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ROBERT J. ROSENTHAL
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

DECLARATION OF CONDOMINIUM

Establishing

ROYAL JAMES LANDING CONDOMINIUM

Rising 3, Inc., a North Carolina corporation, hereinafter referred to as "Developer", having a place of business in New Hanover County, North Carolina, does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of Royal James Landing Condominium, being the property and improvements hereinafter described.

WHEREAS, Developer is constructing in successive segments (hereinafter referred to as "PHASES") on the parcel of land described in Exhibit A a condominium development consisting of quadriplex dwelling units (hereinafter referred to as the "PROJECT") established in accordance with the provisions of the Unit Ownership Act and the Project when completed will comprise approximately 28 units (hereinafter referred to as "DWELLING UNITS" or "UNITS"); and

WHEREAS, it is the desire of Developer to submit a phase of the Project property hereinafter described in Exhibit B together with the improvements thereon constructed to the provisions of the Unit Ownership Act for condominium ownership; and

WHEREAS, Developer also desires herein to provide for the submission of successive phases of the Project to condominium ownership by amending this Declaration as said sections are developed and completed; and

WHEREAS, Developer hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of the area or space contained in each of the Dwelling Units and the

co-ownership by the the individual and separate owners thereof, as tenants in common of all of the remaining real property which is herein-after defined and referred to as the "COMMON AREAS AND FACILITIES".

NOW, THEREFORE, Developer hereby declares:

I.

LEGAL DESCRIPTION OF PROJECT PROPERTY

The overall Royal James Landing Condominium Project site referred to hereinabove is situated on Bald Head Island, Stage I, Brunswick County, North Carolina, and is described in Exhibit A as the "Project Property".

II.

LEGAL DESCRIPTION OF PHASE OF PROJECT DEDICATED TO CONDOMINIUM OWNERSHIP

The section of the Project Property which is herewith dedicated to condominium or unit ownership is situated on Bald Head Island, Stage I, Brunswick County, North Carolina and described in Exhibit B as the "Condominium Property".

III.

ESTABLISHMENT OF CONDOMINIUM

Developer is the owner of the fee simple title to that certain real property described in Exhibit "B" attached hereto and incorporated herein by reference, and on which property there have been, or will be, constructed four (4) detached buildings containing a total of sixteen (16) condominium living units and their supporting facilities, and other appurtenant improvements. Each building consists of a three-story portion containing the garages at ground level, the "C" and "D" units at the second level, and the "A" and "B" units above. There are no basements. The buildings are of wood frame construction with decorative wood siding. Ground floors of garages are concrete slab, Units are wood frame over wooden piles; decks and outside stairs are wood construction; and the roof is covered with asphalt roofing shingles. Developer does hereby submit the above described property and improvements to condominium ownership under the provisions of Chapter 47A of the General Statutes of North Carolina (Unit Ownership Act), and hereby declares the same to be a condominium to be known and identified as "Royal James Landing Condominium". Hereinafter in this Declaration of Condominium, Royal James Landing Condominium is also referred to as "Condominium".

IV.

SURVEY AND DESCRIPTION OF IMPROVEMENTS

Annexed hereto and expressly made a part hereof as Exhibit "C", consisting of nine (9) pages or as amended pursuant to the provisions of Paragraphs XXX and XXXI, is a Survey of the land and graphic description and plot plans of the improvements constituting the Condominium, identifying the Condominium Units and Common Areas and Facilities, as said terms are hereinafter defined, and their respective locations and approximate dimensions. Each Condominium Unit is identified by specific numerical and alphabetical designation on said Exhibit "C", and no

Condominium Unit bears the same designation as any other Condominium Unit.

V.

DEFINITIONS

The Condominium consists of Condominium Units and Common Areas and Facilities, as said terms are hereinafter defined.

Condominium Units as the term is used herein shall mean Dwelling Units which are designated in Exhibit "C", to this Declaration of Condominium including the air conditioning compressor located on the raised deck and the water heater designated for the unit located in the limited common area below mentioned, excluding, however, all spaces and improvements lying:

1. Beneath the subflooring material of the floors.
2. Beneath the interior surfacing material (sheet rock) of all perimeter walls, interior bearing walls and/or bearing partitions:
3. Above the interior surfacing material (sheet rock) of the ceilings;

and further excluding all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to Condominium Units and Common Areas and Facilities up to and including the point of entry of such pipes, ducts, wires, and conduits through the interior surfacing material for walls and ceilings and subflooring surfacing material for floors. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective Condominium Units at such point of entry. All exterior doors, window frames, panes and screens shall be part of the respective Condominium Units, provided, however, that the exterior decoration and painting of the exterior surface of such doors and window frames shall be the responsibility of the Association, as hereinafter defined.

All portions of the property not encompassed and included within the various Condominium Units are part of the Common Areas and Facilities.

Certain portions of the Common Areas and Facilities are reserved for the use of a particular Condominium Unit or Units to the exclusion of other Units and are designated as "Limited Common Areas and Facilities." The Limited Common Areas and Facilities and the Condominium Unit or Units to which they are reserved are as follows:

1. The porches, balconies and decks which are adjacent to respective Condominium Units and interior access to which can be had only through a Unit are Limited Common Areas and Facilities, and the use of such areas shall be limited to the Unit owner or occupant whose Unit affords interior access to such porch, balconies or decks.
2. The steps and stoops which are a part of each building are Limited Common Areas and Facilities and are reserved for the use of the owners of Units in the respective buildings, their families, guests, invitees and lessees.
3. The chimneys which are a part of each building are Limited Common Areas and Facilities and their use is limited to the respective

Owner or Owners of the Condominium Unit with which each chimney is associated.

4. There are garages, storage areas and air conditioning compressor decks located at ground level. These garages and compressor decks are Limited Common Areas and Facilities and their use is limited to the respective Owner or Owners of the Condominium Unit with which each garage and compressor deck is associated. Each garage and concrete compressor pad is designated as the Unit with which it is associated.

Further, the Property hereinabove described, and any properties hereafter annexed in conformity with the provisions of this Declaration, shall be a part of Bald Head Island, Stage 1, as described in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Stage 1, recorded in Book 498, Page 260, Brunswick County Registry.

The terms "Association of Unit Owners", "Building", "Common Areas and Facilities" (sometimes herein referred to as "Common Property"), "Common Expenses", "Common Profit", "Condominium", "Declaration", "Majority" or "Majority of Unit Owners", "Person", "Property", "Recordation", "Unit" or "Condominium Unit", "Unit Designation", and "Unit Owner", unless it is plainly evident from the context of this Declaration that a different meaning is intended shall, as used herein, have the meaning set out in Section 3 of Chapter 47A of the General Statutes of North Carolina, known as the Unit Ownership Act.

VI.

OWNERSHIP OF CONDOMINIUM UNITS AND APPURTENANT INTEREST IN COMMON PROPERTY

Each Condominium Unit shall be conveyed and treated as an individual property capable of independent use and fee simple ownership, and the Owner of each Unit shall also own, as an appurtenance to the ownership of each said Condominium Unit, an undivided interest in the Common Areas and Facilities. At the date of this Declaration and until amended as provided in Paragraphs XXX and XXXI, the undivided interest appurtenant to each Condominium Unit is as set forth in Exhibit "D", attached hereto and made a part hereof. The proportional interest in the Common Property that is appurtenant to each Condominium Unit as shown in said Exhibit has been determined by a ratio formulated upon the approximate relation that the fair market value of each Unit at the date of the Declaration or Amendment bears to the aggregate fair market value of all of the Units having an interest in the Common Areas and Facilities.

The approximate fair market value of each Unit and the aggregate fair market value of all of the Units have been determined by the Developer for purposes of this Declaration, and this determination shall be binding upon all Unit Owners, their heirs, successors and assigns.

A copy of the plans for all Units in Phase I is attached as Exhibit "C", and Units A, B, C and D of Buildings 1 through 4 are shown thereon as built. As the other Units are completed, Joseph G. Johnson, Registered Architect, will file, as amendments to this Declaration, the verified statements required by North Carolina General Statutes Section 47A-15, certifying that the Units, as built, are fully and accurately depicted in Exhibit "C". At the time Joseph G. Johnson files such verified statements, Developer shall also file an amendment to this Declaration stating that the percentage undivided interest in the Common Area appurtenant to each Unit at the time of such filing is as shown in

Exhibit "D", or on Exhibit "D" as amended. Each Unit Owner shall be deemed by his acceptance of the deed to a Condominium Unit to have consented to the powers of amendment herein reserved by Developer and to any amendments previously or thereafter executed by Developer pursuant to this Article VI. Further, each Unit Owner and each Institutional Lender, as hereinafter defined, shall be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Developer their attorney-in-fact to give, execute and record the consent of said Owner and Institutional Lender to any and all amendments executed pursuant to this Article. Except as provided herein, the percentage of undivided interest in the Common Property assigned to each Condominium Unit shall not be changed except with the unanimous consent of all of the Owners of all of the Condominium Units acting individually or through their attorney-in-fact as provided in Article XXXI hereof.

VII.

RESTRICTION AGAINST FURTHER SUBDIVIDING OR TIMESHARING OF CONDOMINIUM UNITS AND SEPARATE CONVEYANCE OF APPURTENANT COMMON PROPERTY

No Condominium Unit may be divided or subdivided into a smaller Unit or Units than as shown on Exhibit "C" hereto, nor shall any Condominium Unit or portion thereof be added to or incorporated into any other Condominium Unit. No condominium Unit may be divided or subdivided into time share estates. The undivided interest in the Common Property declared to be an appurtenance to each Condominium Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Condominium Unit, and the undivided interest in Common Property appurtenant to each Condominium Unit shall be deemed conveyed, devised, encumbered or otherwise included with the Condominium Unit even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such Condominium Unit. Any conveyance, mortgage or other instrument which purports to grant any right, interest or lien in, to or upon a Condominium Unit, shall be null, void and of no effect insofar as the same purports to affect any interest in a Condominium Unit and its appurtenant undivided interest in Common Property, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Condominium Unit. Any instrument conveying, devising, encumbering, or otherwise dealing with any Condominium Unit, which described said Condominium Unit by to the numerical and alphabetical designation assigned thereto in Exhibit "C" without limitation or exception, shall be deemed and construed to affect the entire Condominium Unit and its appurtenant undivided interest in the Common Property. Nothing herein contained shall be construed as limiting or preventing ownership of any Condominium Unit and its appurtenant undivided interest in the Common Property by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

VIII.

