

For Amendment refer to bk 944 page 93 12-1-89 MMT

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Prepared by: LANIER & FOUNTAIN, ESQS. BOOK 940 PAGE 564

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VILLA CAPRIANI, A CONDOMINIUM

DECLARATION

THIS DECLARATION, made this 2nd day of November, 1989, by RESORT EQUITIES, INC., a North Carolina corporation ("Developer"), pursuant to the North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

WITNESSETH:

WHEREAS, Developer is the owner in fee simple of certain real estate situated in Stump Sound Township, County of Onslow, and State of North Carolina, legally described on Exhibit A, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate; and

WHEREAS, Developer desires to submit all of said property to the Act.

NOW, THEREFORE, Developer, as the owner of said property, hereby declares as follows:

ARTICLE I

Definitions

Definitions. As used herein, the following words and terms shall have the following meanings:

- 1.1. Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.
- 1.2. Additional Real Estate. The real estate described in Exhibit A-1 together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.
- 1.3. Association. Villa Capriani Homeowners Association, a nonprofit corporation organized under Chapter 55 of the North Carolina General Statutes.
- 1.4. Board. The Board of Directors of the Association.
- 1.5. Bylaws. The Bylaws of the Association which are attached hereto as Exhibit "E" and Incorporated herein and made a part hereof by this reference.
- 1.6. Common Elements. All portions of the Condominium except the Units. Limited Common Elements are Common Elements.
- 1.7. Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.
- 1.8. Condominium. The condominium created by this Declaration.

1.9. Declarant. Developer and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration to add Additional Real Estate, except Security Holders and except persons whose interests in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declarant Rights pursuant to Section 47C-3-104 of the Act.

1.10. Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of (i) the date five (5) years after the date of the first conveyance of a Unit to a Unit Owner other than a Declarant, or (ii) the date upon which Declarant surrenders control of the Condominium, or (iii) the date One Hundred Twenty (120) days after the Declarant has conveyed seventy-five (75%) percent of the Units to Unit Owners other than a Declarant.

1.11. First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust which has been recorded so as to give constructive notice thereof, and which is a first lien on the Units described therein. A First Mortgagee is the holder, from time to time, of a First Mortgage as shown by the records of the office in which the First Mortgage is recorded, including a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the Bylaws.

1.12. Floor Plans. The floor plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended.

1.13. Limited Common Elements. Those portions of the Common Elements allocated by operation of Section 47C-2-102(2) or (4) of the Act for the exclusive use of one but fewer than all of the units and also any limited common elements specifically allocated to Units on Exhibit B.

1.14. Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15. Person. A natural person, corporation, partnership, trust or other entity, or any combination thereof.

1.16. Property. The real estate described on Exhibit A, and the real estate described on Exhibit A-1, if added by Declarant pursuant hereto, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.17. Security for an Obligation. The vendor's interest in a contract for deed, mortgagee's interest in a mortgage, trustee's interest in a deed of trust, purchaser's interest under a sheriff's certificate of sale during the period of redemption, or the holder's interest in a lien.

1.18. Security Holder. Any person owning a Security for an Obligation in a Unit.

1.19. Special Declarant Rights. The rights reserved herein and in the Bylaws for the benefit of a Declarant, as follows: to complete the improvements

indicated on the Floor Plans; to maintain sales offices, management offices, models and signs advertising the Condominium; to use easements through the Common Elements; to elect, appoint or remove members of the Board during the Declarant Control Period; and to add Additional Real Estate. Declarant shall have no right to subdivide or convert Units owned by Declarant.

1.20. Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit C. Each Unit is designated and delineated on the Floor Plans.

1.21. Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Floor Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceiling facing the interior of the Unit, and the topmost surfaces of the subflooring, and include the decoration on all such interior and topmost surfaces, including, without limitation, all panelling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within such boundaries.

1.22. Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple, including contract-for-deed purchasers of a Unit, but excluding contract-for-deed purchasers of a Unit who are Security Holders, and also excluding all other Security Holders.

1.23 Plats or Plans of the Condominium. Plats or Plans of the Villa Capriani, Phase I are recorded in the Onslow County Registry in Unit Ownership Book 2, Pages 8 through 8-0, the same being incorporated herein by reference.

ARTICLE II

Submission of Property to the Act

2.1. Submission. Developer hereby submits the Property to the Act.

2.2. Name. The Property shall hereafter be known as Villa Capriani, a Condominium.

2.3. Division of Property into Separately Owned Units. Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into One Hundred Sixteen (116) Residential Units and Three (3) Commercial Unit and does hereby designate all such Units for separate ownership, subject, however, to the provisions of Section 2.4 hereof.

2.4. Alterations of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of Sections 47C-2-111 and 47C-2-113(a) and (b) of the Act.

2.5. Limited Common Elements. The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit. In addition to those defined in Section 1.13, Limited Common Elements include those set forth on Exhibit B and are hereby allocated to Units as shown on Exhibit B.

2.6. Unit Allocations. The allocations to each Unit of a percentage of undivided interest in the Common elements, of votes in the Association, and of a percentage of the Common Expenses, are as stated on Exhibit C. The allocation of undivided interests in the Common Elements and of the Common Expenses is according to the area of each Unit to the area of all Units. The votes in the Association are equally allocated to all Units.

2.7. Encumbrances. The liens, defects and encumbrances on the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on Exhibit D.

2.8. Condominium Ordinances. The Condominium is not subject to any code, real estate use law, ordinance, charter provision, or regulation (i) prohibiting the condominium form of ownership, or (ii) imposing conditions or requirements upon a condominium which are not imposed upon physically similar developments under a different form of ownership. This statement is made pursuant to Section 47C-1-106 of the Act for the purpose of providing marketable title to the Units in the Condominium.

2.9. Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights.

ARTICLE III

Additional Real Estate

3.1. Declarant's Right to Add Additional Real Estate. Declarant expressly reserves the right to add the Additional Real Estate to the Condominium. All or part of the Additional Real Estate identified and described on Exhibit A-1 may be added to the Condominium at different times, but no assurances are made in regard to the order in which such portions may be added. Declarant shall have no duty or obligation of any kind to add any or all of the Additional Real Estate. The method of adding the Additional Real Estate to the Condominium shall be pursuant to Section 47C-2-110 of the Act.

3.2. Maximum Number of Additional Units; Units Restricted to Residential and Commercial Use. The maximum number of additional Units that may be created within the Additional Real Estate is Three Hundred Eighty-Eight (388) Units. All except nine (9) of such Units will be restricted exclusively to residential use. The remaining nine (9) units may be used for commercial purposes.

3.3. Compatibility of Style, Etc. Any buildings and Units that may be erected upon the Additional Real Estate or a portion thereof will be compatible with the other buildings and Units in the Condominium in terms of architectural style, quality of construction, principal materials employed in construction, and size.

3.4. Applicability of Restriction, Etc. All restrictions in this Declaration and the Bylaws affecting use, occupancy and alienation of Units will apply to any and all additional Units that may be created within the Additional Real Estate.

3.5. Other Improvements and Common Elements. In addition to the buildings and Units that may be erected upon the Additional Real Estate or a portion thereof, the other improvements and Common Elements that may be made or created upon or within the Additional Real Estate or each portion thereof which may be added to the

Condominium will be generally similar in quality and quantity to the improvements and Common Elements located in the Condominium.

ARTICLE IV

Easements

4.1. Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the Property, any part of the Common Elements now or hereafter encroaches upon any part of any Unit, or any part of any Unit now or hereafter encroaches upon any part of the Common Elements, or upon any part of another Unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon.

4.2. Easements Through Walls. Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

4.3. Easements To Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the Bylaws or the Act, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

4.4. Declarant's Easement. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purposes.

4.5. Easements To Run With Land. All easements and rights described in this Article III are appurtenant easements running with the land, and except as otherwise expressly provided in this Article IV shall be perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, Security Holders and any other person having any interest in the Condominium or any part of any thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article IV, whether or not specifically mentioned in any such conveyance or encumbrance.

4.6. Cable Television Easement. Declarant is presently negotiating a cable television wiring agreement with Resort Telecommunications Corporation (RTC) which would provide RTC with an easement for installing and maintaining a line connecting the cable television wires located in the building to RTC's system. Any such agreement would be entered into by RTC and the Association.

4.7. Telephone Easement. Declarant is presently negotiating a telephone wiring agreement with Resort Telecommunications Corporation (RTC) which would provide RTC with an easement for installing and maintaining a line connecting the telephone wires located in the building to RTC's system. Any such agreement would be entered into by RTC and the Association.

