-3-116(e) of the Act.

Section 16.4. No Waiver. The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the Association Documents shall not constitute a waiver of the right of the Association or the Unit Owner to enforce such right, provision, covenant or condition in the future.

Section 16.5. Cumulative Remedies for Default; Self Help.

16.5.1. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Unit pursuant to any terms, provisions, covenants or conditions of the Association Documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

16.5.2. In addition to other rights set forth in the Association Documents and the Act, upon violation or breach of any provision of the Association Documents, the Executive Board shall have the right: (i) to enter a Unit or Limited Common Element appurtenant thereto, on which or as to which such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of the Association Documents, and the Board shall not thereby be deemed guilty in any manner of trespassing, (ii) to use self-help to remove or cure any violation of the Association Documents (including, without limitation, the towing of vehicles); or (iii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that before any construction or improvements may be altered or demolished, except in emergencies, judicial proceedings shall be instituted by the Association against such defaulting Owner or its tenant.

Section 16.6. No Waiver by Declarant. The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or the Association Documents shall not

constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

Section 16.7. No Waiver by Mortgagee. The failure of a Mortgagee to enforce any right, provision, privilege, covenant or condition which may be granted by this Declaration or the Association Documents shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

ARTICLE 17 GENERAL PROVISIONS

Section 17.1. Duration. This Declaration shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them in perpetuity, unless the Condominium is terminated pursuant to Section 47C-2-118 of the Act.

Section 17.2. No Trespass. Whenever the Association, the Declarant, and their respective successors, assigns, agents or employees are permitted by this Declaration to enter upon or correct, repair, clean, maintain, preserve or do any other action within any portion of the Condominium, the entering thereon and the taking of such action shall not be deemed a trespass.

Section 17.3. Interpretations. In all cases, the provisions of this Declaration shall be construed together and given that interpretation or construction which, in the opinion of the Declarant or the Executive Board, will best effect the intent of the general plan of the Condominium. The provisions of this Declaration shall be given full force and effect notwithstanding the existence of any zoning ordinance or building codes which are less restrictive.

Section 17.4. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such a manner as to be effective and valid. However, if the application of any provision to any person or property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application and to this end the provisions of this Declaration are declared to be severable.

Section 17.5. Notices. Notices required under this Declaration shall be in writing and shall be delivered by hand or sent by United States mail, postage prepaid. All notices to Owners shall be delivered or sent to such address as have been designated in writing to the Association or if no such address has been so designated by the Owner, at the address of the Owner's Unit. All notices to the Declarant shall be delivered or sent to the Declarant's address provided in this Declaration, or to such other address as the Declarant from time to time may provide to the Association.

Section 17.6. Lienholder Consent. RBC Centura Bank (the "Lienholder"), who holds a first Deed of Trust on the Property described on the attached **Exhibit A**, same being recorded in Book 1652, Page 446, Dare County Registry (the Deed of Trust"), has executed this Declaration to indicate the Lienholder's consent to filing of this Declaration and, subject to the terms and conditions of this consent, subordinates the lien and security interest of the Deed of Trust, to this Declaration.

IN WITNESS WHEREOF, this Declaration together with Covenants, Conditions and Restrictions has been signed and executed by the Declarant and the Lienholder, the day and year first above written.

DECLARANT:

CROATAN SURF CLUB, LLC

BY: _____ (SEAL)

Clarence E. Dean, Manager

LIENHOLDER:

RBC CENTURA BANK

BY: _____ (SEAL)

Print Name: _____

Title: _____

STATE OF _____

COUNTY/CITY OF _____

I, _____, a Notary Public of the County or City of _____, and State aforesaid, certify that Clarence E. Dean personally came before me this day and acknowledged that he is Manager of Croatan Surf Club, LLC, a North Carolina limited liability company, and that he, as Manager, being authorized to do so, executed the foregoing on behalf of the limited liability company.

Witness my hand and official stamp or seal, this ____ day of _____, 20____.

(AFFIX NOTARY SEAL)

Notary Public

Typed or printed name of Notary

My commission expires: _____

STATE OF _____

COUNTY/CITY OF _____

I, _____, a Notary Public of the County or City of _____, and State aforesaid, certify that _____ personally came before me this day and acknowledged that he is _____ President of RBC Centura Bank, and that he, as _____ President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal, this ____ day of _____, 20____.