THE CONDOMINIUM SUBJECT TO RESTRICTIONS

The Condominium Units, Common Property and Limited Common Areas shall be, and the same are hereby declared to be subject to the restrictions, easements, conditions and covenants prescribed and established herein governing the use of said Condominium Units, Common Property and Limited Common Areas and setting forth the obligations and responsibilities incident to ownership of each Condominium Unit and its appurtenant undivided interest in the Common Property, and said Condominium Units, Common Property and Limited Common Areas are further:

declared to be subject to the restrictions, easements, conditions, and limitations now of record affecting the land and improvements of the Condominium.

IX.

PERPETUAL NONEXCLUSIVE EASEMENT IN
COMMON PROPERTY

The Common Property shall be, and the same is hereby declared to be subject to a perpetual non-exclusive easement in favor of all of the Owners of Condominium Units in the Condominium for their use and the use of their immediate families, guests and invitees, tenants and lessees for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Owners of Condominium Units. Notwithstanding anything above provided in this Article, Royal James Landing Condominium Association, hereinafter identified, shall have the exclusive right to establish the rules and regulations pursuant to which the Owners of any Condominium Unit, his family, guests and invitees, may be entitled to use the Common Property, including the right to make permanent and temporary assignments of parking spaces, and to establish regulations concerning the use thereof.

* The Association has the right to grant permits, licenses and easements over the common property for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the condominium.

X.

EASEMENT FOR UNINTENTIONAL AND NON-
NEGLIGENT ENCROACHMENTS

In the event that any Condominium Unit shall encroach upon any Common Property, or any other Condominium Unit or Units, for any reason not caused by the purposeful or negligent act of the Condominium Unit Owner, or agents of such Owner, then an easement appurtenant to such Condominium Unit shall exist for the continuance of such encroachment upon the Common Property or upon a Condominium Unit for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Property shall encroach upon any Condominium Unit for so long as such encroachment shall naturally exist. If any Condominium Unit or Common Property shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such Unit and/or Common Property in accordance with Article XXV hereof, there exist encroachments of portions of the Common Property upon any Condominium Unit, or of any Condominium Unit upon any other Condominium Unit or upon any portion of the Common Property, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

XI.

RESTRAINT UPON SEPARATION AND PARTITION
OF COMMON PROPERTY

Recognizing that the proper use of a Condominium Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Property in common with the Owners of all other Condominium Units and that it is in the interest of all Owners that the ownership of the Common Property be retained in common by the Owners, it is hereby declared that the

proportional undivided interest in the Common Property appurtenant to each Condominium Unit shall remain undivided and no Unit Owner shall bring or have any right to bring any action for partition or division.

XII.

ADMINISTRATION OF THE CONDOMINIUM
BY ROYAL JAMES LANDING CONDOMINIUM ASSOCIATION

To efficiently and effectively provide for the administration of the Condominium by the Owners of the Condominium Units, a non-profit North Carolina corporation known and designated as Royal James Landing Condominium Association, has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-Laws. A true copy of said Articles of Incorporation and By-Laws are annexed hereto and expressly made a part hereof as Exhibits "E" and "F" respectively. The Owner or Owners of each Condominium Unit shall automatically become members of said corporation upon his, their or its acquisition of any ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Property, and the membership of such Owners or Owner shall terminate automatically upon such Owner or Owners being divested of such ownership interest in the title to such Condominium Unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any Condominium Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in said corporation or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, Royal James Landing Condominium Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration of Condominium, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Condominium Units and Common Property as the Board of Directors of said Association may deem to be in the best interests of the Association. Royal James Landing Condominium Association, is hereinafter referred to as "Association."

XIII.

ANNEXATION TO BALD HEAD ISLAND - STAGE I

Bald Head Island Limited enters into the execution of this document solely for the purpose of subjecting the property to and annexing the property to Bald Head Island, Stage I, a Planned Unit Development, as described in the Amended and Restated Declaration of Covenants, Conditions, and Restrictions for Bald Head Island, Stage I, recorded in Book 498, Page 260, Brunswick County Registry, as the same now or is hereafter amended, the provisions of which are incorporated herein. Said annexation is in accordance with Section 2, Article III of said Declaration.

The Owner or Owners of each Condominium Unit shall automatically become members of the Bald Head Association and shall be subject to the provisions (including but not limited to assessments and liens for nonpayment of assessments) of said declaration for Bald Head Island and to the By-Laws, rules and regulations of said association, upon his, their or its acquisition of an ownership interest in title to any Condominium Unit and its appurtenant undivided interest in Common Property, and the memberships of such Owners or Owner shall terminate automatically upon such Owner or Owners being divested of such ownership

interest in the title to such Condominium Unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrance upon any condominium Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance to membership in said corporation, or to any of the rights or privileges of such membership.

XIV.

RESIDENTIAL USE RESTRICTIONS
APPLICABLE TO CONDOMINIUM UNITS

Each Condominium Unit is hereby restricted to residential use by the Owner thereof, his immediate family, guests, invitees and lessees. No Owner of any Condominium Unit shall permit the use of his Unit for transient hotel or commercial purposes. Corporate members other than the Developer shall permit the use of a Condominium Unit owned by it only by its principal officers or directors, or other guests, or lessees. Such corporate member shall annually sign and deliver to the Association a written statement designating the name of the party (or parties) entitled to use such Condominium Unit, together with a written covenant of such party in favor of the Association whereby the party agrees to comply with the terms and provisions of this Declaration of Condominium and with the rules and regulations which may be promulgated by the Association from time to time and acknowledging that the party's right to use such Condominium Unit shall exist only so long as the corporation shall continue to be a member of the Association. Upon demand by the Association to any corporate member to remove a party for failure to comply with the terms and provisions of the Declaration of Condominium and/or the rules and regulations of the Association or for any other reason, the corporate member shall forthwith cause such party to be removed, failing which the Association, as agent of the Owner, may take such action as it may deem appropriate to accomplish such removal, and all such action by the Association shall be at the cost and expense of the Owner who shall reimburse the Association therefore upon demand together with such attorney's fees as the Association may have incurred in the process of removal.

No Unit Owner may lease less than the entire Unit and all leases shall be in writing. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws and any failure of lessee to comply with the terms of such documents shall be a default under the lease.

XV.

USE OF COMMON PROPERTY SUBJECT TO RULES
OF THE ASSOCIATION:

The use of Common Property, including the Limited Common Areas and Facilities, by the Owner or Owners of all Condominium Units, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may be hereafter prescribed and established by the Association.

XVI.

THE CONDOMINIUM TO BE USED FOR LAWFUL PURPOSES:
RESTRICTION AGAINST NUISANCES

No immoral, improper, offensive or unlawful use shall be made of any Condominium Unit or of the Common Property, nor any part thereof and all laws, zoning ordinances and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed. No Owner of any Condominium Unit shall permit or suffer anything to be done or kept in his Condominium Unit, or on the Common Property, which will increase the rate of insurance on the Condominium, or which will obstruct or interfere with the rights of other occupants of the Condominium or annoy them by unreasonable noises, nor shall any Owner undertake any use or practice which shall create and constitute a nuisance to any other Owner of a Condominium Unit, or which interferes with the peaceful possession and proper use of any other Condominium Unit or the Common Property.

XVII.

RIGHT OF ENTRY INTO CONDOMINIUM UNITS IN EMERGENCIES

In case of any emergency originating in or threatening any Condominium Unit, regardless of whether the Owner is present at the time of such emergency, the Board of Directors of the Association, or any other person authorized by it, or the Managing Agent, shall have the right to enter such Condominium Unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

XVIII.

RIGHT OF ENTRY FOR MAINTENANCE OF COMMON PROPERTY

Whenever it may be necessary to enter any Condominium Unit for the purpose of performing any maintenance, alteration or repair to any portion of the Common Property, the Owner of each Condominium Unit shall permit other Owners or their representatives, or the duly constituted and authorized Agent of the Association, to enter such Condominium Unit for such purpose, provided that the entry shall be made only at reasonable times and with reasonable advance notice.

XIX.

LIMITATION UPON RIGHT OF OWNERS TO
ALTER AND MODIFY CONDOMINIUM UNITS: NO
RIGHT TO ALTER COMMON PROPERTY

No Owner of a Condominium Unit shall permit any structural modification or alteration to be made to such Condominium Unit without first obtaining the written consent of the Association, which consent may be withheld in the event that a majority of the Board of Directors of the Association shall determine, in their sole discretion, that such structural modifications or alterations would adversely affect or in any manner endanger the Condominium in part or in its entirety. No Owner shall cause any improvements or changes to be made on the exterior of the Condominium (including painting or other decoration, or the installation of electrical wiring, television or radio antennae or any other objects, machines or air conditioning units which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of the exterior portion of any building without the written consent

of the Association being first had and obtained. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences, athletic equipment, the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the written consent of the Association being first had and obtained.

XX.

RIGHT OF ASSOCIATION TO ALTER AND
IMPROVE COMMON PROPERTY AND ASSESSMENT THEREFOR

The Association shall have the right to make or cause to be made such alterations or improvements to the Common Property which do not prejudice the rights of the Owner of any Condominium Unit in the use and enjoyment of his Condominium Unit, provided the making of such alterations and improvements are approved by the Board of Directors of the Association, and the cost of such alterations or improvements shall be common expenses to be assessed and collected from all of the Owners of Condominium Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Condominium Unit or Units requesting the same, then the cost of such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Condominium Unit or Units exclusively or substantially benefitted, the assessment to be levied in such proportion as may be determined by the Board of Directors of the Association.

XXI.