ARTICLE V

Restrictions, Conditions and Covenants

5.1. Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, and rules and regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit Owner, or any person adversely affected, for recovery of damages, injunction or other relief.

5.2. Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this Declaration and the Bylaws.

5.3. Use Restricted; Use by Declarant.

(a) The Residential Units shall be occupied and used by Unit Owners and Occupants for residential purposes only.

(b) The Commercial Units shall be occupied and used for commercial privileges only.

(c) No "For Sale" or "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board.

(d) The foregoing provisions of this Section or any other provision of the Declaration or the Bylaws notwithstanding, Declarant may maintain sales offices for sales of Units in the Condominium and models as it shall from time to time determine.

Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, until all of the Units have been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed ten (10), and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(e) Declarant also may maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

(f) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, the Association may maintain an office in the Condominium for management of the Condominium.

5.4. Hazardous Use and Waste. Nothing shall be done to or kept in any Unit or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium without the prior written consent of the Board. No Unit Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse or destruction) to or in his Unit or the Common Elements.

5.5. Alterations of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from, the Common Elements, or paint, decorate, landscape or adorn any portion of the Common Elements, without prior written consent of the Board.

5.6. Renting of Units. Each permitted lease shall be in writing, and shall be subject to this Declaration and the Bylaws, and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Any Unit Owner who enters into a lease of his Unit shall promptly notify the Association of the name and address of each lessee, the Unit rented, and the term of the lease. Other than the foregoing restrictions, each Unit Owner shall have the full right to lease his Unit or any self contained portion thereof.

5.7. Pets. No pet shall be allowed in the Condominium, except as may be provided by the rules and regulations promulgated from time to time by the Board or the Association or in the Bylaws.

5.8. Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

5.9. Restrictions, Conditions and Covenants To Run With Land. Each Unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE VI

Assessments

6.1. Assessment Liens. The Board has the power to levy assessments against the Units for Common Expenses. Such assessments shall be a lien on the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit sold, or a money judgment obtained against the persons liable therefor, all as set forth in the Bylaws.

6.2. Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless said delinquent assessments are expressly assumed by said transferee.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to Section 8.11 of the Bylaws, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

(c) Where a First Mortgagee, or other person claiming through such First Mortgagee, pursuant to the remedies provided in a Deed of Trust, or by foreclosure or by deed, or assignment, in lieu of foreclosure, obtains title to a Unit, the liability of such First Mortgagee, or such other person for assessments shall be only for the assessments, or installments thereof, that would become delinquent, if not paid, after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

(d) Without releasing the transfer from any liability therefor, any unpaid portion of assessments which is not a lien under (b) above or, resulting, as provided in (c) above, from the exercise of remedies in a Deed of Trust, or by foreclosure thereof or by deed, or assignment, in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under (b) above and the First Mortgagee or such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.

6.3. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

ARTICLE VII

Management, Maintenance, Repairs, Replacements, Alterations and Improvements

7.1. Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provisions of Section 7.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 7.1(b) hereof. All damage caused to a Unit by any work on or to the Common Elements

(b) By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his intentional acts or the intentional acts of any Occupant of his Unit. Such payment shall be made upon demand made by the Association.

7.2. Common Expenses Associated with Limited Common Elements or Benefiting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any Common Expense benefiting less than all of the Units against the Units benefits in proportion to their Common Expense Liability.

7.3 Units. Each Unit Owner shall maintain his Unit at all times in a good and clean condition, and repair and replace, at his expense, all portions of his Unit; shall perform his responsibilities in such manner as not to unreasonably disturb other Occupants; shall promptly report to the Board, or its agents, any defect or need for that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall be made upon demand by the Unit Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

7.4 Waiver of Claims. Except on as provided in Section 7.5(a) and (b), the Association agrees that it shall make no claim against the Unit Owner or Occupant, and each Unit Owner and Occupant agree that he shall make no claim against the Association, the members of the Board, officers of the Association, or employees or agents of any thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, or other Unit Owners or Occupants, for any loss or damage to any of the Property, or to a Unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons and all such claims are hereby waived and released; provided, that this waiver shall not apply to any such loss or damage due to intentional acts.

7.5. Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any Unit or any of the Limited Common Elements in case of any emergency or dangerous condition or situation originating in or threatening that Unit or any of the Limited Common Elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for the purposes of performing any of the Association's duties or obligations or exercising any of the Association's powers under the Act, this Declaration or the Bylaws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding Section 7.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner.

(b) By Unit Owner. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representatives, to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit of, or performing the duties and obligations under the Act, this Declaration or the Bylaws of the Unit Owner or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding Section 7.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

ARTICLE VIII

Insurance

8.1. Casualty Insurance. The Association shall maintain casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to, the Association, as trustee for all Unit Owners and Security Holders as their interests may appear, and be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than the full insurable value of the Property on a replacement cost basis and shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-113(h) of the Act.

8.2. Public Liability Insurance. The Association shall maintain public liability insurance for the benefit of the Unit Owners, Occupants and holders of a vendor's interest in a contract for deed on a Unit, the Association, the Board, the manager, if any, the Declarant, and their respective officers, directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board, provided that the public liability insurance shall be at least One Million Dollars (\$1,000,000) per occurrence for death, bodily injury and property damage. Said insurance shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefited parties against such liability arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the streets, sidewalks or public spaces adjoining the Condominium; and insure the Association, the Board, the manager, if any, and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units.

8.3. Fidelity Coverage. Fidelity coverage shall be maintained by the Association in commercial blanket form covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association in the face amount of at least the greater of (i) one and one-half (1-1/2) times the estimated annual operating expenses and reserves of the Association, or (ii) the sum of three months' aggregate assessments on all units plus the Association's reserve funds. Such bonds shall contain an appropriate endorsement to cover persons who serve without compensation. The premiums on such bonds shall be a Common Expense.

8.4. Other Insurance. The Association may procure such other insurance, including worker's compensation insurance, as it may from time to time deem appropriate to protect the Association or the Unit Owners.

8.5. Insurance Trustee. The Board may engage, and pay as a Common Expense, any appropriate person to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

8.6. Individual Policy for Unit Owners. Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own

interests; provided that any such insurance shall contain waivers pursuant to Section 7.3 and shall provide that it is without contributions against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assigns the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE IX

Casualty Damage

If all or any part of the Property shall be damaged or destroyed, the same shall be repaired or replaced, and proceeds of insurance shall be used and applied in accordance with the provisions of Section 47C-3-113(h) of the Act.

ARTICLE X

Condemnation

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 the awards paid on account thereof shall be used and applied in accordance with Section 47C-1-107 of the Act.

ARTICLE XI

Termination

The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act.

ARTICLE XII

Amendment

This Declaration may be amended only in strict compliance with the Act, including, without limitation, Sections 47C-2-110 and 47C-2-117 of the Act, except that no amendment altering or impairing Special Declarant Rights may be made without the written consent of Declarant.

ARTICLE XIII

Rights of First Mortgagees;
VA, FNMA and FHLMC Provisions

The following provisions shall take precedence over all other provisions of this Declaration and the Bylaws:

13.1. Availability of Condominium Documents, Books, Records and Financial Statements. The Association shall, upon request and during normal business hours, make available for inspection by Unit Owners and the First Mortgagees and the insurers

and guarantors of a First Mortgage on any Unit, current copies of the Declaration, the Bylaws, other rules and regulations governing the Condominium and the books, records and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a First Mortgagee or insurer or guarantor of a First Mortgage. The Association shall, upon request and during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, Bylaws, other rules and regulations governing the Condominium, and the most recent annual audited financial statement (if one is prepared).

13.2. Successors' Personal Obligation for Delinquent Assessments. The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the successors in title or interest to said Unit unless said delinquent assessments are expressly assumed by them.

13.3. Rights of Action. The Association and any aggrieved Unit Owner shall have a right of action against Unit Owners and any aggrieved Unit Owner shall have a right of action against the Association for failure to comply with the provisions of this Declaration, the Bylaws and the rules, regulations, and decisions of the Association made pursuant to authority granted to the Association in this Declaration and Bylaws.

13.4. Management and Other Agreements. Any management agreement between the Declarant or the Association and a professional manager of any other agreement providing for services of the developer, sponsor, builder or Declarant shall be terminable by either party thereto without cause and without payment of a termination fee upon not more than thirty (30) days' prior written notice and shall not exceed a term of three (3) years, subject to renewal by the consent of both parties.

13.5. Right of First Refusal. The right of a Unit Owner to sell, transfer, mortgage or otherwise convey his interest in his residential Unit shall not be subject to any right of first refusal. The right of a commercial Unit Owner to sell, transfer, or otherwise convey his interest in a commercial unit may be subject to a right of first refusal to the Association.