(AFFIX NOTARY SEAL)

Notary Public

Typed or printed name of Notary

My commission expires: _____

EXHIBIT A - LEGAL DESCRIPTION OF CONDOMINIUM PROPERTY

CROATAN SURF CLUB CONDOMINIUM

All that certain lot or parcel of land situated in the Town of Kill Devil Hills, Atlantic Township, Dare County, North Carolina and more particularly described as follows:

BEGINNING at a concrete monument located in a northerly direction 808 feet along the eastern right-of-way line of U.S. Highway 158 from the intersection of the eastern right-of-way line of U.S. Highway 158 and the northern right-of-way line of Asheville Drive; thence from said point of beginning so located, along and with the eastern right-of-way line of U.S. Highway 158 North 14 degrees 30 minutes West 200.00 feet to a concrete monument; thence North 75 degrees 30 minutes East by and through a concrete monument 615.29 feet, more or less, to the mean high water mark of the Atlantic Ocean; thence along and with the mean high water mark of the Atlantic Ocean 200.0 feet, more or less, to a point lying North 75 degrees 30 minutes East 613.20 feet from the point of beginning; thence South 75 degrees 30 minutes West by and through a concrete monument 613.20 feet to a point in the eastern right-of-way line of U.S. Highway 158, the place of beginning, containing all of the aforescribed property between said concrete monuments and the mean high water mark of the Atlantic Ocean.

The property is further described as Lots 1-4 Croatan Surf Club as shown on plat made by a survey by Kirk R. Foreman entitled "Final Plat Croatan Surf Club An Oceanfront Subdivision" dated January 30, 1996 and recorded in Plat Cabinet D, Slides 230 & 231, Dare County Registry and Further described on a plat made by a survey by William S. Jones, Jr., RLS, PA entitled "Physical Survey for Clarence Dean Lots 1, 2, 3 & 4, Croatan Surf Club" dated August 3, 2005.

Being the same property conveyed to Clarence E. Dean et ux, et al by Deed dated September 26, 2005 and recorded in Book 1652, Page 445, Dare County Registry.

Being the same property conveyed to Croatan Surf Club, LLC by Deed dated _____, 20__ and recorded in Book _____, Page _____, Dare County Registry.

EXHIBIT B - CERTIFICATE OF COMPLETION

CROATAN SURF CLUB CONDOMINIUM

The undersigned, an architect registered under provisions of Chapter 83A of the General Statutes of North Carolina, certifies that all structural components and mechanical systems of all buildings containing or comprising any units are substantially completed in accordance with the Plats and Plans of Croatan Surf Club Condominium. This Certificate is given pursuant to the provisions of N. C. Gen. Stat. 47C-2-101(b).

Benjamin B. Cahoon, Registered Architect

STATE OF NORTH CAROLINA
COUNTY OF _____

I, _____, a Notary Public in and for said County and State, do hereby certify that Benjamin B. Cahoon, Registered Architect, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal, this the ____ day of _____, 20____.

(AFFIX NOTARY SEAL)

Notary Public

Typed or printed name of Notary

My commission expires: _____

EXHIBIT C - TABLE OF INTERESTS
CROATAN SURF CLUB CONDOMINIUM

Unit No.	Fractional Share of Common Elements (%)	Fractional Share of Common Expense (%)	Number of Votes in the Association
2K	2.778	2.778	1
2R	2.778	2.778	1
3A	2.778	2.778	1
3B	2.778	2.778	1
3C	2.778	2.778	1
3D	2.778	2.778	1
3E	2.778	2.778	1
3F	2.778	2.778	1
3G	2.778	2.778	1
3H	2.778	2.778	1
3I	2.778	2.778	1
3J	2.778	2.778	1
3K	2.778	2.778	1
3L	2.778	2.778	1
3M	2.778	2.778	1
3N	2.778	2.778	1
3O	2.778	2.778	1
3P	2.778	2.778	1
3Q	2.778	2.778	1
3R	2.778	2.778	1
3S	2.778	2.778	1

Unit No.	Fractional Share of Common Elements (%)	Fractional Share of Common Expense (%)	Number of Votes in the Association
3T	2.778	2.778	1
3U	2.778	2.778	1
4A	2.778	2.778	1
4B	2.778	2.778	1
4C	2.778	2.778	1
4D	2.778	2.778	1
4E	2.778	2.778	1
4F	2.778	2.778	1
4G	2.778	2.778	1
4H	2.778	2.778	1
4I	2.778	2.778	1
4J	2.778	2.778	1
4K	2.778	2.778	1
4L	2.778	2.778	1
4M	2.778	2.778	1
TOTALS: (rounded)	100	100	36