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STATE OF NORTH CAROLINA DECLARATION CREATING UNIT
COUNTY OF NEW HANOVER OWNERSHIP OF
JUNCTION STATION BUSINESS PARK,
PHASE 1
A CONDOMINIUM

RECORDED AND VERIFIED
MAY 20 1999
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THIS DECLARATION made on this 18th day of October, 1999 by DOROTHY W. KILPATRICK and GRANT E. KILPATRICK, citizens and residents of New Hanover County, North Carolina, hereinafter referred to as "Declarant".

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of certain real property located in the County of New Hanover, State of North Carolina, which is more particularly described in Exhibit A, attached hereto and incorporated by reference herein; and,

WHEREAS, the Declarant has constructed buildings and certain other improvements on the aforesaid property; and,

WHEREAS, it is the desire and intention of the Declarant to submit said property to unit ownership pursuant to the provisions of Chapter 47C of the General Statutes of the State of North Carolina and to market, sell and convey interests in said property and the improvements thereon pursuant to said Statute; and,

NOW, THEREFORE, the Declarant does hereby declare that all of the real property described in Exhibit A, attached hereto and incorporated by reference herein, as well as all of the improvements constructed thereon shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to the following covenants, conditions, restrictions, uses, limitations and obligations, all of which shall run with the land and shall be a burden and a benefit to the Declarant, its successors and assigns, and any person or entity acquiring or owning any interest in the real property and the improvements or any subdivision thereof, their grantees, successors, heirs, executors, administrators; and assigns:

ARTICLE I

SUBMISSION OF PROPERTY

The Declarant does hereby submit all of the real property described in Exhibit A, attached hereto and incorporated by reference herein, together with all improvements thereon to the provisions of the "North Carolina Condominium Act" as enacted by the State of North Carolina and codified in Chapter 47C of the General Statutes of the State of North Carolina.

ARTICLE II

DEFINITIONS

For the purposes of this Declaration and the By-Laws of the Association, the following definitions shall apply unless otherwise defined by the context thereof:

a. "ACT" shall mean and refer to N.C.G.S. 47-C entitled "North Carolina Condominium Act" as the same may be supplemented or amended from time to time.

b. "ASSOCIATION" shall mean and refer to Junction Station Business Park Unit Owner's Association, the association of all unit owners, as is more particularly described herein.

c. "ASSESSMENT" shall mean the share of funds required for payment of common expenses, as hereinafter defined, of the Association which from time to time shall be levied or assessed

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against the Unit Owner by the Association as provided below.

d. "BUILDINGS" shall mean and refer to the buildings which the Declarant has constructed or will construct upon the real property described in Exhibit A to be used for business purposes as hereinafter provided. Said buildings are more particularly described in said plans and reference is hereby made to the plans for all the particulars required by law. The buildings are constructed primarily of metal. There are no basements or garages. The building(s) contain approximately eight units containing approximately 897 to 1,004 heated square feet each, save and except Building #4 which has 1,700 square feet.

e. "BOARD" shall refer to the Board of Directors of the Association. The term shall also be deemed "Executive Board" as referred to in G.S. 47C-3-103.

f. "BY-LAWS" shall refer to the By-Laws of the Association providing for the government of the Association as duly adopted and amended from time to time by the Association. A copy of the initial By-Laws are attached hereto as Exhibit C and incorporated by reference herein.

g. "COMMON ELEMENTS" shall mean and refer to all the real property described in the plans of Junction Station Business Park recorded in Condominium Plat Book 11 at Page 338+339 of the New Hanover County Registry and all of the improvements and facilities thereon and which are not units as hereinafter defined and which are not items of personal property owned, held or maintained by unit owners. Without in any way limiting the generality of the foregoing, the Common Areas and Facilities shall include, but not be limited to, the following:

1. All of the real property more particularly described in Exhibit "A" attached hereto and incorporated by reference herein;

2. All foundations, columns, girders, beams, supports, roof, ventilation fans and vents, load bearing walls, including all exterior walls and all interior walls (except non-load bearing interior walls wholly within a unit) of the building.

3. All yard and garden areas, parking and drive areas and sidewalks.

4. All installations and facilities, apparatus, conduits and equipment for the provision of all utility services, including but not limited to, all water and sewer service, electricity, heating, air conditioning, telephone, irrigation and trash disposal, if any, supplied for the common use and convenience of the Unit Owners, and which are not defined as part of the units below.