13.6. Consent of First Mortgagees. This Section 13.6 shall be effective only if, at the time this Section would apply, at least one Unit is subject to financing. Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation of the property shall require the prior written consent of Eligible Mortgage Holders, as defined in Section 13.8 hereof, representing at least 67% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirement specified by the Act. Except for any amendment to the Declaration made for the purpose of adding any of the Additional Real Estate to the Condominium in accordance with the provisions hereof, any amendment to the Declaration or Bylaws which changes any of the following shall require the prior written consent of Unit Owners holding at least 67% of the total votes in the Association and of Eligible Mortgage Holders representing at least 5% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirements specified by the Act or hereunder:

- (a) voting rights;
- (b) assessments, assessment liens or subordination of such liens;

- (c) reserves for maintenance, repair and replacement of Common Elements;
- (d) responsibility for maintenance and repairs;
- (e) reallocation of interests in the Common Elements or Limited Common Elements or rights to their use;
- (f) boundaries of any Unit;
- (g) convertibility of Units into Common Elements or Common Elements into Units;
- (h) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;
- (i) insurance or fidelity bonds;
- (j) leasing of Units;
- (k) imposition of any restrictions on a Unit Owner's right to sell, transfer or otherwise convey his Unit;
- (l) a decision by the Association to establish self-management when professional management had been required previously by any Eligible Mortgage Holder;
- (m) restoration or repair of the Condominium (after damage or destruction or partial condemnation) in a manner other than that specified in this Declaration or the Bylaws;
- (n) any action to terminate the legal status of the Condominium after substantial damage or destruction or condemnation; or
- (o) any provisions that expressly benefit First mortgagees or insurers or guarantors of First Mortgages.

13.7. Consent of First Mortgagees or Unit Owners. This Section 13.7 shall be effective only if, at the time this Section would apply, at least one Unit is subject to FNMA financing. Unless First Mortgagees holding at least 66 2/3% of the votes allocated to First Mortgagees (except First Mortgagees having one vote per Unit financed), or such higher percentage as is required by law, of the First Mortgagees (based upon one vote for each First Mortgage owned) and Unit Owners (other than a Declarant) holding at least 66 2/3% of the total votes in the Association have given their prior written approval, or such greater requirements specified in the Act or hereunder have been satisfied, the Association shall not be entitled to:

- (a) by actor omission, seek to abandon or terminate the Condominium;
- (b) except in the case of any addition of the Additional Real Estate pursuant to the provisions hereof, change the pro rata interest or obligations of any Unit for the purpose of:
 - (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or

- (ii) determining the pro rata share of ownership of each Unit in the Common Elements;
- (c) partition or subdivide any Unit;
- (d) except in the case of any addition of the Additional Real Estate pursuant to the provisions hereof, by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause);
- (e) use hazard insurance proceeds for losses to any part of the Condominium (whether to Units or to Common Elements) for other than repair, replacement or reconstruction thereof.

13.8. Notice. Each First Mortgagee and each insurer or guarantor of a First Mortgage, upon written request stating its name and address and describing the Unit encumbered by the First Mortgage, held, insured or guaranteed, shall be entitled to timely written notification by the Association of (i) any proposed action which requires consent of a specified percentage of First Mortgagees; (ii) any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its First Mortgage; (iii) any 60-day delinquency in the payment of assessments or charges owed by the Unit Owner of the Unit on which the First Mortgagee held its First Mortgage or in the performance of any obligation under this Declaration or the Bylaws by said Unit Owner; or (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. Each First Mortgagee who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders shall be considered an "Eligible Mortgage Holder." With respect only to non-material amendments (which excludes items (a) to (o) of Section 13.7), such as for the correction of technical errors or for clarification, any First Mortgagee who receives a written request by the Association, or any Unit Owner, to approve an addition or amendment to the Declaration or Bylaws who does not deliver or post to the requesting party a negative response within 30 days shall be deemed to have approved such request.

13.9. Assessments. Assessments shall be due and payable in monthly installments. As provided in Article VIII of the Bylaws and as legally required by Section 47C-3-115 of the Act, Declarant shall pay all accrued expenses of the Condominium until assessments are levied against the Units. An assessment shall be deemed levied against a Unit upon the giving of notice by the Board to a member of the Association who is a Unit Owner of that Unit. Unit Owners shall have no obligation to pay monthly assessments until an assessment is levied. Assessments will begin at such time as the Board elects.

13.10. Rights of First Mortgagee; Insurance Proceeds or Condemnation Awards. No provision of this Declaration or the Bylaws shall be deemed to give a Unit Owner, or any other party, priority over any rights of a First Mortgagee pursuant to its First Mortgage on said Unit Owner's Unit, in the case of a distribution to said Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

13.11. Additional Real Estate: Consent of Administrator; Common Element Interests; Reallocation. In the event any First Mortgages are guaranteed by the Veterans Administration, the Additional Real Estate may not be added to the Condominium without the prior written consent of the Administrator of Veterans Affairs. If the Additional Real Estate is added, the ownership interest in the Common Elements and the liability for Common Expenses for each Unit shall be reallocated in proportion to the area of each Unit to the area of all Units and the voting rights in the Association shall be reallocated on the basis of equality. The effective date for said reallocation shall be the date of recordation of the amendment to this Declaration, which document shall comply with the provisions of the Act. The effective date for the assignment of assessments to the Units added to the Condominium shall be the date the Board levies an assessment against said Units. All improvements intended to be located within any portion of the Additional Real Estate added to the Condominium shall be substantially completed prior to the addition of said portion of the Additional Real Estate.

ARTICLE XIV

General Provisions

14.1. Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or of any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstances.

14.2. Interpretation of Declaration. Whenever appropriate singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

14.3. Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

14.4. Exhibits. Exhibits A, A-1, B, C and D attached hereto are hereby made a part hereof.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first above written.

ATTEST:

 SECRETARY

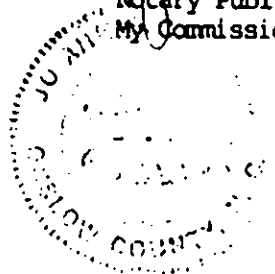
RESORT EQUITIES, INC.
 BY:
 PRESIDENT

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

I, a Notary Public of said County and State, do hereby certify that F. Roger Page, Jr. personally came before me this day and acknowledged that (s)he is Secretary of RESORT EQUITIES, 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 President, sealed with its corporate seal and attested by its Secretary.

Witness my hand and seal, this 2nd day of November, 1989.

Jo Ann G. Williams
Notary Public
My Commission Expires: 6-9-91



NORTH CAROLINA, ONSLOW COUNTY Jo Ann G. Williams
The foregoing certificate(s) of _____

Notary(es) Public is (are) certified to be correct. This instrument was presented for registration and recorded in this office in Book 940 Page 564 This 3rd day of November 19 89 at 10:15 o'clock A. M. -----
Mildred M. Thomas By _____
Register of Deeds, Onslow County Register of Deeds

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EXHIBIT A

To Declaration

STUMP SOUND TOWNSHIP, ONSLOW COUNTY, NORTH CAROLINA

Beginning at a point in the center of the pavement of the existing S. 1568 which said point is located from the centerline intersection point of S.R. 1568 with N.C. Highway No. 210 when measured along the center of S.R. 1568 South 74 degrees 34 minutes 44 seconds East 979.03 feet, South 76 degrees 32 minutes 44 seconds East 134.50 feet, South 79 degrees 35 minutes 44 seconds East 100.00 feet, South 82 degrees 51 minutes 39 seconds East 100.00 feet, South 87 degrees 13 minutes 39 seconds East 100.00 feet, North 89 degrees 11 minutes 51 seconds East 100.00 feet, North 85 degrees 15 minutes 21 seconds East 100.00 feet, North 81 degrees 50 minutes 14 seconds East 65.10 feet, North 78 degrees 30 minutes 02 seconds East 100.00 feet, North 74 degrees 35 minutes 02 seconds East 100.00 feet, North 70 degrees 17 minutes 37 seconds East 100.00 feet, North 66 degrees 20 minutes 32 seconds East 100.00 feet, North 63 degrees 57 minutes 25 seconds East 161.06 feet, North 62 degrees 22 minutes 25 seconds East 1200.00 feet, North 65 degrees 08 minutes 25 seconds East 166.58 feet, North 70 degrees 36 minutes 25 seconds East 171.48 feet, North 71 degrees 44 minutes 05 seconds East 101.40 feet, North 70 degrees 30 minutes 33 seconds East 207.44 feet, North 66 degrees 52 minutes 54 seconds East 216.28 feet, North 64 degrees 37 minutes 49 seconds East 900.46 feet, North 66 degrees 23 minutes 39 seconds East 242.84 feet, North 67 degrees 42 minutes 49 seconds East 612.76 feet, North 67 degrees 08 minutes 44 seconds East 265.48 feet and North 66 degrees 12 minutes 16 seconds East 1315.30 feet to a railroad spike in the centerline of the pavement of S.R. 1568 (the beginning corner of the San Marlo Tract A),