MAINTENANCE AND REPAIR BY OWNERS OF CONDOMINIUM UNITS

Every Owner shall perform promptly all maintenance and repair work within his Condominium Unit which, if omitted, would affect the Condominium, either in its entirety or in a part belonging to other Owners, every Owner being expressly responsible for the damages and liability which his failure to do so may engender. The Owner of each Condominium Unit shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all air conditioning and heating equipment, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his Condominium Unit. Such Owner shall further be responsible and liable for the maintenance, repair and replacement of the interior surfaces of any and all walls, ceilings and floors within his Unit including painting, decorating and furnishings, and all other accessories which such Owner may desire to place or maintain in his Condominium Unit. Whenever the maintenance, repair and replacement of any item for which the Owner of a Condominium Unit is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by the Association shall be used for the purpose of making such maintenance, repair or replacement except that the Owner of such Condominium Unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provisions of such insurance exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. Except as otherwise provided herein, the Owner of a Condominium Unit who has exclusive use of any Limited Common Area shall maintain such at his own expense. All glass doors, window frames, panes and

screens are a part of the respective Condominium Units and shall be maintained by the respective Unit Owners.

The Owner of a Condominium Unit who has exclusive use of a porch, balcony, deck, chimney, compressor deck, storage closet or compartment constituting Limited Common Area shall maintain such balcony, deck, chimney, compressor deck, storage closet or compartment at his own expense. The Limited Common Areas composed of steps and stoops shall be maintained as part of the Common Expense, as hereinafter defined.

Each unit is served by individual underground utility connections for water, sewer, electricity and telephone services crossing the common areas from the main or feeder lines of each utility which main lines are located either in the street right of way or in utility easements shown on the Plan of Condominium. Should the need arise to inspect, repair, replace or maintain said individual lines between the unit and the common service main lines or feeder lines, then said inspection, repair, replacement or maintenance and the cost thereof and restoring and placing the common area in the same condition as it was in prior to said work and the cost thereof shall be totally the responsibility of the unit owner or owners served by said individual lines.

XXII.

MAINTENANCE AND REPAIR OF COMMON PROPERTY BY THE ASSOCIATION

The Association, at its expense, shall be responsible for the maintenance, repair and replacement of all of the Common Property, including those portions thereof which contribute to the support of the buildings, and all conduits, ducts, plumbing, wiring and other facilities located in the Common Property for the furnishing of utility and other services to the Condominium Units and said Common Property, except as provided in Article XXI. Should any incidental damage be caused to any Condominium Unit by virtue of any work which may be done or caused to be done by the Association in the maintenance, repair or replacement of any Common Property, the Association shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair at its expense is occasioned by any act of a Condominium Unit Owner, his immediate family, guests, tenants, lessees, or invitees, and such loss or damage may be covered by any insurance maintained in force by the Association, the proceeds of the insurance received by Association shall be used for the purpose of making such maintenance, repair or replacement, except that the Unit Owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the cost of such maintenance, repair and replacement as shall, by reason of the applicability of such deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement.

XXIII.

INSURANCE, AUTHORITY TO PURCHASE

Insurance policies upon the Property (other than title insurance) shall be purchased by the Association in the name of the Managing Agent or Board of Directors of the Association, as Trustees for the Condominium Unit Owners and their respective mortgagees as their interests may appear, and shall provide for the issuance of certificates of mortgage endorsements to the holders of first mortgages on the Condo-

minium Units or any of them, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against Condominium Unit Owners, the Association and their respective servants, agents, tenants, lessees, and guests. Each Condominium Unit Owner may obtain insurance at his own expense, affording coverage upon his Condominium Unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

XXIV.

INSURANCE COVERAGE TO BE MAINTAINED: USE
AND DISTRIBUTION OF INSURANCE PROCEEDS

A. The following insurance coverage shall be maintained in full force and effect by the Association covering the operation and management of the Condominium, meaning the Condominium Units and Common Property, to wit:

(1) Casualty insurance covering the buildings and all improvements upon the land and all personal property included within the Property described in Exhibit "B" hereto, except such personal property as may be owned by the Condominium Unit Owners, shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive excavation and foundations) as determined annually by the insurance company affording such coverage. Such coverage shall afford protection against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism, malicious mischief, and windstorm damage.

(2) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Association, including but not limiting the same to legal liability, hired automobile, non-owned automobile and off-premises employee coverages.

(3) All liability insurance shall contain cross-liability endorsements to cover liabilities of the Condominium Unit Owners as a group to a Condominium Unit Owner.

B. Premiums upon insurance policies purchased by the Association shall be paid by the Association as common expenses to be assessed and collected from all of the Owners of Condominium Units.

C. All insurance policies purchased by the Association shall be for the benefit of the Association and the Condominium Unit Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of the Association, the Condominium Unit Owners and their respective mortgagees in the following shares:

(1) Proceeds on account of damage to Common Property: in undivided shares for each Condominium Unit Owner and his mortgagee, if any, which shares as to each Condominium Unit are shown in Exhibit "I" attached hereto.

(2) Proceeds on account of damages to Condominium Units shall be held in the following undivided shares:

(a) Partial destruction when the Condominium is to be restored: for the Owners of damaged Condominium Units in proportion to the costs of repairing the damage suffered by each damaged Condominium Unit.

(b) Total destruction of the Condominium or where the Condominium is not to be restored: for all Condominium Unit Owners, the share of each being set forth in Exhibit "P".

D. In the event a mortgagee endorsement has been issued as to a Condominium Unit, the share of the Condominium Unit Owner shall be held for the mortgagee and the Condominium Unit Owners as their interests may appear, but nothing herein contained shall be construed so as to give any mortgagee the right to determine or participate in the determination of reconstruction or repair.

E. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficiary Condominium Unit Owners in the following manner:

(1) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Condominium Unit Owners, all remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

(2) If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Condominium Unit Owners, remittances to Condominium Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Condominium Unit and may be enforced by him.

XXV.

RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE; DAMAGE TO COMMON PROPERTY; DAMAGE TO CONDOMINIUM UNITS

A. If any part of the Common Property shall be damaged by casualty, the determination of whether or not to reconstruct or repair the same shall be made as follows:

(1) Partial destruction shall be deemed to mean destruction which renders less than two-thirds (2/3) of the Condominium Units untenantable. In the event of partial destruction, the Common Property shall be reconstructed or repaired unless this Declaration is terminated by the unanimous vote of all of the Condominium Unit Owners at a meeting of the members of the Association called and held prior to commencement of such reconstruction or repair.

(2) Total destruction shall be deemed to mean destruction which renders two-thirds (2/3) or more of the Condominium Units untenantable. In the event of total destruction, the Common Property shall not be reconstructed or repaired if, at a meeting which shall be called within thirty (30) days after the occurrence of the casualty, or if by such date the insurance loss has not been finally adjusted, then within thirty (30) days after such adjustment, Condominium Unit Owners who in the aggregate own seventy-five (75%) percent or more of the Condominium Units vote against reconstruction or repair.

(3) Any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained herein and on file with and approved by Brunswick County.

B. If the damage is only to those parts of one or more Condominium Units for which the responsibility for maintenance and repair is that of the Condominium Unit Owner, then the Condominium Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association as follows:

(1) Immediately after the casualty causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty. Such costs may include professional fees and premiums for such bonds as the Board of Directors deems necessary or appropriate.

(2) When the damage is to both Common Property and Condominium Units, the insurance proceeds shall be applied first to the costs of repairing the Common Property and the balance to the Condominium Units.

C. Each Condominium Unit Owner shall be deemed to have delegated to the Board of Directors of the Association his right to adjust with insurance companies all losses under policies purchased by the Association, except in any case where the damage is restricted to one Condominium Unit.

XXVI.

ASSOCIATION TO MAINTAIN REGISTER OF OWNERS AND MORTGAGES

The Association shall at all times maintain a Register setting forth the names of the Owners of all of the Condominium Units. In the event of the sale or transfer of any Condominium Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such Condominium Unit, together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any Condominium Unit. Further, the Owner of each Condominium Unit shall notify the Association of the names of the parties holding any mortgage or mortgages on any Condominium Unit, the amount of such mortgage or mortgages and the recording information which shall be pertinent to identify the mortgage or mortgages. The holder of any mortgage or mortgages upon any Condominium Unit may, if he so desires, notify the Association of the existence of any mortgage or mortgages held by such party on any Condominium Unit and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

XXVII.

ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Condominium, it being recognized that the delegation of such duties to one entity is in the best interest of the Owners of all Condominium Units. To properly administer the operation and management of the Condominium, the Association will incur for the mutual benefit of all of the Owners of Condominium Units, costs and expenses which are sometimes herein referred to as "common expense". To provide the funds necessary for such proper operation, management and

capital improvement, the Association has heretofore been granted the right to make, levy and collect assessments against the Unit Owners and their Condominium Units. In furtherance of this grant of authority to the Association to make, levy and collect assessments to pay the costs and expenses for the operation, management of and capital improvements to the Condominium, the following provisions shall be operative and binding upon the owners of all Condominium Units:

A. All assessments hereby levied against the Unit Owner and their Condominium Units shall be uniform and, unless specifically otherwise provided for in this Declaration of Condominium, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Condominium Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Condominium Units as the undivided interest in Common Property appurtenant to each Condominium Unit at the time such assessment is levied bears to the total undivided interest in Common Property appurtenant to all Condominium Units as shown on Exhibit "D" attached hereto. Should the Association be the Owner of a Condominium Unit or Units, the assessment which would otherwise be due and payable to the Association by the Owner of such Unit or Units, reduced by the amount of income which may be derived from the leasing of such Unit or Units by the Association, shall be apportioned and assessment therefor levied ratably among the Owners of all Units which are not owned by the Association, based upon their proportionate interests in Common Property exclusive of the interests therein appurtenant to any Unit or Units owned by the Association.

B. Assessments provided for herein shall be payable in annual, quarterly or monthly installments, or in such other installments and at such times as may be determined by the Board of Directors of the Association. Such assessments shall commence for each Unit on the first day of the second month following the recordation of this Declaration.