5. All other portions of the real property and the improvements thereon which are not specifically part of the units themselves as hereinafter defined, or owned by Unit Owners as personal property, shall be Common Areas and Facilities and intended for the common and convenient use, existence, maintenance and safety of the condominium project.

h. "LIMITED COMMON AREAS AND FACILITIES" if any, shall be deemed a part or parts of the common areas and facilities which are reserved for use by less than all the Unit Owners and shall be areas designated as limited common areas and facilities in plans recorded in Condominium Plat Book 11 at Pages 338+339 of the New Hanover County Registry. The limited Common Areas and Facilities shall be limited to use solely by the occupants of the unit or units to which they are connected and not other occupants.

i. "COMMON EXPENSES" shall mean and refer to the total cost and expense incurred by the Association for the administration,

maintenance, operation, safety, repair, and replacement (including a capital reserve for repair, maintenance, and replacement of the Common Areas and Facilities) including those portions which are herein defined as Limited Common Areas and Facilities, as well as any other expense incurred by the Association pursuant to the fulfillment of its obligations and purpose as stated herein and labeled as Common Expenses. Common Expenses are additionally intended to mean and refer to any expense incurred by the Association which shall be hereafter agreed upon by the Association or unit owners as common expenses of the Association.

j. "COMMON EXPENSE LIABILITY" shall mean and refer to the liability for common expenses allocated to each unit as hereafter set forth.

k. "COMMON SURPLUS" shall refer to the balance of all revenues of the Association remaining after the deduction of the common expenses. Any such common surplus shall be used to reduce the assessments for members of the following fiscal year of the Association, based upon a proposed budget of the Association for the following fiscal year.

l. "CONDOMINIUM" shall refer to the entire proposed development consisting of all the real property and the buildings, improvements, and structures thereon and all easements, rights and appurtenances belonging thereto and all of the articles of personal property intended for the common use in connection therewith, which are intended to be submitted to the provisions of this Act by this Declaration, and the supplements and amendments hereto, as are provided herein below.

m. "DECLARANT" shall refer to Dorothy W. Kilpatrick and Grant E. Kilpatrick, their heirs, administrators, successors and assigns.

n. "DECLARATION" or "DECLARATION OF CONDOMINIUM" shall refer to this instrument as it may be from time to time be amended or supplemented.

o. "DIRECTOR" shall refer to a member of the Board of Directors of the Association.

p. "MAJORITY OF UNIT OWNERS" shall refer to the owners of 51% of the aggregate interest in the common areas and facilities as established by this Declaration assembled at a duly called meeting of the Unit Owners.

q. "PERSON" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

r. "UNIT OWNER" shall refer to the Persons owning a condominium unit.

s. "REAL PROPERTY" shall refer to all of the real property described in Exhibit A, attached hereto and incorporated by reference herein.

t. "UNIT OR CONDOMINIUM UNIT" shall refer to any area of enclosed air space designated a unit or condominium unit on the plans which are recorded in Condominium Plat Book 11 at Pages ~~338~~ 339 of the New Hanover County Registry, together with any additional areas, spaces and equipment accompanying the same as defined below and which are intended to or will be sold as a condominium unit pursuant to the Act and this Declaration. The condominium unit shall be bounded by interior walls, floors and ceilings and shall include all lathe, furring, wallboard, plasterboard, plaster, panelling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces thereof. All other portions of such walls, floors or ceilings shall be

deemed common elements. All spaces, interior partitions and other fixtures and improvements within the boundaries of a unit are part of a unit, provided, however, that if any chute, flue, duct, wire, conduit, bearing wall, bearing column or any other fixture, lies partially within and partially outside the boundaries of a unit, any portion serving that unit is a limited common element allocated exclusively to that unit, and any portion there serving more than one unit or any portion of the common elements is a part of the common elements.

The deed for any particular unit shall convey such unit by its unit's designation and shall be deemed to include all that is defined as a part of that unit in this Declaration as well as the privileges and appurtenances accompanying any such unit. Any such conveyance shall be subject to the covenants, conditions, restrictions and obligations set forth in this Declaration, without regard to whether the same are stated therein and shall convey the interest in the common area set forth above without regard to whether such interest is expressly conveyed.

The Unit designation of the units are as follows: A1, A2, B1, B2, C1, C2, D1, D2 and Building 4.

Each unit designation is as shown on the plan of the building which is the plans recorded in Condominium Plat Book 11, at Pages ~~338~~ 339, of the New Hanover County Registry and incorporated by Reference herein, for the particulars of the building and the unit including, but not limited to, the layout, location, ceilings and floor elevations, dimensions of the units, and the area and location of the common areas and facilities and those portions of the common areas and facilities which are designated as Limited Common Areas and Facilities. No unit bears the same designation as any other unit. Any conflict between said plans and this definition shall be resolved by reference to said plans which shall control.

The square footage of each unit is described in Article II, Paragraph d.

ARTICLE III

NATURE AND INCIDENCE OF UNIT OWNERSHIP

a. Units shall be conveyed and treated as individual real property capable of independent use and fee simple ownership and each unit owner shall also be conveyed, appurtenant to the ownership in each unit, an undivided interest in the common areas and facilities of Junction Station Business Park. The undivided interest in the common areas and facilities of Junction Station Business Park shall be prorated equally for each unit.

b. A unit may be divided or subdivided into two or more units upon application of a unit owner to subdivide a unit. Upon such application the Association shall prepare, execute and record an amendment to this Declaration, including the plats and plans subdividing that unit. The amendment to the Declaration must be executed by the owner of the unit to be subdivided, must assign an identifying number to each unit created, said identifying number to be different from any other identifying number used in the condominium, and must re-allocate the interests formerly allocated to the subdivided unit to the new unit in any reasonable manner prescribed by the owner of the subdivided unit. No division or subdivision of a unit is permitted unless it is approved unanimously by the Board of Directors.