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EXHIBIT A (Continued)

thence along the roadway S.R. 1568 North 66 degrees 10 minutes 45 seconds East 742.60 feet to a point in said pavement. Said beginning being so located runs thence as follows:

1. A new line North 23 degrees 30 minutes 00 seconds West 180.21 feet to a concrete monument, North 66 degrees 30 minutes 00 seconds East 45.00 feet to an iron stake, North 23 degrees 30 minutes 00 seconds West 84.10 feet to an iron stake, North 44 degrees 16 minutes 08 seconds West 187.64 feet to an iron stake, and South 52 degrees 04 minutes 12 seconds West 105.99 feet to an iron stake in the boundary of the 33.92 Acre Tract; thence,
2. With a portion of the boundary line of said Tract North 73 degrees 36 minutes 03 seconds West 193.19 feet to an iron stake, North 12 degrees 40 minutes 29 seconds West 62.15 feet to an iron stake, North 30 degrees 41 minutes 00 seconds East 138.83 feet to an iron stake, North 56 degrees 24 minutes 00 seconds East 159.71 feet to an iron stake, North 22 degrees 51 minutes 00 seconds East 59.39 feet to an iron stake, North 52 degrees 18 minutes 00 seconds East 147.36 feet to an iron stake, North 71 degrees 20 minutes 00 seconds East 115.33 feet to an iron stake, North 52 degrees 10 minutes 00 seconds East 18.24 feet to an iron stake, thence,
3. Leaving said boundary of the 33.92 Acre Tract, A new line South 22 degrees 32 minutes 48 seconds East 126.34 feet to an iron stake, North 67 degrees 27 minutes 12 seconds East 128.00 feet to an iron stake, South

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EXHIBIT A (Continued)

22 degrees 32 minutes 48 seconds East 150.00 feet to an iron stake, North
 77 degrees 09 minutes 50 seconds East 105.00 feet to an iron stake, South
 12 degrees 50 minutes 10 seconds East 212.33 feet to an iron stake, South
 23 degrees 30 minutes 00 seconds East 91.83 feet to an iron stake, North
 66 degrees 30 minutes 00 seconds East 45.00 feet to an iron stake and
 South 23 degrees 30 minutes 00 seconds East 416.24 feet (crossing over
 a railroad spike in the center of Abandoned S.R. 1568 at 177.58 feet) to
 a point at the approximate mean high water line of the Atlantic Ocean;
 thence,

4. With the approximate mean high water line of the Atlantic Ocean
 South 66 degrees 30 minutes 00 seconds West 560.00 feet to a point; thence

5. A new line North 23 degrees 30 minutes 00 seconds West 235.53
 feet to the point of beginning.

The above described lot or Tract of land contains 12.82 Acres to be
 the same more or less and is a portion of the lands described in a deed
 to G.C.-J.T. Jeffreys and a deed for R.A. Jeffrey's Estate which said
 deeds are recorded in Deed Book 202, Page 590 and Deed Book 198, Page
 298 respectfully in the Onslow County Registry.



W. I. Cowan

Beginning at a railroad spike in the center of the pavement of the existing S.R. 1548 which said railroad spike is located from the centerline intersection point of S.R. 1548 with W.C. Highway No. 210 when measured along the center of S.R. 1548 South 74 degrees 34 minutes 44 seconds East 979.03 feet, South 76 degrees 32 minutes 44 seconds East 124.50 feet, South 79 degrees 35 minutes 44 seconds East 100.00 feet, South 82 degrees 51 minutes 39 seconds East 100.00 feet, South 87 degrees 13 minutes 39 seconds East 100.00 feet, North 89 degrees 11 minutes 51 seconds East 100.00 feet, North 85 degrees 15 minutes 21 seconds East 100.00 feet, North 81 degrees 50 minutes 14 seconds East 65.10 feet, North 78 degrees 30 minutes 02 seconds East 100.00 feet, North 74 degrees 25 minutes 02 seconds East 100.00 feet, North 70 degrees 17 minutes 37 seconds East 100.00 feet, North 66 degrees 20 minutes 33 seconds East 100.00 feet, North 63 degrees 57 minutes 25 seconds East 161.06 feet, North 62 degrees 22 minutes 25 seconds East 1200.00 feet, North 65 degrees 08 minutes 25 seconds East 166.58 feet, North 70 degrees 36 minutes 28 seconds East 171.48 feet, North 71 degrees 44 minutes 05 seconds East 181.60 feet, North 70 degrees 30 minutes 31 seconds East 207.44 feet, North 66 degrees 52 minutes 34 seconds East 216.28 feet, North 64 degrees 37 minutes 40 seconds East 900.46 feet, North 66 degrees 23 minutes 39 seconds East 242.84 feet, North 67 degrees 42 minutes 49 seconds East 612.76 feet, North 67 degrees 08 minutes 44 seconds East 265.48 feet and North 64 degrees 12 minutes 16 seconds East 1315.30 feet to the point of beginning.

Said beginning point being so located, runs thence as follows:
1. With the new division line of Jeffrey's Property North 23 degrees 30 minutes 00 seconds West 447.54 feet to an iron stake; thence,

2. With the flagged Case Line as approved in November 1986 -
 - South 84 degrees 11 minutes 00 seconds East 59.04 feet;
 - North 61 degrees 59 minutes 00 seconds East 166.44 feet;
 - South 36 degrees 31 minutes 00 seconds East 107.99 feet;
 - South 79 degrees 23 minutes 00 seconds East 57.76 feet;
 - North 62 degrees 43 minutes 20 seconds East 116.76 feet;
 - North 75 degrees 42 minutes 00 seconds East 47.41 feet;
 - North 33 degrees 52 minutes 15 seconds West 53.35 feet;
 - North 59 degrees 06 minutes 35 seconds West 54.39 feet;
 - North 41 degrees 40 minutes 00 seconds West 72.45 feet;
 - North 71 degrees 49 minutes 00 seconds West 330.93 feet;
 - North 15 degrees 07 minutes 00 seconds West 34.59 feet;
 - South 88 degrees 50 minutes 00 seconds East 190.60 feet;
 - South 61 degrees 33 minutes 00 seconds East 93.89 feet;
 - North 50 degrees 49 minutes 00 seconds East 10.40 feet;
 - South 74 degrees 50 minutes 40 seconds East 260.20 feet;
 - North 36 degrees 11 minutes 15 seconds East 23.71 feet;
 - North 73 degrees 36 minutes 03 seconds West 193.19 feet;
 - North 12 degrees 40 minutes 29 seconds West 62.15 feet;
 - North 30 degrees 41 minutes 00 seconds East 138.83 feet;
 - North 56 degrees 24 minutes 00 seconds East 159.71 feet;
 - North 22 degrees 51 minutes 00 seconds East 59.39 feet;
 - North 52 degrees 18 minutes 00 seconds East 147.36 feet;
 - North 71 degrees 20 minutes 00 seconds East 115.33 feet;
 - North 52 degrees 10 minutes 00 seconds East 162.95 feet;
 - North 76 degrees 40 minutes 00 seconds East 139.43 feet;

- South 61 degrees 00 minutes 00 seconds East 118.82 feet;
- North 78 degrees 08 minutes 00 seconds East 217.37 feet;
- South 23 degrees 51 minutes 00 seconds West 107.75 feet;
- South 11 degrees 22 minutes 00 seconds East 129.41 feet;
- South 88 degrees 19 minutes 00 seconds East 146.80 feet;
- North 12 degrees 17 minutes 00 seconds East 170.62 feet;
- North 83 degrees 39 minutes 00 seconds East 80.29 feet;
- North 01 degrees 59 minutes 00 seconds West 109.65 feet; and
- South 85 degrees 53 minutes 00 seconds East 111.20 feet to an iron stake; thence,

3. With the old Northern Division line of the Jeffrey's Property South 68 degrees 07 minutes 00 seconds West 914.49 feet (passing over an inline iron stake in the center of the pavement of the existing S.R. 1548 at 637.81 feet) to a point at the approximate mean high water line of the Atlantic Ocean thence,

4. With said mean high water line South 64 degrees 30 minutes 00 seconds West 1500.00 feet to a point; thence,

5. With the line of beginning North 33 degrees 30 minutes 00 seconds West 231.37 feet to the point of beginning

The above described tract of land contains 33.92 acres to be the same more or less and is a portion of the land to G.C. - J.V. Jeffreys and a Deed for S.A. Jeffrey's Estate which said Deeds are recorded in Deed Book 202, Page 288 and Deed Book 198 Page 298 respectively in the Onslow County Registry.