C. The Board of Directors of the Association shall establish an Annual Budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Condominium Unit). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves, such budget to take into account projected anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board of Directors shall keep separate, in accordance with Paragraph "D" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such Annual Budget by the Board of Directors of the Association, copies of said Budget shall be delivered to each Owner of a Condominium Unit and the assessment for said year shall be established based upon such Budget, although the delivery of a copy of said Budget to each Owner shall not affect the liability of any Owner for such assessment. Should the Board of Directors at any time determine, in its sole discretion, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Condominium, or in the event of emergencies, the Board of Directors shall have the authority to levy such additional assessment or assessments it may deem to be necessary.

D. The Board of Directors of the Association, in establishing the Annual Budget for operation, management and maintenance of the Condominium, may designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Property, which Capital Improvement and Replacement Fund shall be for

the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Property, as well as the replacement of personal property which may constitute a portion of the Common Property held for the joint use and benefit of the Owners of Condominium Units. The amount to be allocated to such Capital Improvement Fund may be established by said Board of Directors so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Property. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common Property. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Board of Directors of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his proportionate interest in the Common Property as shown on Exhibit "C" and the Association shall annually notify each Unit Owner of the amount of his balance in the Capital Improvement Account. However, such balance shall not be subject to withdrawal by a Unit Owner.

E. All monies collected by the Association shall be treated as the separate property of the Association, and, subject to the limitations set forth in Paragraph "D" above, such monies may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration of Condominium, the Articles of Incorporation and Bylaws of the Association. As monies for any assessment are paid unto the Association by any Owner of a Condominium Unit, the same may be co-mingled with monies paid to the Association by the other Owners of Condominium Units. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Property, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Condominium Unit. When the Owner of a Condominium Unit shall cease to be a member of the Association by reason of his divestment of ownership of such Condominium Unit, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Condominium.

F. The payment of any assessment or installment thereof shall be in default if any such assessment or installment is not paid to the Association within thirty (30) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due to Association shall bear interest at the highest rate allowed by law until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. All monies owing to Association shall be due and payable at the main office of Association in the State of North Carolina.

G. The Owner or Owners of each Condominium unit shall be personally liable, jointly and severally, to the Association for the payment of all assessments, regular or special, which may be levied by the Association against such Condominium Unit while such party or parties are Owner or Owners of a Condominium Unit. In the event that any Unit Owner or Owners are in default in payment of any assessment or installment thereof owed to the Association, such Unit Owner or Owners shall be personally liable, jointly and severally, for interest on such delin-

quent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorneys' fee, whether suit be brought or not.

H. No Owner of a Condominium Unit may exempt himself from liability for any assessment levied against him or his Condominium Unit by waiver of the use or enjoyment of any of the Common Property, or by abandonment of the Condominium Unit or in any other way.

I. Recognizing that proper operation and management of the Condominium requires the continuing payment of costs and expenses therefor, and that such proper operation and maintenance results in benefit to all of the Owners of Condominium Units, and that the payment of such common expenses represented by the assessments levied and collected by Association is necessary in order to preserve and protect the investment of each Unit Owner, the Association is hereby granted a lien upon each Condominium Unit and its appurtenant undivided interest in Common Property, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Owner of each such Condominium Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all costs and expenses, including a reasonable attorneys' fee, which may be incurred by the Association in enforcing this lien upon said Condominium Unit and its appurtenant undivided interest in Common Property. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust and mortgages may be foreclosed in the State of North Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to a reasonable rental from the Owner of any Condominium Unit from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a Receiver for said Condominium Unit, without notice to the Owner of such Condominium Unit. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the highest rate allowed by law on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Condominium Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Condominium Unit expressly subject to such lien rights.

J. The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Public Records of Brunswick County, North Carolina, which claim shall state the description of the Condominium Unit encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

The lien provided for herein shall be subordinate to the lien of any first mortgage or deed of trust and any person, firm or corporation acquiring title to any Condominium Unit and its appurtenant undivided interest in Common Property by virtue of any foreclosure, a judicial sale, or a deed in lieu of foreclosure, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Condominium Unit and its appurtenant undivided interest in Common Property subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a Condominium Unit by foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Condominium Units as a part of the common expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

K. Whenever any Condominium Unit may be leased, sold or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owner, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Association by such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such statement.

In the event that a Condominium Unit is to be leased, sold or mortgaged at the time when payment of any assessment against the Owner of said Condominium Unit and such Condominium Unit due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds, shall be applied by the lessee, purchaser or mortgagee first to payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to the Owner of any Condominium Unit who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of a Condominium Unit (other than by deed in lieu of foreclosure), the Purchaser thereof shall be jointly and severally liable with Seller for all unpaid assessments against Seller made prior to the time of such voluntary conveyance, without prejudice to the rights of the Purchaser to recover from Seller the amounts paid by Purchaser therefor.

Institution of suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by the Association which shall prevent it from thereafter seeking, by foreclosure action, enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

XVIII.

COMMON SURPLUS

"Common Surplus", meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits, and revenues from whatever

source over amount of the common expense), shall be owned by the Owners of all Condominium Units in the same proportion that the undivided interest in Common Property appurtenant to each Owner's Condominium Unit bears to the total of all undivided interest in Common Property appurtenant to all Condominium Units as shown on Exhibit "C", as the case may be; provided, however, that said common surplus shall be held by the Association in the manner, and subject to the terms, provisions and conditions of this Declaration, imposing certain limitations and restrictions upon the use and distribution thereof. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution of common surplus which may be made from time to time shall be made to the then Owners of Condominium Units in accordance with their percentage interest in common surplus as declared herein.

XXIX.

TERMINATION

The Condominium shall be terminated, if at all, in the following manner:

A. The termination of the Condominium may be effected only by the unanimous agreement of all Condominium Unit Owners expressed in an instrument to that effect duly recorded; and, provided, that the holders of all liens affecting any of the Condominium Units consent thereto, or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the undivided interest of the Condominium Unit Owner in the Property as provided in Subparagraph "D" below. The termination shall become effective when such agreement has been recorded in the public records of Brunswick County, North Carolina.

B. If it is determined in the manner elsewhere provided that the Condominium shall not be reconstructed after casualty, the Condominium plan of ownership shall be terminated and the Declaration of Condominium revoked. The determination not to reconstruct after casualty shall be evidenced by a Certificate of the Association certifying as to the facts effecting the termination, which Certificate shall become effective upon being recorded in the public records of Brunswick County, North Carolina.

C. After termination of the Condominium, the Condominium Unit Owners shall own the Property as tenants in common in undivided shares and the holders or mortgages and liens against the Condominium Unit or Units formerly owned by such Condominium Unit Owners shall have mortgages and liens upon the respective undivided shares of the Condominium Unit Owners. The undivided share or interest owned as tenants in common shall be that percentage of the undivided interest in the Common Area and Facilities previously owned by each Unit Owner. All funds held by the Association and insurance proceeds, if any, shall be and continue to be held for the Unit Owners in the same proportion. The costs incurred by the Association in connection with the termination shall be a Common Expense.

D. Following termination, the property may be partitioned and sold upon the application of any Condominium Unit Owner. Following a termination, if the Board of Directors determines by not less than a three-fourths (3/4) vote to accept an offer for the sale of the property, each Condominium Unit Owner shall be bound to execute such deeds and other documents reasonably required to effect such sale at such times and in such form as the Board of Directors directs. In such event, any action for partition or other division of the property shall be held in

abeyance pending such sale, and upon the consummation thereof shall be discontinued by all parties thereto.

E. The members of the Board of Directors acting collectively as agent for all Condominium Unit Owners, shall continue to have such powers as in this Article are granted, notwithstanding the fact that the Association itself may be dissolved upon a termination.

XXX.

ADDITIONS TO CONDOMINIUM PROPERTY

As Developer completes the second phase of the Project, said stages will become part of the Condominium Property by amendment to this Declaration and the Unit Owners of the Dwelling Units constructed on the second phase will become members of the Association, to the same extent as if their Units were originally a part of the Units covered by this Declaration. Developer, therefore, hereby reserves the right at any time within a period of five (5) years, commencing on the date this Declaration is filed for record, that Developer determines to take the action so contemplated (i) to submit from time to time phases of the Project Property, together with the Buildings thereon, and all articles of personal property existing for the common use of the Unit Owners to the provisions of this Declaration and the Unit Ownership Act, and (ii) to amend this Declaration, in the manner provided in Paragraph XXXI, hereof, in such respects as Developer may deem advisable in order to effectuate such submission or submissions, including, without limiting the generality of the foregoing, the right to amend this Declaration so as (a) from time to time within said five (5) year period to include phases of the Project Property and the improvements constructed thereon as part of the Condominium Property, (b) from time to time to include descriptions of Buildings constructed on said phases of the Project Property in this Declaration and to add Drawings thereon to Exhibit C hereto, and (c) to provide that the owners of Units in the Buildings will have an interest in the Common Areas and Facilities of the Condominium Property and to amend Paragraph VI and Exhibit D hereof so as to establish the percentage of interest in the Common Areas and Facilities which the owners of all Units within the Buildings on the Condominium Property will have at the time of such amendment or amendments, which percentage shall be, with respect to each Unit, in the proportion that the fair market value of each Unit at the date said amendment is filed for record bears to the then aggregate value of all the Units within the Buildings on the Condominium Property, which determination shall be made by Developer and shall be conclusive and binding upon all Unit Owners. Developer expressly agrees, however, that there will not be constructed on the Condominium Property more than a total of 28 Dwelling Units, and that the buildings and Dwelling Units constructed in any subsequent phase shall be architecturally compatible with the existing buildings and Dwelling Units. Developer, on its own behalf as the owner of all Units in the Condominium Property and on behalf of all subsequent Unit Owners, hereby consents and approves, and each Unit Owner and his mortgagees by acceptance of a deed conveying such Ownership Interest or a mortgage encumbering such Ownership Interest, as the case may be, thereby consents to and approves, the provisions of this Paragraph XXX, including without limiting the generality of the foregoing, the amendment of this Declaration by Developer in the manner provided in Paragraph XXXI hereof and all such Unit Owners and their mortgagees, upon request of Developer shall execute and deliver from time to time all such instruments and perform all such acts as may be deemed by Developer to be necessary or proper to effectuate said provisions.