c. The boundaries between adjoining units may be relocated upon application to the Association by owners of those units. Any such application to the Association must be in such form and contain such data as may be reasonably required by the Association and accompanied by a plat prepared by an architect licensed under

the provisions of Chapter 89C of the General Statutes or an engineer registered under the provisions of Chapter 89C of the General Statutes detailing the re-allocation of the boundaries between the affected units. The application must state the proposed re-allocation of the allocated interest in unit ownership. If the board of Directors unanimously approves within 30 days that the re-allocations are unreasonable, the Association, at the expense of the owners filing the application, shall prepare and record an Amendment to this Declaration that identifies the units involved, states the re-allocations and described the re-allocations by reference to the plat and described the re-allocations by reference to the plat referred to above showing altered boundaries between adjoining units, their dimensions and identifying numbers and is executed by those unit owners and the Association and contain words of conveyance.

d. The undivided interest in the common areas shall not be conveyed, devised, encumbered or otherwise dealt with separately from any unit and the undivided interest in the common areas and facilities appurtenant to each unit shall be deemed conveyed, devised, encumbered or otherwise included with the unit, even though such undivided interest is not expressly mentioned or described in the instrument conveying, devising, encumbering or otherwise dealing with such unit.

e. The common areas and facilities shall be, and the same are hereby declared to be subject to a perpetual, non-exclusive easement in favor of all unit owners for all proper and normal purposes and for the furnishing of services and facilities for which the same are reasonably intended, the use of said unit owner. Notwithstanding anything provided herein, the Association shall have the exclusive right to establish the rules and regulations pursuant to which any unit owner, tenants, guests and invitees may be entitled to use of the common areas and facilities, including the right to make permanent and temporary assignment of parking spaces, and to establish regulations regarding the use thereof, provided, however, said rights shall not be used in such a fashion so as to prohibit reasonable access to and from any unit to a public vehicular area.

f. No unit owner shall have the right to bring any action for partition or division of the common areas and facilities.

ARTICLE IV

USE RESTRICTIONS

a. No portion of any unit shall be used except for office or business purposes and for purposes incidental or accessory thereto. No residential use may be made of any unit.

b. No immoral, improper, offensive or unlawful use shall be made of any unit or of the common areas and facilities, nor any part hereof, and all laws, zoning ordinances, and regulations of all governmental authorities having jurisdiction over the unit shall be observed.

c. No owner of any unit shall permit or suffer anything to be done or kept in said unit, or on the common areas and facilities, which will increase the rate of insurance on the unit, or common areas and facilities, or which will obstruct or interfere with the rights of other occupants of other units or shall cause unreasonable noises or constitutes a nuisance to any other unit owner or which interferes with the peaceful possession and property use of any other unit or of the common areas and facilities.

d. The use of the common areas and facilities, by any unit owner, and any other party authorized to use the same, shall at all times be subject to such reasonable rules and regulations as may be established by the Association.

e. Subject to the provisions of Article III b and c above, no unit owner shall permit any structural modification or alteration to be made to a unit without first having the written consent of the Board of Directors of the Association. No owner shall cause any improvements or changes to be made on the exterior of the condominium or in any manner alter the appearance of the exterior portion of the buildings, without the written consent of the Board of Directors of the Association. No unit owner shall cause any object to be affixed to the common areas and facilities or in any manner change the appearance of the common area and facilities without the written consent of the Association having been obtained.

f. All exterior signs or signs which are visible from the exterior of the building shall be approved by the Board of Directors of the Association or such agent as said Board of Directors designates. All such signs must be in keeping with the general plan and design of the condominium.

g. For so long as Declarant shall retain ownership in any of the units, including additional phases which may be submitted to this Declaration, the Declarant may utilize any such units or units for sales offices, models or other usage for the purpose of selling units in the condominium. The declarant may assign this limited usage right to such person as they may choose.

h. No animals, domesticated or otherwise, shall be kept or housed in any unit or in the common areas and facilities, without the prior written consent of the Association.

i. The Association is hereby authorized to establish reasonable rules and regulations regarding the units, buildings, common areas and facilities as they may deem necessary from time to time.

ARTICLE V

EASEMENTS

In additional to any easements provided herein, the following easements and rights are hereby established as covenants and burdens running with the real property and the improvements thereof:

a. The Board of Directors of the Association or other person authorized by said Board shall have the right, in case of any emergency, to enter any unit for the purpose of remedying or abating the cause of such emergency and such right of entry shall be immediate.

b. Each unit owner is hereby granted an easement in common with other owners of units as well as the Association to use all pipes, wires, ducts, cables, conduits and public utility lines located in any of the other units. The Board of Directors of the Association or their designee shall have the right of access to each unit to inspect said areas and to remove violations therefrom, and to maintain, repair or replace the common facilities contained therein or elsewhere in the building.