LESS AND EXCEPTING all that property described in Exhibit A.

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EXHIBIT B

To Declaration

Limited Common Elements

None other than balconies associated with individual units
as shown on the plans or plats.

EXHIBIT C

To Declaration

PHASE I

UNIT NUMBER	UNIT SQUARE FEET	PERCENTAGE INTEREST COMMON ELEMENTS	VOTES IN ASSOCIATION
101-A	620.00	0.4315	1.00
102-A	760.00	0.5289	1.00
103-A	1,310.00	0.9117	1.00
104-A	827.00	0.5755	1.00
105-A	1,482.00	1.0314	1.00
106-A	1,310.00	0.9117	1.00
107-A	1,310.00	0.9117	1.00
108-A	760.00	0.5289	1.00
109-A	1,310.00	0.9117	1.00
110-A	1,310.00	0.9117	1.00
113-A	1,600.00	1.1135	1.00
114-A	1,310.00	0.9117	1.00
115-A	760.00	0.5289	1.00
116-A	1,600.00	1.1135	1.00
117-A	760.00	0.5289	1.00
118-A	1,615.00	1.1239	1.00
01-3	760.00	0.5289	1.00
102-3	760.00	0.5289	1.00
03-2	1,310.00	0.9117	1.00
104-3	827.00	0.5755	1.00
105-B	1,482.00	1.0314	1.00
106-3	1,310.00	0.9117	1.00
107-2	1,310.00	0.9117	1.00
108-B	760.00	0.5289	1.00
109-3	1,310.00	0.9117	1.00
110-3	1,310.00	0.9117	1.00
113-2	1,600.00	1.1135	1.00
114-3	1,310.00	0.9117	1.00
115-B	760.00	0.5289	1.00
116-3	1,600.00	1.1135	1.00
117-B	760.00	0.5289	1.00
118-B	1,615.00	1.1239	1.00
201-A	1,230.00	0.8560	1.00
202-A	760.00	0.5289	1.00
203-A	760.00	0.5289	1.00
204-A	1,230.00	0.8560	1.00
205-A	827.00	0.5755	1.00
206-A	1,482.00	1.0314	1.00
207-A	1,230.00	0.8560	1.00
208-A	1,230.00	0.8560	1.00
209-A	760.00	0.5289	1.00
210-A	760.00	0.5289	1.00
211-A	1,230.00	0.8560	1.00
212-A	1,230.00	0.8560	1.00

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EXHIBIT C (Continued)

PHASE I

215-A	1,600.00	1.1135	1.00
216-A	1,230.00	0.8560	1.00
217-A	760.00	0.5289	1.00
218-A	1,600.00	1.1135	1.00
219-A	760.00	0.5289	1.00
220-A	1,615.00	1.1239	1.00
201-B	1,230.00	0.8560	1.00
202-B	760.00	0.5289	1.00
203-B	760.00	0.5289	1.00
204-B	1,230.00	0.8560	1.00
205-B	827.00	0.5755	.00
206-B	1,482.00	1.0314	1.00
207-B	1,230.00	0.8560	1.00
208-B	1,230.00	0.8560	1.00
209-B	760.00	0.5289	1.00
210-B	760.00	0.5289	1.00
211-B	1,230.00	0.8560	1.00
212-B	1,230.00	0.8560	1.00
215-B	1,600.00	1.1135	1.00
216-B	1,230.00	0.8560	1.00
217-B	760.00	0.5289	1.00
218-B	1,600.00	1.1135	1.00
219-B	760.00	0.5289	1.00
220-B	1,615.00	1.1239	1.00
301-A	.325.00	0.9221	1.00
302-A	.250.00	0.8699	1.00
303-A	.250.00	0.8699	.00
304-A	.325.00	0.9221	1.00
305-A	827.00	0.5755	1.00
306-A	.482.00	1.0314	1.00
307-A	.325.00	0.9221	.00
308-A	1.325.00	0.9221	.00
309-A	.250.00	0.8699	1.00
310-A	.250.00	0.8699	.00
311-A	.325.00	0.9221	1.00
312-A	1.325.00	0.9221	1.00
315-A	1,600.00	1.1135	1.00
316-A	.325.00	0.9221	1.00
317-A	.250.00	0.8699	1.00
318-A	1,600.00	1.1135	1.00
319-A	760.00	0.5289	1.00
320-A	1,615.00	1.1239	1.00
301-B	1.325.00	0.9221	1.00
302-B	1.250.00	0.8699	1.00
303-B	1.250.00	0.8699	1.00
304-B	1.325.00	0.9221	1.00
305-B	827.00	0.5755	1.00
306-B	1,482.00	1.0314	1.00
307-B	1.325.00	0.9221	1.00

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EXHIBIT C (Continued)

PHASE I

308-B	1,325.00	0.9221	1.00
309-B	1,250.00	0.8699	1.00
310-B	1,250.00	0.8699	1.00
311-B	1,325.00	0.9221	1.00
312-B	1,325.00	0.9221	1.00
315-B	1,600.00	1.1135	1.00
316-B	1,325.00	0.9221	1.00
317-B	1,250.00	0.8699	1.00
318-B	1,600.00	1.1135	1.00
319-B	760.00	0.5289	1.00
320-B	1,615.00	1.1239	1.00
404-A	1,325.00	0.9221	1.00
407-A	1,325.00	0.9221	1.00
408-A	1,325.00	0.9221	1.00
411-A	1,325.00	0.9221	1.00
412-A	1,325.00	0.9221	1.00
416-A	1,325.00	0.9221	1.00
404-B	1,325.00	0.9221	1.00
407-B	1,325.00	0.9221	1.00
408-B	1,325.00	0.9221	1.00
411-B	1,325.00	0.9221	1.00
412-B	1,325.00	0.9221	1.00
416-B	1,325.00	0.9221	1.00
Restaurant			
Commercial			
Service Unit	2,500.00	1.7400	1.00
Cabane Bar			
Commercial			
Service Unit	364.00	.2531	1.00
Tele-Communications			
Commercial Service Unit	96.00	.0668	1.00
	143,694.00	100.0000	119.00

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EXHIBIT D

To Declaration

Liens, Defects and Encumbrances

1. Right-of-way to Jones-Onslow Electric Membership Corp., recorded in Book 920, Page 643, Book 498, Page 807, and Book 244, Pages 64 and 65, Onslow County Registry.
2. Easement to North Carolina Department of Transportation for S.R. 1568, filed October 20, 1989 in Book 939, Page 97, Onslow County Registry.
3. Easement to Onslow County Board of Commissioners recorded in Book 606, Page 761 and Book 610, Page 802, Onslow County Registry.
4. Ingress and egress easement to F. Roger Page, Jr. and wife, Doris Page, recorded in Book 821, Page 104 and Book 857, Page 429, Onslow County Registry.
5. North Topsail Water and Sewer sewer line easement located on the Southeast side of S.R. 1568 (relocated).
6. Onslow County water line easement located on the Northwest side of S.R. 1568 (relocated).
7. Title to that portion of the insured premises which lie below the mean high water mark of the Atlantic Ocean.
8. Deed of Trust dated April 29, 1988 from Resort Equities, Inc. to William J. Armstrong, Trustee for Lloyds Bank, PLC, securing a Note in the amount of \$10,900,000.00, filed for record May 21, 1988 at 8:04 a.m. recorded in Book 875, Page 608, Onslow County Registry.
9. Deed of Trust dated February 24, 1987 from Consolidated Equities, Inc. to Charles S. Lanier, Trustee for F. Roger Page, Jr., securing a Note in the amount of \$10,780,000.00, recorded in Book 821, Page 110, Onslow County Registry.
10. Security Agreement with Lloyds Bank, PLC, as evidenced by Financing Statement # 88-2392 filed May 2, 1988 in the Onslow County Registry.