XXXI.

AMENDMENT OF DECLARATION OF CONDOMINIUM

The Declaration of Condominium may be amended in the following manner:

A. An Amendment or Amendments to this Declaration of Condominium may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any Amendment or Amendments to this Declaration of Condominium being proposed by said Board of Directors or members, such proposed Amendment or Amendments shall be transmitted to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment or Amendments. It shall be the duty of the Secretary to give each member written or printed notice of such Special Meeting, stating the time and place thereof, and reciting the proposed Amendment or Amendments in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the Amendment or Amendments proposed must be approved by an affirmative vote of seventy-five (75%) percent of the members owning Units in the Condominium in order for such Amendment or Amendments to become effective. Thereupon such Amendment or Amendments of this Declaration of Condominium shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such Amendment or Amendments, so certified and executed with the same formalities as a deed, shall be recorded in the Public Records of Brunswick County, North Carolina, within ten (10) days from the date on which the same became effective, such Amendment or Amendments to specifically refer to the recording date identifying the Declaration of Condominium.

Thereafter, a copy of said Amendment or Amendments in the form in which the same were placed of record by the Officers of Association shall be delivered to the Owners of all Condominium Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such Amendment or Amendments. At any meeting held to consider such Amendment or Amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

B. Developer shall have the right to amend this Declaration at any time prior to July 31, 1985, without the further consent of the Unit Owners, to incorporate into the Property (i) the additional land described in Exhibit "A" attached hereto and incorporated herein by reference and (ii) the additional dwelling Units to be constructed upon such additional land by Developer. In the event that this Declaration is so amended, the term "Property" as used herein shall be deemed to mean and include the property described in Exhibit "A" and in Exhibit "B" and all improvements and structures now or hereafter placed by

Developer thereon, all easements, rights and appurtenances thereto, and all articles of personal property provided by Developer and intended for use in connection therewith. Upon such Amendment the undivided interest appurtenant to each Condominium Unit shall be as set out in Exhibit "D", attached hereto and made a part hereof or as amended. The materials used in the construction of the additional units shall be of comparable quality as those used in the original units, and the architectural style of the additional units shall be substantially the same as, or compatible with, the original units. No amendment made by Developer in accordance with this Paragraph shall divest an Owner of any portion of his Dwelling Unit without the consent of such Owner and no such amendment shall materially alter the plan of development set forth herein without the consent of all Owners affected thereby. Each Unit Owner shall be deemed by his acceptance of a deed to a Condominium Unit to have consented to the powers of amendment herein reserved by Developer and to any amendments previously or thereafter executed by Developer pursuant thereto. Each Unit Owner and each Institutional Lender shall further be deemed by the Owner's acceptance of a deed to a Condominium Unit to have appointed Developer their attorney-in-fact to give, execute and record the consent of said Owner and said Institutional Lender to any and all amendments to this Declaration which Developer may wish to execute pursuant to the powers herein reserved.

C. Except as expressly set out in this Declaration, no alteration in the percentage of ownership in Common Property appurtenant to each Condominium Unit, or alteration of the basis for sharing common expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or alteration of basis of ownership of Common Surplus, shall be made without written consent of all of the owners of all Condominium Units and their respective mortgagees, being first had and obtained.

D. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of an Institutional Lender or Institutional Lenders shall be made without written consent of all Institutional Lenders holding mortgages on Condominium Units in the Condominium being first had and obtained.

E. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Developer shall be made without the written consent of said party being first had and obtained.

XXXII.

REMEDIES IN EVENT OF DEFAULT

The Owner or Owners of each Condominium Unit shall be governed by and shall comply with the provisions of this Declaration of Condominium, and the Articles of Incorporation and By-Laws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Owner of any Condominium Unit shall entitle the Association or the Owner of other Condominium Units to the following relief:

A. Failure to comply with any of the terms of this Declaration or Condominium or other restrictions and regulations contained in the Articles of Incorporation or By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

B. Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or licensees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Condominium Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

C. In any proceeding arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court, but in no event shall any Unit Owner be entitled to such attorneys' fees.

D. The failure of the Association of any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration of Condominium or the other above-mentioned documents shall not constitute a waiver of the right of the Association or of the Unit Owner to enforce such right, provision, covenant or condition in the future.

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

F. The failure of Developer to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration of Condominium or other above-mentioned document shall not constitute a waiver of the right of Developer to thereafter enforce such right, provision, covenant or condition in the future.

G. The failure of an Institutional Lender or Institutional Lenders, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by this Declaration of Condominium or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

XXXIII.

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

"Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, or other reputable mortgage lenders. As long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Condominium Unit or Units, or shall be the owner of any Condominium Unit or Units, such Institutional Lender or Institutional Lenders shall have the following rights, to-wit:

A. To approve the company or companies with whom casualty insurance is placed.

B. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, prepared by an Accountant designated by the Association, such Financial Statement and Report to be furnished by April 15 of each calendar year.

Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the unit number or address, any such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of:

A. Any condemnation loss or any casualty loss which affects a material portion of the project or any unit on which there is a first mortgage held, insured or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;

B. Any delinquency in the payment of assessments or charges owed by an owner of a unit subject to a first mortgage held, insured or guaranteed by such eligible holder or eligible insurer or guarantor, which remains uncured for a period of 60 days;

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

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

E. The call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to this Declaration of Condominium, or the Articles of Incorporation and By-laws of the Association, which notice shall state the nature of the Amendment being proposed.

XXXIV.

RIGHT OF DEVELOPER TO REPRESENTATION ON BOARD OF DIRECTORS OF THE ASSOCIATION

So long as Developer owns twenty percent (20%) or more of the Units in the Condominium, but in any event, no longer than July 31, 1985, Developer shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association; and so long as the Developer is the owner of at least one (1) Condominium Unit, but in any event, no longer than July 31, 1985, Developer shall have the right to designate and select one (1) of the persons who shall serve as a member of the Board of Directors of the Association.

In the event of dissolution of Developer at a time when it is the Owner of a Condominium Unit, then the rights of the Developer shall pass to and may be exercised by its successors receiving ownership of any such Condominium Unit in dissolution.

Whenever Developer shall be entitled to designate and select any person or persons to serve on any Board of Directors of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-laws of the Association, and Developer shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of any Director or Directors so removed for the remainder of the unexpired term of any Director or Directors so

removed. Any Director designated and selected by Developer need not be a resident in the Condominium. However, Developer shall be responsible, pursuant to the provisions of Article XXV, for the payment of any assessments which may be levied by the Association against any Condominium Unit or Units owned by the said Developer, and for complying with the remaining terms and provisions hereof in the same manner as any other Owner of a Condominium Unit or Units. Any representative of Developer serving on the Board or Directors of Association, shall not be required to disqualify himself from any vote upon any management contract or other contract, or lease between Developer and the Association where said Developer may have a pecuniary or other interest. Similarly, Developer as a member of the Association, shall not be required to disqualify itself in any vote which may come before the membership of the Association upon any management contract or other contract or lease between Developer and Association, where the said Developer may have a pecuniary or other interest.

XXXV.

INFORMATION

The Association shall make available to Condominium Unit owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the declaration, other rules concerning the project and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances.

XXXVI.

Utility Easement Reservation

Developer reserves the right to subject the property to a contract with Carolina Power and Light Company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power and Light Company by the Association and/or Owner of each unit.

XXXVII.

SEVERABILITY

In the event that any of the terms, provisions or covenants of this Declaration of Condominium are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

XXXVIII.

LIBERAL CONSTRUCTION

The provisions of this Declaration of Condominium shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership. Throughout this Declaration wherever appropriate the singular shall include the plural and the masculine gender the feminine or neuter. The Article headings are for convenience of reference only and shall not be considered terms of this Declaration.

XXXIX.

DECLARATION OF CONDOMINIUM BINDING
ON ASSIGNS, AND SUBSEQUENT OWNERS

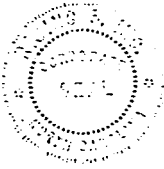
The restrictions and burdens imposed by the covenants of this Declaration of Condominium are intended to and shall constitute covenants running with the land, and shall constitute an equitable servitude upon each Condominium Unit and its appurtenant undivided interest in Common Property. This Declaration of Condominium shall be binding upon Developer, its successors and assigns, and upon all parties who may subsequently become Owners of Condominium Units in the Condominium, and their respective heirs, legal representatives, successors, and assigns.

XXXX.

AGENT FOR SERVICE OF PROCESS

The following named individual is designated as the person to receive service of process for the Association: Harvey Ramsey, Post Office Box 11056, 704 East Moore Street, Brunswick County, North Carolina 28461.

IN WITNESS WHEREOF, Rising 3, Inc., has caused this Declaration to be executed in its name by its President and its corporate seal to be hereunto affixed, attested by its Secretary, by authority of its Board of Directors, this 2nd day of August, 1983.



Rising 3, Inc.

By: R. Patrick E. Egan
President

Attest:

Joseph E. Egan
Secretary

IN WITNESS WHEREOF, Bald Head Island Limited has caused this Declaration to be signed and sealed on behalf of the limited partnership by the duly authorized general partners, this 15th day of August, 1983.

BALD HEAD ISLAND LIMITED, A Limited
Partnership (Seal)

By: Mark D. Mitchell (Seal)
MARK D. MITCHELL, General Partner

By: Michael Keef Mitchell (Seal)
MICHAEL KEEF MITCHELL, General
Partner

NO 543 893

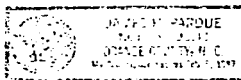
NORTH CAROLINA
BRUNSWICK COUNTY

This is to certify that on the 2nd day of August, 1983, before me personally appeared Joseph G. Johnson, with whom I am personally acquainted, who, being by me duly sworn, says that R. Patrick Elliott is the President, and he is the Secretary of Rising J, Inc., the corporation described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal, and the name of the corporation was subscribed thereto by the said President, and that the said President and Secretary subscribed their names thereto, and said common seal was affixed, all by order of the Board of Directors of said corporation, and that the said instrument is the act and deed of said corporation.