c. The Board of Directors may grant or issue easements, leases or licenses for utility purposes for the benefit of the condominium, including the right to install, lay, maintain, repair and replace water lines, pipes, sewer lines, gas mains, telephone and television wires and equipment and electrical conduits and wires over, under, along or on any portion of the units or common areas and facilities and each unit owner hereby grants to the Board of Directors or its designee, the irrevocable power of attorney to execute, acknowledge and record for or in the name of the Association or each unit such instruments as may be necessary to effectuate the foregoing.

d. Ingress and egress is reserved for pedestrian traffic over, through and across the sidewalks, paths, walks and lanes as the same from time to time may exist upon the common areas and facilities and for vehicular traffic over, through and across such portions of the common areas and facilities as from time to time may be paved and intended for such purposes for all unit owners.

e. In the event any unit shall encroach upon any of the common areas and facilities, or any other unit or units for any reason other than by the purposeful or negligent act of the unit owner or agents of such owner, then an easement appurtenant to said unit shall exist for the continuance of such encroachment upon the common areas and facilities or upon a unit for so long as such encroachment shall naturally exist. In addition, in the event any portion of the common areas and facilities shall encroach upon any unit, then an easement shall exist for the continuance of such encroachment of the common areas and facilities upon any unit so long as such encroachment shall naturally exist. If any unit or common areas and facilities 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 said unit or common areas and facilities in accordance with this declaration, there may exist an encroachment of portions of the common areas and facilities upon any unit or of any unit upon any other units or of any unit upon any portion of the common areas and facilities, then such encroachment shall be permitted and a valid easement for maintenance thereof shall exist for so long as said encroachments naturally remain.

ARTICLE VI

THE ASSOCIATION

The Association shall administer the operation and management of Junction Station Business Park and shall undertake and perform all acts and duties incidental thereto in accordance with the terms of its Articles of Incorporation and its duly adopted By-Laws.

a. MEMBERSHIP. Membership and voting rights in the Association shall be as provided in the Articles of Incorporation referred to above. Membership is mandatory for all unit owners in all phases of Junction Station Business Park.

b. POWERS. The Association shall have all powers granted to it in the Article of Incorporation.

ARTICLE VII

COMMON EXPENSES

The common expenses of the Association shall be shared by the unit owners in the same proportion that the undivided interest in the common areas and facilities bears to the total of all undivided interests in the common areas and facilities appurtenant to all units and shall be assessed and collected as hereinafter provided, save and except Building 4.

ARTICLE VIII

MANAGEMENT AND MAINTENANCE

a. The Association, as a common expense, shall provide for the maintenance, repair and replacement of all the common areas and facilities, including those portions designated as limited common areas and facilities including support structures, conduits, ducts, plumbing, wiring and other facilities as well as furnishing of utility; and other services to the units and to the common areas and facilities. In the event maintenance, repair and replacement of any item for which the Association is obligated to maintain, replace or repair pursuant to this Declaration is occasioned by any

act of a unit owner, said owner's guest, invitees or tenants and such loss or damage is or may be covered by 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 provided, however, any unit owner who is responsible for the act causing the damage, whether the same is done by the owner, the owner's guests, invitees or tenants, shall be required to pay such portion of the cost of such maintenance, repair or replacement as shall exceed the amount of any insurance proceeds applicable to such maintenance, repair or replacement.

b. The Association shall have the right to make or cause to be made such alterations or improvements to the common areas and facilities with the approval of the Board of Directors, provided such alterations and improvements do not prejudice the rights of the owners of any unit in the use of said unit and the cost of such alterations or improvements shall be deemed common expenses to be assessed and collected from all owners of the units.

c. The Association may enter into a contract with a management company or manager for the purpose of providing all or part of the elements of the operation, care, supervision, maintenance and management of the condominium. All of the powers and duties of the Association necessary or convenient for such maintenance and management may be delegated to the manager by the Board of Directors except such as are specifically required by this Declaration, the By-Laws or the Act to have the approval of the Board of Directors of the Association. The manager is hereby further authorized to recommend the annual budget, and upon approval thereof by the Board of Directors, make assessments for common expenses and collect such assessments as provided in this Declaration and the By-Laws subject always to the supervision and right of approval of the board of Directors.

d. Each unit owner shall promptly perform all maintenance and repair work in said owners unit, which, if omitted would affect the condominium, either in its entirety or in any part belonging to other owners and each owner is expressly responsible for the damages and liabilities resulting from said failure to maintain and repair. The owner of each unit shall be liable and responsible for maintenance, repair and replacement as the case may be, of all air conditioning and heating equipment, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their telephone connections required to provide water, lights, power, telephone, sewage and sanitary service to said owner's unit. Each owner shall further be responsible for the maintenance, repair and replacement of any interior surfaces of all walls, ceilings and floors within a unit, including painting, decorating and furnishing, and all other accessories which such owner may desire to place or maintain in the condominium unit. Whenever the maintenance, repair or replacement of any item for which the owner is obligated to maintain, replace or repair is occasioned by any loss or damage which may be covered by any insurance maintained and 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 required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductible insurance proceeds applicable to such maintenance, repair or replacement.