To Declaration
BYLAWS

OF

VILLA CAPRIANI HOMEOWNERS ASSOCIATION, INC.

a North Carolina Nonprofit Corporation
under the Laws of the
State of North Carolina

ARTICLE I

Identity

These are the Bylaws of VILLA CAPRIANI HOMEOWNERS ASSOCIATION, a North Carolina nonprofit corporation, (the "Association"), the Articles of Incorporation (the "Articles") of which have been filed in the office of the Secretary of State of North Carolina.

For purposes of these Bylaws, terms specifically defined in the Declaration of Villa Capriani, a Condominium (the "Declaration") or in the North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes (the "North Carolina Condominium Act"), shall have the same meaning herein.

ARTICLE II

Qualifications and Responsibilities

of Members

2.1. Members. Each Unit Owner shall be a member of the Association, and shall remain a member until he ceases to be a Unit Owner.

2.2. More Than One Owner. When there is more than one Unit Owner of a Unit, all such persons shall be members of the Association.

2.3. Registration. It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association. If a Unit Owner does not so register, the Association shall be under no obligation to recognize his membership.

2.4. Prohibition of Assignment. The interest of a member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Unit.

ARTICLE III

Members' Meetings and Voting

3.1. Place. Meetings of the members shall be held at the registered office of the Association, or such other place within Onslow County, North Carolina as may be designated from time to time by the Board.

EXHIBIT E (Continued)

3.2. Annual Meeting. The members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting the members shall elect members of the Board ("Directors") and may transact any other business properly coming before them.

3.3. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board, and shall be called and held within thirty (30) days after written request therefor signed by members of the Association entitled to cast at least twenty percent (20%) of the total votes in the Association is delivered to any officer or Director of the Association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4. Notices. Notice of all meetings of the members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing, and shall be hand delivered or sent by United States mail to the members at the addresses of their respective Units and to other addresses as any member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least ten (10) days in advance of any other meeting.

3.5. Quorum; Adjournment if no Quorum. A quorum shall consist of members present, in person or by proxy, entitled to cast at least twenty percent (20%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

3.6. Votes; Association Shall Not Vote. The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be cast by the Unit Owner of that Unit. When there is more than one Unit Owner of a Unit, the votes for that Unit shall be cast as they shall determine. The votes allocated to a Unit shall not be split but shall be voted as a single whole. When there is more than one Unit Owner of a Unit and said Unit Owners cannot agree on how the vote for that Unit shall be cast, the dispute shall be resolved by arbitration in accordance with Section 13.6 of the Declaration. The Association shall not be entitled to cast the votes allocated to any Unit owned by it.

3.7. Manner of Casting Votes. Votes may be cast in person or by proxy. A proxy must be in writing, be signed by all Unit Owners of the Unit the votes of which are subject to the proxy, be given only to another member or to a Security Holder in that Unit, and be filed with the Secretary before the meeting. A proxy shall be valid until revoked in writing by all Unit Owners of such Unit.

3.8. Required Votes. All questions shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Declaration or these Bylaws require a greater vote.

3.9. Action by Members Without Meeting. Any action that may be taken at a meeting of the members, may be taken without a meeting if such action is authorized in a writing setting forth the action taken and is signed by all members, or if such action is taken in any other manner permitted by law.

3.10. Prohibition of Cumulative Voting. There shall be no cumulative voting.

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EXHIBIT E (Continued)

ARTICLE IV

Directors

4.1. First Board. The first Board shall consist of the five (5) persons elected by the members, whose names are set forth in the Articles, and successors to any thereof elected by the members.

4.2. Number and Qualifications of Directors. The Board shall consist of five (5) or seven (7) natural persons, as determined at any annual meeting by the members. Each Director shall be a Unit Owner or the individual nominee of a Unit Owner which is other than an individual.

4.3. Election of Directors. At the first annual meeting of the members, and at each subsequent annual meeting, the members shall elect the Directors by a majority of the votes cast in the election.

4.4. Term. The terms of the Directors shall be staggered so that at least one (1) but not more than three (3) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provisions of this section. Once elected, a Director shall hold office until his successor has been duly elected and has qualified.

4.5. Removal. Any Director may be removed, with or without cause, by a vote of the member entitled to cast at least sixty (60%) percent of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the members to serve for the balance of the removed Director's term.

4.6. Vacancies. Any vacancy in the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors, whether or not constituting a quorum, and a Director so elected shall serve for the unexpired term of his predecessor in office.

4.7. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph, at least seventy-two (72) hours prior to the meeting.

4.8. Special Meetings. Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than seventy-two (72) hours' notice of such special meeting shall be given personally or by mail, telephone, or telegraph to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.9. Quorum; Adjournment if No Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

4.10. Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these Bylaws.

4.11. Board Action Without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in a writing, setting forth the action taken, signed by all Directors.

4.12. Compensation of Directors Restricted. Directors shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as Directors.

4.13. Powers and Duties of Board. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles, and these Bylaws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

(a) To prepare and provide to members annually, a report containing at least the following:

(i) A statement of any capital expenditures in excess of two (2%) percent of the current budget or Five Thousand (\$5,000.00) Dollars, whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years.

(ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.

(iii) A statement of the financial condition of the Association for the last fiscal year.

(iv) A statement of the status of any pending suits or judgments in which the Association is a party.

(v) A statement of the insurance coverage provided by the Association.

(vi) A statement of any unpaid assessments payable to the Association, identifying the Unit and the amount of the unpaid assessment.

(b) To adopt and amend budgets and to determine, and collect assessments to pay the Common Expenses.

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EXHIBIT E (Continued)

(c) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Elements.

(d) To adopt and amend rules and regulations and to establish reasonable penalties for infraction thereof.

(e) To enforce the provisions of the Declaration, the Articles, these Bylaws, the Act, and rules and regulations by all legal means, including injunction and recovery of monetary penalties.

(f) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these Bylaws, or the Act, to be done by the Board or the members. Notwithstanding the foregoing, the Property, including each Unit, shall at all times be managed by a single managing agent. The single managing agent shall not have authority to lease any part of a Unit without the approval of the Unit Owner.

(g) To hire and terminate agents and independent contractors.

(h) To institute, defend, intervene in, or settle any litigation or administrative proceedings in its own name on behalf of itself or two (2) or more Unit Owners on matters affecting the Condominium, the Common Elements, or more than one Unit.

(i) To establish and dissolve and liquidate, from time to time, reserve accounts for any purpose.

(j) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements and to pledge and pay assessments, and any and all other revenue and income, for such purpose.

(k) To buy Units, in foreclosure of an assessment lien, or at any other time or for any other reason, and to sell, lease, mortgage, and otherwise deal in Units from time to time owned by the Association.

(l) To impose and receive payments, fees and charges for the use, rental or operation of the Common Elements other than the Limited Common Elements, except for elevators, stairways, hallways and other portions of the Common Elements which provide access to the Units.

(m) To grant leases, licenses, concessions and easements through and over the Common Elements.

(n) To impose and collect reasonable charges, including reasonable costs and attorney's fees, for the evaluation, preparation and recordation of amendments to the Declaration, resale certificates required by Section 47C-4-109 of the Act, or certificates of unpaid assessments.

(o) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors' liability insurance.

(p) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, these Bylaws, or the rules and regulations.

EXHIBIT E (Continued)

(q) To implement and maintain the storm water management program and any and all other environmental programs.

ARTICLE V

Officers

5.1. Designation of Officers. The officers of this Association shall be a President, two Vice Presidents, a Secretary, and a Treasurer. The majority of the officers shall be Unit Owners or the individual nominee of a Unit Owner which is other than an individual. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

5.2. Election of Officers. Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3. Term. Each officer shall serve until his successor has been duly elected and has qualified.

5.4. Removal. Any officer may be removed, with or out without cause, and without notice, by the Board.

5.5. Vacancy. Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

5.6. Powers and Duties of Officers.

(a) President. The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Board are carried into effect.

(b) Vice President. The Vice-Presidents shall perform such duties of the President as shall be assigned to them by the President, and in the absence of the President shall perform the duties and functions of the President.

(c) Secretary. The Secretary shall keep the minutes of all meetings and actions of the Board and of the members; shall give all required notices to the Directors and members; shall keep the records of the Association, except those kept by the Treasurer; shall perform all other duties incident to the office of a secretary of a corporation; and shall perform such other duties required by the Board or the President.

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EXHIBIT E (Continued)

(d) Treasurer. The Treasurer shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principals, and, upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of a treasurer of a corporation.

5.7. Execution of Agreements, etc. All agreements, deeds, mortgages, or other instruments shall be executed by any two (2) officers, or by such other person or persons as may be designated by the Board.

5.8. Compensation of Officers Restricted. No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

ARTICLE VI

Indemnification of Directors and Officers

The Association shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by Sections 55A-17.1 et seq of the North Carolina General Statutes.