Witness my hand and official seal this 2nd day of August, 1983.

James H. Pardue
Notary Public

My commission expires: 2/9/87



NORTH CAROLINA
BRUNSWICK COUNTY

I, Donna Jones, a Notary Public in and for said State and County, do hereby certify that MARK D. MITCHELL AND MICHAEL KEAT MITCHELL, both general partners of BALD HEAD ISLAND LIMITED, a limited partnership, each personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the partnership by authority duly given.

Witness my hand and official seal this the 15th day of August, 1983.

Donna Jones
Notary Public

My commission expires: 9-13-86

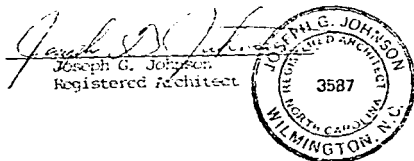


502 543 745 894

AS-BUILT VERIFICATION

I, Joseph G. Johnson, Registered Architect, hereby certify that the plans being filed simultaneously with this Declaration of Condominium fully depict the layout, ceiling and floor elevations, unit numbers and dimensions of the unit as built.

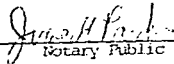
Witness my hand and seal, this the 21 day of September, 1983.



NORTH CAROLINA
NEW HANOVER COUNTY

I, James H. Pardue, Notary Public, do hereby certify that Joseph G. Johnson personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this 21st day of September, 1983.

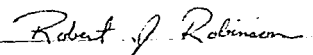

Notary Public

My Commission Expires: 2/9/87



STATE OF NORTH CAROLINA, Brunswick County
The Foregoing Certificate(s) of James H. Pardue & Donna Jones, Notaries Public

Recorded this 21st day of September 19 83 at 11:37 (A.M./P.M.)
Robert J. Robinson, Register of Deeds



APR 543 MAY 895 .

EXHIBIT A

Phases I and II
Royal James Landing
Bald Head Island
As shown on map recorded in Map Cabinet N, Page 151,
Brunswick County Registry.

NO 543 OF 896

EXHIBIT B

Phase I
Royal James Landing
Bald Head Island
As shown on map recorded in Map Cabinet N, Page 251,
Brunswick County Registry.

EXHIBIT C

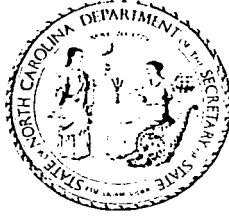
See Plans for Royal James Landing Condominium filed herewith in the Condominium Plan Files, # Sup. L-1-11, Brunswick County Registry, which is incorporated herein by reference.

#Book 2 Page 85-75

EXHIBIT D

Percentage of undivided interest in common areas and facilities
(until amended).

<u>Unit No.</u>	<u>Percentage</u>
1-A	6.51
1-B	6.51
1-C	5.99
1-D	5.99
2-A	6.51
2-B	6.51
2-C	5.99
2-D	5.99
3-A	6.51
3-B	6.51
3-C	5.99
3-D	5.99
4-A	6.51
4-B	6.51
4-C	5.99
4-D	5.99



REC'D 543 MAY 899

State of North Carolina

Department
of the
Secretary of State

To all to whom these presents shall come, Greeting:

I, Thad Eure, *Secretary of State of the State of North Carolina*, do hereby certify the following and hereto attached (6 sheets) to be a true copy of

ARTICLES OF INCORPORATION

OF

ROYAL JAMES LANDING CONDOMINIUM ASSOCIATION

and the probates thereon, the original of which was filed in this office on the 28th day of July, 19 83, after having been found to conform to law.

In Witness Whereof, I have hereunto set my hand and affixed my official seal.

Done in Office, at Raleigh, this 28th day of July, in the year of our Lord 19 83.



[Signature]
Secretary of State
By *[Signature]*
Deputy Secretary of State

FILED

JUL 28 3 44 PM '83

THAD EURE
SECRETARY OF STATE
NORTH CAROLINA

ARTICLES OF INCORPORATION

OF

ROYAL JAMES LANDING CONDOMINIUM ASSOCIATION

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is ROYAL JAMES LANDING CONDOMINIUM ASSOCIATION, hereinafter called the "Association".

ARTICLE II

The principal and initial registered office of the Association is located at 704 East Moore Street, Southport, Brunswick County, North Carolina 28461.

ARTICLE III

Harvey Ramsey whose address is Post Office Box 11058, 704 East Moore Street, Southport, Brunswick County, North Carolina 28461 is hereby appointed the initial Registered Agent of this Association.

ARTICLE IV

This Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the corporation shall be to administer the operation and management of Royal James Landing Condominium, a condominium to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being on Bald Head Island, Brunswick County, North Carolina, and more particularly described in Exhibit "B" (and, if annexed, the property described in Exhibit "A") attached to the Declaration of Condominium and incorporated herein by reference; to undertake the performance of the acts and duties incident to the administration of the operation and management of said Royal James Landing Condominium in accordance with the terms, provisions, conditions and authorizations contained in these Articles of Incorporation and which may be contained in the formal Declaration of Condominium which will be recorded in the Public Records of Brunswick County, North Carolina, at the time said property, and the improvements now or hereafter situate thereon, are submitted to a plan of Condominium Ownership; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration of said Royal James Landing Condominium.

ARTICLE V

The Corporation shall have the following powers:

1. The Corporation shall have all of the powers and privileges granted to Non-Profit Corporations under the law pursuant to which this Corporation is chartered, and all of the powers and privileges which may

be granted unto said Corporation under any other applicable laws of the State of North Carolina, including the Unit Ownership Act.

2. The Corporation shall have all of the powers reasonably necessary to implement and effectuate the purposes of the Corporation, including but not limited to the following:

(a) To make and establish reasonable rules and regulations governing the use of Condominium Units and Common Property in Royal James Landing Condominium as said terms may be defined in said Declaration of Condominium to be recorded.

(b) To levy and collect assessments against members of the Corporation to defray the common expenses of the Condominium as may be provided in said Declaration of Condominium and in the By-Laws of this Corporation which may be hereafter adopted, including the right to levy and collect assessments for the purposes of acquiring, operating, leasing, averaging and otherwise trading and dealing with such property, whether real or personal, including Condominium Units in Royal James Landing Condominium, which may be necessary or convenient in the operation and management of Royal James Landing Condominium and in accomplishing the purposes set forth in said Declaration of Condominium.

(c) To maintain, repair, replace, operate and manage Royal James Landing Condominium and the property comprising same, including the right to construct improvements after casualty and to make further improvement of the Condominium property, and to make and enter into any and all contracts necessary or desirable to accomplish said purposes.

(d) To contract for the management of Royal James Landing Condominium and to delegate to such contractor all of the powers and duties of the Association except those which may be required by the Declaration of Condominium to have approval of the Board of Directors or membership of the Corporation.

(e) To acquire and enter into, now or at any time hereafter, leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis courts, and other recreation facilities whether or not contiguous to the lands of Royal James Landing Condominium to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units.

(f) To enforce the provisions of the Declaration of Condominium, these Articles of Incorporation, the By-Laws, rules and regulations governing the use of said Royal James Landing Condominium as the same may be hereafter established.

(g) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration of Condominium aforementioned.

ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

1. The Owners of all Condominium Units in Royal James Landing Condominium shall be members of the Corporation, and no other person or entities shall be entitled to membership, except as provided in item (5) of this Article VI.

2. Membership shall be established by the acquisition of fee title to a Condominium Unit in Royal James Landing Condominium, or by

acquisition of a fee ownership interest therein, whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Condominium Unit, except that nothing herein contained shall be construed as terminating the membership of any party who may own two or more Condominium Units, or who may own a fee ownership interest in two or more Condominium Units, so long as such party shall retain title to or a fee ownership interest in any Condominium Unit.

3. The interest of a member in the funds and assets of the Corporation cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Condominium Unit. The funds and assets of the Corporation shall belong solely to the Corporation subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, in the Declaration of Condominium and in the By-Laws which may be hereafter adopted.

4. On all matters on which the membership shall be entitled to vote, there shall be only one vote for each Condominium Unit in Royal James Landing Condominium, which vote may be exercised or cast by the Owner or Owners of each Condominium Unit in such manner as may be provided in the By-Laws hereafter adopted by the Corporation. Should any member own more than one Condominium Unit, such member shall be entitled to exercise or cast as many votes as he owns Condominium Units in the manner provided by said By-Laws.

5. Until such time as the property described in Exhibit "B" to the Declaration of Condominium and the improvements which may hereafter be constructed thereon, are submitted to a Plan of Condominium Ownership by the recordation of the Declaration of Condominium, the membership of the Corporation shall be comprised of the five (5) individuals named in Article XI hereof as the initial Board of Directors of the Corporation, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

ARTICLE VII

The Corporation shall have perpetual existence.

ARTICLE VIII

The affairs of the Corporation shall be managed by the President of the Corporation, assisted by the Vice President, Secretary and Treasurer and, if any, the Assistant Secretaries and Assistant Treasurers, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the operation and management of Royal James Landing Condominium, and the affairs of the Corporation, and any such person or entity may be so employed without regard to whether such person or entity is a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

ARTICLE IX

The number of members of the first Board of Directors of the Corporation shall be five (5). The number of members of succeeding Boards of Directors shall be as provided from time to time by the Bylaws of the Corporation. The members of the Board of Directors shall be elected by the members of the Corporation at the Annual Meeting of the membership as provided by the Bylaws of the Corporation, and at least a majority of the Board of Directors shall be members of the Corporation or shall be

authorized representatives, officers or employees of a corporate member of the Corporation. Notwithstanding the foregoing, so long as Rising 3, Inc., a North Carolina corporation, owns twenty percent (20%) or more of the units in Royal James Landing Condominium but in any event, not longer than July 31, 1985, said Rising 3, Inc. shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Corporation; and so long as Rising 3, Inc. is the owner of at least one (1) Condominium Unit, but in any event, no longer than July 31, 1985, the said Rising 3, Inc. shall have the right to designate and select one (1) Director of the Corporation. Rising 3, Inc. may designate and select the person or persons to serve as a member or members of each said Board of Directors in the manner provided in the ByLaws of the Corporation, and such person or persons so designated and selected need not be a resident of the Condominium.