e. All parts of a unit shall be kept in good condition and repair by and at the expense of the owner. The unit shall be maintained by the owner in a clean and safe condition, free of nuisance. Each owner will promptly comply with any insurance underwriting requirements for the common areas and facilities when so requested in writing by the Board or its designated agent. In the event any owner fails to repair, maintain or replace any portions of the units or common areas as required herein, the Board

of Directors, or its designated agent, may, upon written notice to the owner of the nature of the required repair, maintenance or replacement, repair or replace said necessary items and may charge the cost and expense of said maintenance, repair and replacement to the unit owner, to be collected by special assessments as provided herein and in the By-Laws.

f. Building 4: The owner of Building 4 and the Board of Directors shall meet each year to determine the dues to be paid annually for Building 4. The owner of Building 4 shall maintain at his expense hazard insurance on Building 4 and the annual dues for Building 4 shall be based upon the then estimated exterior maintenance of Building 4 and a percentage of maintenance of the common parking area.

ARTICLE IX

INSURANCE

a. ACQUISITION. To the extent available, property insurance on the buildings and all improvements upon the land and all personal property included in the common elements, except such personal property as may be owned by the condominium owner insuring against all risks of direct physical loss, commonly insured against including fire and extended coverage perils as well as vandalism and malicious mischief. The total amount of insurance after application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies. Liability insurance in reasonable amounts, shall also be obtained concerning all occurrences commonly insured against including death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the common elements, including an endorsement to cover liability of the unit owners as a group or a single unit owner. All insurance acquired pursuant to this paragraph must provide that:

1. Each unit owner is an insured person under the policy with respect to liability arising out of his interest in the common elements or membership in the Association, save and except Building 4.

2. The insurer waives its right of subrogation under the policy with respect to liability arising out of his interest in the common elements or membership in the Association;

3. No act or omission by any unit owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy; and,

4. If, at the time of a loss under the policy, there is other insurance in the name of the unit owner covering the same risk covered by the policy, the Association's policy provides primary coverage. In addition, the Association may carry such other insurance as it deems necessary or beneficial to the protection and well being of the Association.

b. PAYMENT OF INSURANCE PROCEEDS. Any loss covered by the proceeds of any insurance acquired by the Association shall be adjusted with the Association but shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the Association shall hold any insurance proceeds in trust for the unit owners and lienholders as their interests may appear. The proceeds shall be disbursed first for repair or restoration of the damaged property and unit owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the

property has been repaired or restored, or the condominium has been terminated, save and except Building 4.

c. FIDELITY COVERAGE. The Association shall carry such fidelity coverage protecting against dishonest acts by Association officers, directors, trustees and employees and all others who are responsible for handling funds of the association, as the Board of Directors may deem prudent or desirable.

d. PREMIUMS. Premiums for insurance policies purchased pursuant to these provisions shall be paid by the Association and shall be charged as a common expense.

ARTICLE X

DAMAGE AND DESTRUCTION

a. DETERMINATION OF RECONSTRUCTION OR REPAIR. If any part of the units, common areas and facilities, or limited common areas shall be damaged by a casualty or other cause, reconstruction or repair shall be made unless:

1. The condominium is terminated in accordance with Section 47C-2-118 of the General Statutes of the State of North Carolina, as the same may be amended from time to time; or,

2. Repair or replacement would be illegal under any State or local health or safety statute or ordinance; or,

3. The unit owners decide not to rebuild by an eighty percent (80%) vote including one hundred percent (100%) approval of the owners of units not to be rebuilt or owners assigned to limited common elements not to be rebuilt.

If the entire condominium is not repaired or replaced, (1) the insurance proceeds attributed to the damaged common elements to a condition compatible with the remainder of the condominium, (2) the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units and the owners of those units to which the limited common elements were allocated or to lienholders, as their interest may appear and (3) the remainder of the proceeds shall be distributed to all unit owners or lienholders, as their interest may appear, in proportion to their common element interest. If the unit owners vote not to rebuild any unit, that unit's allocated interests are automatically reallocated upon the vote as if the unit had been condemned under G.S. 47C-1-107(a), and the Association shall prepare, execute, and record an amendment to this Declaration reflecting the reallocations, provided, however, these provisions shall not be applicable if the condominium is terminated as provided herein.

b. PLANS AND SPECIFICATIONS. Any reconstruction or repair shall be substantially in accordance with the plans and specifications of the original unit or units, or if not in accordance with said plans and specifications, in accordance with plans and specifications approved by the Board of Directors of the Association and by the owner of any damaged or destroyed unit.

c. RESPONSIBILITY. If damage is to part or parts of one or more condominium units, then the condominium unit owner shall be responsible for the reconstruction and repair to said unit after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

d. ESTIMATE OF COST. Immediately after the determination to rebuild or repair damage to property for which the Association has a responsibility for reconstruction and repair, the Association shall obtain reliable and detailed estimates to rebuild or repair.

e. ASSESSMENTS. If the proceeds of insurance are not sufficient to defray the cost of reconstruction and repair by the Association, assessments shall be made against the unit owners in the case of damage to common areas and facilities, in sufficient amounts to provide funds for the payment of such costs. Such assessments on account of damage to common areas and facilities shall be in proportion to the unit owners shares in the common areas and facilities and shall be deemed common expense, save and except Building 4.