ARTICLE VII

Fiscal Management

7.1. Depository. The Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by any two (2) officers of the Association, or any other persons authorized by the Board.

7.2. Fidelity Bonds. Fidelity bonds shall be maintained by the Association, in an amount determined by the Board, covering each director and officer of the Association, any employee or agent of the Association and any other person, handling or responsible for handling funds of the Association.

7.3. Payment Vouchers. Payment vouchers shall be approved by the Board, provided that the Board may delegate such authority to any officer or managing agent of the Association.

7.4. Annual Audit. An audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

7.5. Fiscal Year. The fiscal year of the Association shall be the calendar year provided that the Board, from time to time, by resolution, may change the fiscal year to some other designated period.

ARTICLE VIII

Assessments

8.1. Obligation of Members To Pay Assessments; Amount of Levy. Until the Association levies a Common Expense assessment, Declarant shall pay all accrued expenses of the Condominium. Thereafter, each Unit Owner shall be personally and severally liable for the Common Expenses that are levied against his Unit while a Unit Owner. Each Unit shall be assessed in accordance with that Unit's percentage of Common Expenses as allocated by the Declaration, as amended.

8.2. Allocation of Common Surplus. Any common surplus, including funds in reserve accounts, may be allocated to each Unit in accordance with its percentage of Common Expenses, and, if allocated, may be paid to the Unit Owner of that Unit, and, if allocated, may be paid to the Unit Owner or credited against that Unit's share of Common Expenses subsequently assessed.

8.3. Preparation of Budget and Levying of Assessment. For each fiscal year, beginning with the fiscal year beginning January 1, _____, the Board shall prepare and adopt a budget, including therein estimates of the amount necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. After preparation and adoption of each such budget, the Board shall provide each member with a copy, and shall give each member notice of the assessment made against that member's Unit based upon such budget and may also state the interest to be charged on delinquent payments thereof. The assessment shall be deemed levied upon the giving of such notice. Provided, however, that the first budget after creation of the Condominium shall be prepared and adopted by the Board only for the balance of the then fiscal year of the Association, commencing on the date of substantial completion of all structural components and mechanical systems serving more than one Unit of the initial building to be constructed, shall be prepared and adopted as soon as practicable after said date of substantial completion, and notice of the amount of the assessment against each Unit for such balance of the fiscal year shall be given by the Board to each member as soon as practicable after adoption. Such assessment shall be deemed levied upon notice thereof given by the Board.

8.4. Assessment A Lien. Every assessment shall constitute a lien upon each Unit assessed from the date the assessment is levied, prior to all other liens except only (i) real estate taxes and other governmental assessments or charges against the Unit and (ii) liens and encumbrances recorded before the recordation of the Declaration.

8.5. Payment of Assessments. Assessments shall be payable when notice thereof is given, but shall not be delinquent if paid at the times and in the amounts specified by the Board in the notice of assessment. Except for special assessments, 1/12th of the assessments shall be paid on or before the first day of each month of the fiscal year of the Association. Payments shall be made to the Association, or as the Board may from time to time otherwise direct.

8.6. Lien As Against First Mortgagees. The lien of assessments shall not be superior to the lien of a First Mortgage.

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EXHIBIT E (Continued)

8.7. Funds and Reserves. All sums collected by the Association from assessments shall be accounted for as follows:

(a) Reserve Fund for Repairs and Replacements. To this fund shall be credited all sums collected for the purpose of effecting repairs and replacements of structural elements and mechanical equipment, and other Common Elements, of the Condominium.

(b) General Operating Reserve Fund. To this fund shall be credited all sums collected to provide a reserve for purposes of providing a measure of financial stability during period of special stress, and may be used to meet deficiencies from time to time as a result of delinquent payments of assessments and other contingencies.

(c) Maintenance Fund. To this fund shall be credited collections of assessments for all Common Expenses for the current year as well as common profits and surplus from the previous year, and not to be credited to either of the above reserve funds.

(d) Working Capital Fund. All funds, if any, received by the Association for the initial working capital fund of the Association, to defray unforeseen expenses and/or the cost of additional equipment or services deemed necessary or desirable by the Board, shall be maintained in and segregated in this fund for the use and benefit of the Association.

The reserve fund for repairs and replacements shall be established by the Board beginning with the first monthly assessment levied by the Homeowners Association and shall be funded thereafter by regular installments to be included in the monthly Association dues rather than by extraordinary special assessments. The reserve funds described above shall be maintained only in such amounts as deemed necessary or desirable by the Board, subject, however, to the preceding sentence. To the extent maintained, funds therein shall be held in such accounts, and with such depositories as the Board, in its discretion, selects.

8.8. Special Assessments. In addition to the assessments levied pursuant to Section 8.3., the Board, in its discretion, may levy special assessments at such other and additional times as in its judgment are required for:

(a) Maintenance, repair, restoration and reconstruction of the Common Elements, and operation of the Condominium.

(b) Alterations, improvements, and additions to the Common Elements; provided, however, that any such special assessment involving an expenditure in excess of Twenty-Five Thousand and No/100 Dollars (\$25,000.00) shall be first approved by the members entitled to cast at least fifty-one percent (51%) of the total votes in the Association at a regular or special meeting of the Association.

(c) Payment of costs and expenses incurred in curing defaults pursuant to Sections 10.1. and 10.3. hereof.

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EXHIBIT E (Continued)

Special assessments made pursuant to this Section shall be a Common Expense, shall be deemed levied upon notice thereof being given to the members subject to such special assessment, and shall be payable as determined by the Board and as set out in such notice.

8.9. Common Expenses Associated with Limited Common Elements or Benefiting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any item of Common Expenses benefiting less than all of the Units against the Units benefited in proportion to their Common Expense liability.

8.10. Failure to Prepare Budget and Levy Annual Assessment; Deficiencies in Procedure. The failure of the Board or delay of the Board in preparing any budget, and to levy or in levying assessments, shall not constitute a waiver or release of the members' obligation to pay assessments whenever the same shall be determined and levied by the Board. Until a new assessment is levied by the Board pursuant to Section 8.3, each member shall continue to pay the assessment then previously levied pursuant to Section 8.3, in the same amount and at the same periodic times as levied, or as the Board may otherwise advise in writing. Also, any deficiencies or inadequacies in the procedure followed by the Board in levying an assessment shall not in any way affect its validity or the obligation of members to pay such assessment.

8.11. Assessment Roll; Certificate. All assessments shall be set forth upon a roll of the Units, which shall be available in the office of the Association for inspection at all reasonable times by members and Security Holders, and their duly authorized representatives. Such roll shall include, for each Unit, the name and address of the member or members, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall furnish to a Unit Owner, or his authorized agent, a recordable certificate setting forth the amount of unpaid assessments currently levied against his Unit. The certificate shall be furnished within 7 business days after receipt of the request and shall be binding upon the Association and all Unit Owners. For such certificate a reasonable fee may be charged by the Board.

8.12. Default and Enforcement. If any assessment, or installment thereof, remains delinquent for 30 days, then that assessment, and all other assessments then a lien against that Unit, may be declared by the Board to be immediately due and payable in full, with interest, without further notice, and may be foreclosed by the Association in the manner provided by Section 47C-3-116 of the Act. All fees, late charges, attorneys' fees, fines or interest levied or collected by the Association in connection with any unpaid assessments shall have the same priority as the assessment to which they relate.

If any action is taken by the Association to foreclose a lien on a Unit because of unpaid assessments, the Unit Owner shall be required to pay a reasonable rent for the use of the Unit during the period of redemption from such foreclosure, and the Association shall be entitled to the appointment of a receiver to collect the same.

In addition to the foregoing, and without waiving its lien, the Association may sue to obtain money judgment for the amount of any delinquent assessment, or installment thereof, together with interest, and the members so sued and liable for such assessment shall pay all costs of collection, including reasonable attorneys' fees, with interest thereon at the same rate as charged on the assessments being collected from the dates incurred until paid.

8.13. Interest on Delinquent Assessments. Assessments, or installments thereof, paid before they become delinquent, shall not bear interest, but all delinquent sums shall bear interest at the rate set forth in the notice levying the assessment, not exceeding the rate of interest allowed by the Act, from the date delinquent until paid. If no interest rate is set forth in such notice, such interest rate shall be the maximum allowed by the Act. All payments upon account shall be applied first to interest and then to the assessment, or installment thereof, longest delinquent. All such interest shall have the same priority as the assessment on which such interest accrues.