ARTICLE X

The Board of Directors shall elect a President, Vice President, Secretary and Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President and Vice President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE XI

The names and addresses of the initial Board of Directors who, subject to the provisions of these Articles of Incorporation, the By-laws, and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the Membership (or until their successors are elected and qualified) are as follows:

John Messick	704 East Moore Street Southport, North Carolina 28461
R. Patrick Ellett	4608 Cedar Avenue Wilmington, North Carolina 28403
Joe McCutcheon	704 East Moore Street Southport, North Carolina 28461
Donna Jones	704 East Moore Street Southport, North Carolina 28461
Harvey Ramsey	704 East Moore Street Southport, North Carolina 28461

ARTICLE XII

The original By-Laws of the Corporation shall be adopted by a majority vote of the members of the Corporation present at a meeting of members at which a majority of the membership is present, and thereafter, such By-Laws may be altered or rescinded only in such manner as said By-Laws may provide.

ARTICLE XIII

Every Director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or officer of the Corporation, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE XIV

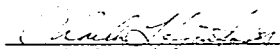
An amendment or amendments to these Articles of Incorporation shall require the assent of seventy-five per cent (75%) of the membership.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of Rising 3, Inc. to designate and select members of each Board of Directors of the Corporation, as provided in Article IX hereof, may be adopted or become effective without the prior written consent of Rising 3, Inc..

ARTICLE XV

The name and address of the incorporator is as follows: Charles L. Hinton, III, Suite 104, 3201 Glenwood Avenue, Post Office Box 31268, Raleigh, North Carolina 27622.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand and seal, this 27th day of July, 1983.

 (SEAL)
Charles L. Hinton, III

NORTH CAROLINA

WAKE COUNTY

This is to certify that on this 27th day of July, 1983, before me, James H. Pardue, a Notary Public of said County and State, personally appeared Charles L. Hinton, III, who I am satisfied is the person named

in and who executed the foregoing Articles of Incorporation of Royal James Landing Condominium Association, and I having first made known to him the contents thereof, he did acknowledge that he signed, sealed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal, this 27th day of July, 1983.



JAMES H. PARDUE
NOTARY PUBLIC
ORANGE COUNTY, N.C.
My Commission Expires: 2/9/87

James H. Pardue
Notary Public

My Commission Expires: 2/9/87

BYLAWS

OF

ROYAL JAMES LANDING CONDOMINIUM ASSOCIATION

A corporation not for profit under
the laws of the State of North Carolina

1. IDENTITY

These are the By-Laws of Royal James Landing Condominium Association a non-profit corporation under the laws of the State of North Carolina, the Articles of Incorporation of which were filed in the Office of the Secretary of State on July 28, 1983. Royal James Landing Condominium Association, hereinafter called "Association", has been organized for the purpose of administering the operation and management of Royal James Landing Condominium, a condominium established or to be established in accordance with the laws of the State of North Carolina upon the property situate, lying and being on Bald Head Island, Brunswick County, North Carolina, and described in Exhibit "B" to the Declaration of Condominium and incorporated herein by reference.

a) The provisions of these By-laws are applicable to Royal James Landing Condominium, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation and which may be contained in the formal Declaration of Condominium which will be recorded in the Public Records of Brunswick County, North Carolina, at the time said property and the improvements now or hereafter situated thereon are submitted to the plan of condominium ownership, the terms and provisions of said Articles of Incorporation and Declaration of Condominium are to be controlling wherever the same may be in conflict herewith.

b) All present or future owners, tenants, future tenants, or their employees, or any other person that might use Royal James Landing Condominium or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-laws and in said Articles of Incorporation and Declaration of Condominium.

c) The office of the Association shall be at 704 East Moore Street Southport, Brunswick County, North Carolina, or such other place as the Board of Directors shall designate from time to time.

d) The fiscal year of the Association shall be the calendar year.

2. MEMBERSHIP, VOTING, QUORUM, PROXIES

a) The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be as set forth in Article VI of the Articles of Incorporation of the Association, the provisions of which said Article VI of the Articles of Incorporation are incorporated herein by reference.

b) A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

c) The vote of the Owners of a Condominium Unit owned by more than one person or by a corporation or other entity shall be cast by the one person named in a Certificate signed by all of the Owners of the Condominium Unit and filed with the Secretary of the Association, and

such Certificate shall be valid until revoked by subsequent Certificate. If such a Certificate is not on file, the vote of such Owners shall not be considered in determining the requirement for a quorum, nor for any other purpose.

d) Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be filed with the Secretary before the appointed time of the meeting.

e) Approval or disapproval of a Unit Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

f) Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these By-Laws, the Declaration of Condominium, or whether the same may otherwise be required by law, the affirmative vote of the Owners of a majority of the Condominium Units represented at any duly called members' meeting at which a quorum is present shall be binding upon the members.

3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP

a) The Annual Members' Meeting shall be held at the office of the Association or at such other place designated by the Board of Directors, at 10:00 o'clock a.m. on the second Saturday in May of each year for the purpose of electing Directors and of transacting any other business authorized to be transacted by the members, provided, however, that if the day is a legal holiday, the meeting shall be held at the same hour on the next succeeding Saturday. The First Annual Meeting shall be held on the appropriate date in May, 1984.

b) Special Members' Meetings shall be held whenever called by the President or Vice-President or by a majority of the Board of Directors, and must be called by such Officers upon receipt of a written request from members of the Association owning a majority of the Condominium Units.

c) Notice of all members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other Officer of the Association in absence of said Officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and object for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his post office address as it appears on the records of the Association (Register of Owners) as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed in the records of the Association whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration of Condominium) the members who are present, either in

person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

d) The order of business at Annual Members' Meetings and, as far as practical, at any other members' meetings, shall be:

- i) Calling of the roll and certifying of proxies;
- ii) Proof of notice of meeting or waiver of notice;
- iii) Reading and disposal of any unapproved minutes;
- iv) Reports of Officers;
- v) Reports of Committees;
- vi) Appointment of Inspectors of Election by Chairman;
- vii) Unfinished business;
- viii) New business; and
- ix) Adjournment.

4. BOARD OF DIRECTORS

a) The first Board of Directors of the Association shall consist of five (5) persons. Each succeeding Board of Directors shall consist of not less than five (5) nor more than nine (9) persons. Notwithstanding the foregoing, so long as the developer, Rising 3, Inc., a North Carolina Corporation, hereinafter called Developer, owns twenty per cent (20%) or more of the Units in Royal James Landing Condominium, but in any event no longer than July 31, 1985, the Developer shall have the right to designate and select a majority of the persons who shall serve as members of each Board of Directors of the Association; and so long as Developer is the owner of at least one (1) Condominium Unit, but in no event longer than July 31, 1985, Developer shall have the right to designate and select one (1) of the persons who shall serve as a member of each Board of Directors of the Association. Any Director designated by and selected by Developer need not be a resident in the condominium.

b) Election of Directors shall be conducted in the following manner:

i) Developer shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these By-Laws, and upon such designation and selection of Developer by written instrument presented to the meeting at which such election is held, said individuals so designated and selected by Developer shall be deemed and considered for all purposes Directors of the Association, and shall thenceforth perform the offices and duties of such Directors until their successors shall have been selected or elected in accordance with the provisions of these By-Laws.

ii) All members of the Board of Directors whom Developer shall not be entitled to designate and select under the terms and provisions of these By-Laws shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association immediately following the designation and selection of the members of the Board of Directors whom Developer shall be entitled to designate and select.

iii) Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors, except that should any vacancy in the Board of Directors be created in any Directorship previously filled by any person designated and selected by Developer, such vacancy shall be filled by Developer designating and selecting, by written instrument delivered to any Officer of the Association, the successor Director to fill the vacated Directorship for the unexpired term thereof.

iv) At the first Annual Meeting of the members held after the property identified herein has been submitted to the plan of condominium ownership and the Declaration of Condominium has been recorded in the public records of Brunswick County, North Carolina, the term of office of the three (3) Directors receiving the highest plurality of votes shall be established at two (2) years, and the terms of office of the other two (2) Directors shall be established at one (1) year. Thereafter, as many Directors of the Association shall be elected at the Annual Meeting as there are regular terms of office of Directors expiring at such time, and the term of office of the Directors so elected at the Annual Meeting of the members each year shall be for two (2) years expiring at the second Annual Meeting following their election, and thereafter until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law. If at the time of the first Annual Meeting Developer owns twenty percent (20%) or more of the Units in the Condominium, then Developer shall have the right to designate and select two (2) Directors whose term of office shall be established at two (2) years, and one (1) Director whose term of office shall be established at one (1) year; and should Developer at said time be entitled to select only one (1) Director, then the Developer shall have the right to designate and select one (1) Director whose term of office shall be established at two (2) years.

v) In the election of Directors, there shall be apportionment to each Condominium Unit as many votes for Directors as there are Directors to be elected, provided, however, that no member or Owner of one (1) Condominium Unit may cast more than one (1) vote for any person nominated as a Director, it being the intent hereof that voting for Directors shall be noncumulative. Notwithstanding the fact that Developer may be entitled to designate and select a majority of the members of the Board of Directors, it shall still be entitled to cast one (1) vote for each Condominium Unit owned by it in the elections of other Directors; provided, however, that the other Directors elected are persons other than Officers, Directors, Stockholders and Employees of Developer, or wives and relatives of any said persons.

vi) In the event that Developer in accordance with the rights herein established, selects any person or persons to serve on any Board of Directors of the Association, Developer shall have the absolute right at any time, in its sole discretion, to replace such person or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons designated by Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any Officer of the Association, which instrument shall specify the name or names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed from said Board of Directors. The removal of any Director and designation of his successor shall be effective immediately upon delivery of such written instrument by Developer to any Officer of the Association.

c) The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting

at which they were elected, and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

d) Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least thirty (30) days prior to the day named for such meeting, unless notice is waived.