ARTICLE XI

REGISTER OF OWNERS AND MORTGAGEES

The Association shall maintain a register setting forth the names of all the owners of the condominium units. In the event of a sale or transfer of any condominium unit to a third party, the transferee shall notify the Association in writing of his interest in such condominium unit, together with recording information necessary to identify the instrument by which the transferee has acquired the interest. The owner of each condominium unit shall also notify the Association of the parties holding any mortgage or deed of trust on any condominium unit, the amount of such mortgage and the recording information necessary to identify the mortgage or deed of trust. The holder of any mortgage or deed of trust may notify the Association of existence of any mortgage or deed of trust and the Association shall register in its records all pertinent information relating thereto.

ARTICLE XII

ASSESSMENTS

The Association is given the authority to administer the operation and management of the condominium in furtherance of the best interest of all unit owners. To properly administer the operation and management of the condominium unit, the Association will incur for the mutual benefit of all the owners of condominium units, costs and expenses, hereinafter referred to as common expenses. To provide the funds necessary for such proper operation, management and capital improvement, the Association is granted the right to make, levy and collect assessments against the unit owners and their condominium units. In furtherance thereof, the following provisions shall be operative and binding upon the owners of all condominium units:

a. All assessments levied against the unit owners and their units shall be uniform and, unless specifically otherwise provided for herein, shall bear the same percentage of the total assessment made against all the unit owners and the condominium units as the undivided interest in the common areas and facilities appurtenant to each condominium unit bears to the total undivided interest of the common areas and facilities appurtenant to all condominium units, save and except Building 4.

b. Assessments shall be payable in monthly, quarterly or annual installments as determined by the Board of Directors.

c. Until the Association makes common expense assessments, the Declarant shall pay all common expenses.

d. The Board of Directors shall establish an annual budget in advance for each fiscal year (which shall correspond with 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 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 separate those 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 shall be delivered to each unit owner and the assessment for such year shall be established based upon such budget, although the non delivery of a copy of the budget to each unit owner shall not affect the liability of any owner for such assessment. A majority of the owners must approve an increase in the yearly assessment if the increase exceeds the previous year's assessment by more than 10%.

e. The Board of Directors shall designate a sum to be collected and maintained as reserve fund for replacement of an capital improvements to the common areas and facilities which shall be for the purpose of enabling the Association to replace a part of the common areas and facilities and to replace personal property located on or maintained as a portion of the common areas and facilities for the joint use and benefit of the unit owners.

f. In the event any assessment or installment thereof is not paid within 30 days of its due date, the same shall be deemed in default and shall bear interest at the rate of 12% per annum from the date of delinquency. In addition, any delinquent assessment shall be increased by the cost of collection including court costs and reasonable attorney's fees not to exceed 15%.

g. The unit owners 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 the payment of any assessment or installment owed to the Association, such unit owner or owners shall be personally liable, jointly and severally, for interest on such delinquent assessments or installment thereof as above provided, and for all costs of collecting such assessment or installment and interest thereon, including reasonable attorney's fees.

h. No owner of a condominium unit shall be exempt from liability for any assessment levied pursuant to this Declaration by waiver of the use of enjoyment of any common area and facilities, by abandonment of the condominium unit or by any other means.

i. Any assessment levied against a unit remaining unpaid for a period of 30 days or longer, together with interest, court costs, late charges and attorney's fees, shall constitute a lien on that unit when filed of record in the Office of the Clerk of Court of New Hanover County in a manner provided therefore by Article 8 of Chapter 44 of the North Carolina General Statutes. The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes.

j. The lien described above shall be prior to all other liens and encumbrances on a unit except (1) liens and encumbrances (specifically including but not limited to, a mortgage or deed of trust on the unit) recorded before the docketing of the lien in the office of the Clerk of Superior Court, and (2) liens for real estate taxes and other governmental assessments or charges against the unit.

k. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a unit, obtains title to the unit as result of foreclosure of a first mortgage or first deed of trust, or a deed in lieu of foreclosure or judicial sale pursuant to a deed of trust or mortgage, such purchaser, and its heirs, successors and assigns, shall not be liable for the assessments against such unit which became due prior to acquisition of title to

such unit by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all the unit owners including such purchaser, and its heirs, successors and assigns.

1. The Association shall provide, upon written request by any unit owner, a statement verifying the status of payment of any assessment which shall be due and payable to the Association in regard to any unit. Such statement shall be executed by an officer of the Association and any person receiving such statement may rely on the accuracy and validity of said statement.

ARTICLE XIII

COMMON SURPLUS

All common surplus shall be owned by the owners of all condominium units in the same proportion that the undivided interest of the common areas and facilities appurtenant to each unit bears to the total of all undivided interest in the common areas and facilities appurtenant to all condominium units; 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 proceeds as provided herein 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 owner or owners units in accordance with their percentage interest in the common properties declared therein.

ARTICLE XIV

TERMINATION

Any termination of the condominium unit shall be in accordance with Chapter 47C-2-118 of the General Statutes of North Carolina as the same may be amended from time to time.