8.14. Common Expenses. Common Expenses shall mean and include all sums declared Common Expenses by the Act, or by any specific provision of these Bylaws or the Declaration, and shall include, without limitation, the following: real estate taxes, and other governmental assessments or charges against the Property until the Units are separately assessed; premiums for any and all insurance maintained by the Association, including any deductible or coinsurance amount not covered by insurance; utility charges not charged directly to Unit Owners; legal and accounting fees; costs and expenses incurred in connection with any litigation or administrative proceeding pursuant to Section 4.13(h) hereof; deficits remaining from any prior assessment period; the cost, including fees and interests, incurred in connection with any borrowing done by the Association; the cost of all fidelity bonds; costs imposed upon the Association or any part of the Common Elements or the Property by, or incurred by the Association as a result of the performance, enforcement or amendment of, any agreement or easement to which the Association is a party or to which the Common Elements or Property, or any part of either thereof, is or may be subject; amounts determined necessary for reserve funds; and indemnity payments made by the Association pursuant to Article VI hereof.

ARTICLE IX

Relocation and Alteration of Units

9.1. Procedure. If any Unit Owner desires to (i) relocate the boundaries of his Unit pursuant to Section 47C-2-112 of the Act, (ii) remove partitions or create apertures pursuant to Section 47C-2-111 of the Act, or (iii) make any improvements or alterations to his Unit which impair the structural integrity or mechanical systems of, or lessen the support of any portion of, the Condominium, the procedure set out in this Article shall be followed.

9.2. Notice To and Consent of Board. Prior to doing any work of the kind set out in Section 9.1., the Unit Owner shall give notice to the Board of his intent to do such work and request and receive the written consent thereto of the Board or, on appeal, the Association. With such notice shall be given (i) a statement of the work to be done, (ii) a copy of the plans and specifications for the work, and (iii) such additional information relative to

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EXHIBIT E (Continued)

the proposed work as the Board may reasonably request. Upon receiving all such information and any fees and charges requested by the Board, the Board shall set a date for a meeting on the proposed work which shall be within fifteen (15) days after such information and fees and charges are received. Notice of such meeting shall be given to all members of the Association in the same manner as a notice of a special Board meeting. At the meeting, the Board shall receive such testimony and evidence as it deems appropriate. The meeting may be continued from time to time by the Board. At the meeting or at such later time but, in any event, not later than sixty (60) days after such meeting, the Board shall decide whether to consent or not to consent to such work. Written notice of such decision shall be given to said Unit Owner and all members.

9.3. Appeal to Association. The Unit Owner proposing to do the work, or members representing 10% or more of the total votes in the Association, may appeal the decision of the Board to the Association by filing a signed written request for an Association meeting on the work proposal. The written request must be filed with the Secretary within ten (10) days of the date of the notice of the Board's decision.

9.4. Meeting and Decision of Association. Upon filing of an appeal, a special meeting of the members of the Association shall be called. The notice of meeting shall be sent out within ten (10) days after such filing, and the meeting shall be held within thirty (30) days after such filing. The meeting may be continued from time to time by the chairman. The provisions of Article III hereof shall apply to such meeting. At such meeting the members shall decide to consent or not to consent to such work. The decision of the Association shall be final.

9.5. Fees. The Board may require the Unit Owner proposing to do the work to pay reasonable fees and charges to cover the costs to be incurred by the Association in giving notice of and holding meetings pursuant to this Article.

9.6. Conditions. The Board or, on appeal, the Association, may impose conditions on any consent to such work to protect the Common Elements, Units and the Condominium, and to insure that the provisions of the Act, Declaration and these Bylaws are complied with, including, without limitation, the furnishing to the Association of payment and performance bonds, or other security acceptable to the Board, to ensure that the proposed work is timely completed pursuant to the plans and specifications therefor and all costs thereof paid.

9.7. Controlling Procedure. The procedure set out in this Article shall control over any contrary provisions in the Act.

ARTICLE X

Compliance, Enforcement, Fines and Penalties

10.1. Default and Remedies. A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Act, the Declaration, these Bylaws, the Articles, or the rules and regulations, as the same may be amended from time to time, by any Unit Owner or Occupant, shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as

determined by the Board, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Unit Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Act, the Declaration, these Bylaws, the Articles or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Unit may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may levy a special assessment against the Unit owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Unit Owner to vote as a member of the Association until the default is cured.

10.2. Notice of Default and Failure to Cure. In the event of any such default or failure, the Board shall serve upon or mail to the defaulting member, and to each First Mortgagee of that member's Unit when required under Section 12.2 of the Declaration, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limit specified in the notice, the defaulting member may cure the default specified, or serve upon or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting member and each such First Mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. The Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a copy of its determination. If the defaulting member (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) so requests a hearing, but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a written notice of such member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to obtain relief.

10.3. Remedy of Abatement in Addition to Other Remedies. In the event a member fails to effect the cure specified by the Board within the time period set out in (i) or (ii) of Section 10.2. hereof, whichever is applicable, where the default is a structure, thing, or condition existing in or on the premises of the member's Unit, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Unit in which, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and levy an assessment therefor as

provided in Section 10.1. hereof), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

10.4. Injunction. Any person or class of persons entitled to seek relief for any such default or failure may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established by Section 10.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

10.5. Recovery of Attorneys' Fees and Costs. In any proceeding arising because of an alleged default by a member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be allowed by the court, with interest thereon at the lower of (i) 4% over the prime rate announced by the NCNB National Bank of North Carolina at the time the costs are incurred and (ii) the highest rate allowed by law at the time the costs are incurred, from the dates such costs are incurred until paid.

10.6. Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any term, provision, right, covenant, or condition that may be granted by the Declaration, these Bylaws, the Articles, the rules and regulations or the Act, as the same may from time to time be amended, shall not constitute waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

10.7. Assessment Liens. Assessments liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article X.

ARTICLE XI

Amendment

An amendment to these Bylaws shall be made and approved in the manner, and shall be subject to the same restriction relative to requiring prior written consent of First Mortgagees, as set forth in Article XI of the Declaration, and once made, shall become effective when recorded in the same manner and place as an amendment to the Declaration.

ARTICLE XII

General Provisions

12.1. Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation, and use of the Common Elements so as to promote the common use and enjoyment thereof by Unit Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment

of all Unit Owners and Occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases. In no event shall any rules or regulations be inconsistent or materially more restrictive than the provisions contained in the Declaration and these Bylaws with respect to leases or tenants.

(b) By the Association. Any such rule or regulation adopted by the Board may be amended, modified, or revoked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application. All rules and regulations shall be equally and uniformly applicable to all Unit Owners of Units in the floor levels above the second floor level, as shown on the Floor Plans. Except as provided in the previous sentence, all rules and regulations shall be equally and uniformly applicable to all Unit Owners, Occupants and Units, but need not be equally and uniformly applicable if it is determined that such unequal or nonuniform application is in the best interest of the Association or if equal and uniform application is not practicable.

(d) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available, such rules or regulations shall not affect in any way their validity or enforceability.

(e) Rules Hereby Established.

(i) No Unit Owner shall erect any signs within his Unit or within his Unit or within the Common Elements which are visible from outside the Unit, except for signs within each Unit in the elevator loading and unloading areas and in the Units located on the first and second floor levels. The exterior linings or surfaces of all window coverings shall be white or such other color selected by the Association, so that the exterior appearance of the building is uniform. Access to the Common Elements and the Units shall be subject to reasonable security measures and proof of identity as may be customary for the operation of a resort condominium from time to time. Access to each Unit shall also be subject to limitation by reason of elevator operation hours designated from time to time by the Association, provided that access to each Unit by elevator shall at all times be available, subject only to reasonable notice to building operation personnel.

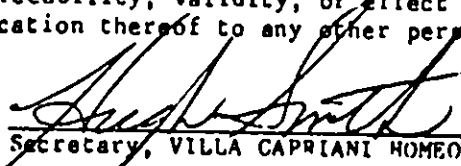
(ii) The Condominium shall be subject to the following use restrictions:

- (1) Any uses shall be "first class" and reputable;
- (2) No "adult" bookstores, pornographic bookstores, drug paraphernalia shops, or other types of establishments shall be permitted; and
- (3) No pets.

(iii) Any lease of all or any part of a Unit shall contain a covenant by the lessee to abide by the terms and conditions of the Declaration and these Bylaws and a failure by the lessee to so abide shall be a default thereunder.

12.2. Parliamentary Authority. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

12.3. Compliance with the Act; Conflict; Severability. These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.


Secretary, VILLA CAPRIANI HOMEOWNERS
ASSOCIATION, INC.