e) Special meetings of the Directors may be called by the President, and must be called by the Secretary at the written request of one-third of the votes of the Board. Not less than fifteen (15) days' notice of a meeting shall be given to each Director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

f) Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

g) A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation, these By-Laws or the Declaration of Condominium. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or Declaration of Condominium, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

h) The Presiding Officer of Directors' meetings shall be the Chairman of the Board, if such an Officer has been elected; and if none, then the President of the Association shall preside. In the absence of the Presiding Officer, the Directors present shall designate one of their number to preside.

i) Directors' fees, if any, shall be determined by the members.

j) All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these By-Laws and the Declaration of Condominium. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these By-Laws and the Declaration of Condominium, and shall include, without limiting the generality of the foregoing, the following:

i) To make, levy and collect assessments against members and members' Condominium Units to defray the costs of the Condominium, as provided for in Article XXVII of the Declaration of Condominium which Article is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

ii) To maintain, repair, replace, operate and manage the Common Areas and Facilities wherever the same is required to be done and accomplished by the Association for the benefit of its members; and further to approve any expenditure made or to be made for said purposes.

iii) To reconstruct any part of the Common Property after casualty in accordance with Article XXV of the Declaration of Condominium, and to make further improvement to the Common Property, real and personal, and to make and to enter into any and all contracts, necessary or desirable to accomplish said purposes;

iv) To make, amend and enforce regulations governing the use of the Common Property and Condominium Units of Royal James Landing Condominium so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Declaration of Condominium;

v) To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Condominium Units in Royal James Landing Condominium as may be necessary or convenient in the operation and management of the Condominium, and in accomplishing the purposes set forth in the Declaration of Condominium, provided that the acquisition of real property other than Condominium Units shall require the approval of the membership of the Association;

vi) To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis and other recreational facilities whether or not contiguous to the lands of Royal James Landing Condominium to provide enjoyment, recreation or other use or benefit to the owners of Condominium Units;

vii) To contract for the management of Royal James Landing Condominium and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration of Condominium to have approval of the Board of Directors or membership of the Association; provided, however, that the initial Board of Directors shall not enter into any management agreement which shall exceed the period of one year from the date the Declaration of Condominium is recorded in the Brunswick County Registry;

viii) To enforce by legal means or proceedings the provisions of the Articles of Incorporation and By-Laws of the Association, the Declaration of Condominium and the regulations hereinafter promulgated governing use of the Common Property in Royal James Landing Condominium.

ix) To pay all taxes and assessments which are or may become liens against any part of Royal James Landing Condominium, other than Condominium Units and the appurtenances thereto, and to assess the same against the members and their respective Condominium Units subject to such liens;

x) To purchase insurance for the protection of the members and the Association against casualty and liability in accordance with Article XXIII of the Declaration of Condominium; and in addition such insurance as shall be deemed necessary by the Board, including directors liability insurance. The coverage shall be for at least \$1,000,000.00 for bodily injury, including death of persons and property damage arising out of a single occurrence.

xi) To pay all costs of power, water, sewer and other utility services rendered to the condominium and not billed to the Owners of the separate Condominium Units; and

xii) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of the condominium including the Common Property.

k) If the Board of Directors of the Association shall deem it to be expedient and in the best interest of the Association, in the sole discretion of said Board of Directors acting upon a unanimous vote of all of said Directors, the powers and duties of the Board of Directors may be delegated to an Executive Committee which shall be comprised of three (3) members of the Board of Directors and which Executive Committee may act in the place and stead of said Board of Directors in any emergencies or between regular meetings of the full Board of Directors, and said Executive Committee shall be empowered to act upon a majority vote of the members of said Executive Committee. Any action authorized and undertaken by said Executive Committee shall be binding upon the Association in the same manner as though such action had been authorized and undertaken upon a majority vote of the full Board of Directors of the Association acting at a duly called and constituted meeting thereof.

l) The initial Board of Directors of the Association shall be comprised of the five (5) persons designated to act and serve as Directors in the Articles of Incorporation, which said persons shall serve until their successors are elected at the first Annual Meeting of the members of the Association called after the property identified herein has been submitted to the plan of condominium ownership and the Declaration of Condominium has been recorded in the public records of Brunswick County, North Carolina. Should any member of the initial Board of Directors be unable to serve for any reason, a majority of the remaining members of the Board of Directors shall have the right to select and designate a party to act and serve as a Director for the unexpired term of the Director who is unable to serve.

m) The undertakings and contracts authorized by the initial Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of condominium ownership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable condominium documents.

n) Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the Condominium Units in Royal James Landing Condominium, at any Special Meeting called for such purpose, or at the Annual Meeting; provided, however, that only the Developer shall have the right to remove a Director appointed by it.

5. OFFICERS

a) The executive officers of the Association shall be a President, who shall be a Director, a Vice-President, who shall be a Director, a Treasurer, a Secretary and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by a vote of the Directors at any meeting. Any person may hold two or more offices, except that the President shall not also be Vice-President, Secretary or an Assistant Secretary. The Board of Directors shall, from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

b) The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are

usually vested in the office of the president of any association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association.

c) The Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

d) The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of Secretary when the Secretary is absent.

e) The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep, or supervise the keeping of, the assessment rolls and accounts of the members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

f) The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the condominium.

g) All Officers shall serve at the pleasure of the Board of Directors and any Officer may be removed from office at any time, with or without cause, by a majority vote of the Board of Directors.

6. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration of Condominium and Articles of Incorporation shall be supplemented by the following provisions:

a) The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Condominium Unit. Such account shall designate the name and address of the Unit Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

b) The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to the following:

i) Common Expense budget, which may include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of and capital improvements to the Common Property including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and Capital Improvement Replacement), management fees and costs of maintaining leaseholds, memberships, and other possessory or use interests in lands or facilities whether or not contiguous to the lands of Royal James Landing Condominium, to provide enjoyment, recreation or other use or benefit to the Unit Owners; and

ii) Proposed assessments against each member and his Unit.

Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time in their sole discretion, to levy any additional assessments in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

c) The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

d) An audit of the accounts of the Association shall be made annually by a Public Accountant, and a copy of the report shall be furnished to each member not later than April 15 of the year following the year for which the report is made.

e) Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for Association funds. The amount of such bonds shall be determined by the Directors. The premiums on such bonds shall be paid by the Association.

f) Before control of the Association passes from the Developer, the Association shall not be bound either directly or indirectly to contracts or leases (including a management contract) unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after transfer of control, upon not more than 90 days notice to the other party thereto.

7. PARLIAMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BY-LAWS

Amendments to these By-Laws shall be proposed and adopted in the following manner:

a) Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by members of the Association owning a majority of the Condominium Units in Royal James Landing Condominium, whether meeting as members or by instrument in writing signed by them.

b) Upon any amendment or amendments to these By-Laws being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other Officer of the Association in the absence of the President, who

shall thereupon call a Special Joint Meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such Officer of the proposed amendment or amendments, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a Special Meeting of the members is required as herein set forth.

c) In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of the members owning not less than seventy percent (70%) of the Units in Royal James Landing Condominium. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be recorded in the public records of Brunswick County, North Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the Directors and members. No amendment shall become operative or effective until it shall have been duly recorded.

d) Upon the approval and proper recording of any amendment or amendments, the same shall become binding upon all Unit Owners.

e) At any meeting held to consider any amendment or amendments to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

f) Notwithstanding the foregoing provisions of this Article 8, no amendment to these By-Laws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Directors of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Developer.

9. RULES OF CONDUCT

a) No resident of the condominium shall post any advertisements or posters of any kind in or on the Common Property except as authorized by the Association.

b) Residents shall exercise extreme care about making noises or using musical instruments, radios, television sets and amplifiers that may disturb other residents. Those keeping domestic animals will abide by the sanitary regulations of Brunswick County.

c) No garbage or trash shall be thrown or deposited outside the disposal installations provided for such purposes.

d) No Unit Owner shall cause any improvements or alterations to be made to the exterior of the Condominium (including painting or other decoration, or the installation of electrical wiring, television or radio antennae, or any other objects, machines or air conditioning units which may protrude through the walls or roof of the Condominium) or in any manner alter the appearance of any portion of the exterior surface of any building without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee. No Unit Owner shall cause any object to be fixed to the Common Property or to any Limited Common Area (including the location or construction of fences, athletic equipment, the planting or growing of flowers, trees, shrubs or other vegetation) or in any manner change the appearance of the Common Property or Limited Common Area without the prior written permission of the Board of Directors or a duly appointed Architectural Control Committee.

10. DISSOLUTION OR INSOLVENCY

a) The Association may be dissolved with the assent given in writing and signed by members having not less than two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any.

b) Upon dissolution or insolvency of the Association, the members may elect to:

1) form a non-profit corporation and transfer and assign to such corporation the property of the Association for beautification, maintenance, and preservation of the property within Royal James Landing Condominium Association, with power to assess the owners for such purposes; or

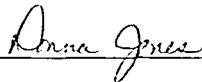
2) transfer, assign, and convey the property of the Association to any non-profit corporation, association, trust, municipality, or other organization which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the property was required to be devoted by the Association.

c) The Association shall have no capital stock, and in the event of dissolution, no member, Director, or officer of the Association, and no private individual, shall be entitled to share in the distribution of the assets of the Association. If any assets shall remain after satisfaction of its just debts, the Association shall grant, convey, and assign such assets to any entity or entities that have accepted and undertaken the care and management of the common area or portions thereof. In the event that more than one entity has undertaken such care and management, the Association may distribute the assets among such entities in a manner which the Association, in its discretion, deems fair and equitable.

11. COMPLIANCE

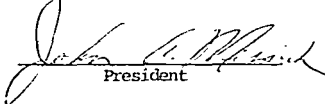
These By-Laws are set forth to comply with the requirements of the Unit Ownership Act, Chapter 47A of the General Statutes of the State of North Carolina. In the event that any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

The foregoing were adopted as the By-Laws of Royal James Landing Condominium Association, a non-profit corporation under the laws of the State of North Carolina, at the first meeting of the Board of Directors on August 2, 1983.



Secretary

APPROVED:


President