ARTICLE XV

AMENDMENT OF DECLARATION BY UNIT OWNERS

a. This Declaration may be amended only by affirmative vote of by at least 67% of those present and attending at a specially called meeting at which a quorum is present. Each member of the Association shall be given written notice of said special meeting, stating the time and place thereof and reciting the approved amendment, which notice shall be mailed no less than 10 days nor more than 30 days before the date set for such special meeting. Such notice shall be deemed to be properly given when deposited in the United States mail addressed to the member at the address provided on the records of the Association, with postage prepaid. In lieu of said vote, said Declaration may be amended by written agreement signed by more than 67% of the votes in the Association. Upon amendment of the Declaration as provided in this paragraph, the amendment shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted and the original or an executed copy of such amendment shall be recorded in the Office of the Register of Deeds of New Hanover County within 10 days from the date on which the same became effective.

b. In addition to Amendment as provided above, this Declaration may be amended by the Declarant during the period of Declarant control set forth in Article XVII, Paragraph (a) below, provided subparagraph shall not alter the percentage of undivided interest in the common areas for units already conveyed by the Declarant nor shall they alter the perimeter boundaries of any unit theretofore conveyed. Any such amendment shall be in writing, signed by the Declarant, and recorded in the office to the Register

of Deeds of New Hanover County.

ARTICLE XVI

RIGHTS RESERVED UNDER HOLDERS OF MORTGAGES AND DEEDS OF TRUST

So long as any holder of a mortgage or deed of trust shall hold any mortgage or deed of trust upon any condominium unit or units or shall be the owner of any condominium unit or units, such holder shall have the following rights:

a. To examine, upon request and at reasonable times and upon reasonable notice, the books and records of the Association and, upon request, to be furnished a copy of the annual financial statement and report of the Association.

b. To be given written notice by the Association of the call of any meeting of the membership, which notice shall state the purpose of such meeting; and to designate a representative to attend.

c. To be given written notice of default by any owner owning the condominium unit encumbered by the mortgage or deed of trust held by any such party. Such notice shall be sent to an address which the holder may designate in writing.

d. To be given written notice of any loss to or taking of the common areas and facilities of the condominium if such loss or taking exceeds \$5,000.00 or of damage to a condominium unit on which said lender holds a deed of trust which is excess of \$1,000.00.

e. To receive written notice of any condemnation or eminent domain proceeding or proposed acquisition by a condemning authority.

Whenever any holder of a mortgage or deed of trust desires the provisions of this Article to be applicable to, it shall serve written notice of such fact upon the Association by registered mail or certified mail, addressed to the Association by registered mail or certified mail, addressed to the Association and sent to its address stated herein, identifying the condominium units upon which any such party holds any mortgage or deed of trust or identifying any condominium unit owned by it, together with sufficient facts to identify such mortgage or deed of trust and which mortgage shall designate the party to which notices are to be given by the Association to such party.

ARTICLE XVII

DECLARANT CONTROL PERIOD

a. Subject to the provisions of subparagraph b below, Declarant shall have the right to appoint and remove the officers of the Association and the members of the Board of Directors, provided, however, this period of Declarant control shall terminate no later than the earlier of: (1) 120 days after the conveyance of 75% of the units to unit owners other than Declarant or (2) two years after the Declarant has ceased to offer units for sale in the ordinary course of business. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of that period, but at Declarant's discretion, Declarant may require that specified actions of the Association or Board of Directors be approved by the Declarant before they become effective. All such reservations shall be in writing, executed by the Declarant and recorded in the Office to the Register of Deeds of New Hanover County.

b. Not later than 60 days after the conveyance of 25% of the units to unit owners other than Declarant, at least one member and not less than 25% of the members of the executive board shall be elected by unit owners other than Declarant. Not later than 60 days after the conveyance of 50% of the units to unit owners other than Declarant, not less than 33% of the directors shall be elected by unit owners other than the Declarant.

c. Not later than the termination of any period of Declarant control, the unit owners shall elect a Board of Directors of not less than five (5) members, at least a majority of whom must be unit owners. The Board of Directors shall elect officers, and board members and officers shall take office upon election.

ARTICLE XIX

MISCELLANEOUS

a. In the event any of the terms, provisions or covenants of this Declaration are held to be invalid or unenforceable, such holding shall not in any way modify, alter or impair the remaining terms, provisions and covenants contained herein which are not specifically held invalid or unenforceable.

b. Restrictions and burdens imposed by this Declaration shall be deemed a covenant running with the land and shall be binding upon the Declarant, its heirs and assigns, and upon all parties who may subsequently become unit owners and their respective heirs, successors and assigns.

c. The following named individual is designated as the person to receive service of process for the Association:

DOROTHY W. KILPATRICK

IN WITNESS WHEREOF, the Declarant have caused this instrument to be executed the day and year first above written.

Dorothy W. Kilpatrick (SEAL)
DOROTHY W. KILPATRICK
Grant E. Kilpatrick (SEAL)
GRANT E. KILPATRICK

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, V. A. Beury-Helms, a Notary Public in and for said County and State do hereby certify that DOROTHY W. KILPATRICK and GRANT E. KILPATRICK personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and official stamp or seal this 18th the day of October, 1999.

V. A. Beury-Helms
Notary Public

My Commission expires: 8/5/2004

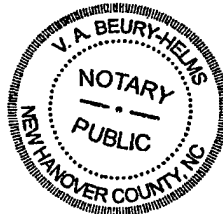
STATE OF NORTH CAROLINA
New Hanover County
The Foregoing/ Annexed Certificate(s) of

V. A. Beury-Helms

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

This the 21 day of Oct, 1999

Mary Sue Oots, Register of Deeds
by *Mavis Ann Storey*
Deputy/Assistant



"Tract A"

Beginning at an iron pipe in the Eastern right-of-way of U.S. Highway 421, also known as Carolina Beach road ,(160 foot right-of-way) said iron pipe being the Southwestern corner of Lot 1 of the Robert C. Grimes and wife, Judith I. Grimes Division as recorded in Map Book 36 Page 115 of the New Hanover County Registry and being located 2241.21 feet, as measured Southwardly along said Eastern right-of-way line of U.S. Highway 421, from a N.C. DOT right-of-way disk at the Southerly end of a curved connector, connecting the Southern right-of-way of Piner Road, also known as S.R. 1521, Eastern right-of-way line of said Carolina Beach Road. Said iron pipe also being located by a grid bearing of North 42degree 45 minutes 54 seconds East 53.03 feet from N.C.G.S. Monument "BRYAN" said monument having NAD 83 coordinates of N=141,369.2448 feet, 2,334,390.8135 feet and a combined factor of 1.000065. Running thence, South 68 degrees 17 minutes 40 seconds East 300.91 feet to an existing iron pipe which marks the Southeast corner of Lot 1 of the aforementioned Grimes Division; running thence, South 68 degrees 17 minutes 40 seconds East 65.21 feet to the Southeast corner of a tract of land conveyed to Dorothy W. Kilpatrick and husband Grant Edward Kilpatrick by Robert C. Grimes and wife Judith I. Grimes recorded in Deed Book 281 Page 222 of the New Hanover County Registry; running thence, North 16 degrees 34 minutes 27 seconds East 85.50 to an existing iron pipe in the dividing line between Tract 7 and Tract 8 of the Elisha Moore Subdivision as recorded in Map Book 2 Page 20 of said registry; running thence, South 68 degrees 17 minutes 40 seconds East 384.65 feet to a point and passing over an inline pipe at 131.18 feet; running thence, South 21 degrees 42 minutes 20 seconds West 171.28 feet to a point in the dividing lines between Tracts 9 & 10 of the Elisha Moore Subdivision as recorded in said Registry; running thence, North 68 degrees 17 minutes 40 seconds West 735.55 feet to an existing iron pipe in the Eastern Right of Way line of U.S. Highway 421 and passing over an inline pipe at 127.28 feet; running thence along said Right of Way line with a curve to the West with a radius of 2341.83 feet and chord bearing and distance of North 18 degrees 00 minutes 03 seconds West 86.31 feet to the point of beginning. Containing 2.21 acres more or less. Also being a portion of Tract 1 and Tract 2 of the Kay Grimes Estate.

EXHIBIT A - PAGE 2

- Parcel I: All of Lot 1 of the Division of Property for Robert C. Grimes and wife, Judith I. Grimes as depicted on a map thereof recorded in Map Book 36 at Page 115 of the New Hanover County Registry.
- Parcel II: BEGINNING at a new iron pipe in the northerly line of a tract deeded to Kay J. Grimes by deed recorded in Book 1279 at Page 102, First Tract. Said beginning pipe being located South 68 degrees 17 minutes 40 seconds East 301.90 feet from a new iron pipe in the easterly right-of-way line of U.S. Highway No. 421 (160 foot right-of-way), also known as Carolina Beach Road. Last said pipe being located 2156 feet, more or less, as measured along said easterly right-of-way line, from a N.C. D.O.T. right-of-way disk at the southerly end of a curved connector, connecting the southerly right-of-way line of Piner Road, also known as S.R. No. 1521, with the easterly right-of-way line of said Carolina Beach Road. Said beginning pipe being the easternmost corner of Lot 1 as shown on a map of "Division of Property for Robert C. Grimes and wife Judith I. Grimes" recorded in Map Book 36 at Page 115 of the New Hanover County Registry. Running thence from said beginning pipe South 68 degrees 17 minutes 40 seconds East 65.21 feet with the northerly line of said Grimes tract to a point; thence South 16 degrees 34 minutes 27 seconds West 85.49 feet to a point in the dividing line between said First Tract and the Second Tract described in said deed to Kay J. Grimes recorded in Book 1279 at Page 102 of said Registry; thence North 68 degrees 17 minutes 40 seconds West 65.21 feet with said dividing line to a new iron pipe at the southernmost corner of said Lot 1; thence North 16 degrees 34 minutes 27 seconds East 85.49 feet with the easterly line of said Lot 1 to the point of BEGINNING.
- The above described tract contains 0.13 acres.