

DECLARATION CREATING UNIT OWNERSHIP

FOR

THE REGENCY AT SUNSET BEACH, A CONDOMINIUM

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PURSUANT TO THE PROVISIONS OF NCGS 47C FOR
THE REGENCY AT SUNSET BEACH, A CONDOMINIUM

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**DECLARATION CREATING UNIT OWNERSHIP
PURSUANT TO THE PROVISIONS OF NCGS 47C
FOR
THE REGENCY AT SUNSET BEACH, A CONDOMINIUM**

THIS DECLARATION is made this the ____ day of _____, 200_, by ISLAND INVESTMENTS, LLC, a limited liability company organized and doing business under the laws of the State of North Carolina, with an office and place of business located in Sunset Beach, Brunswick County, North Carolina, hereinafter referred to as the "**DECLARANT**", pursuant to the provisions of Chapter 47C, North Carolina General Statutes, entitled "North Carolina Condominium Act"; and _____, Trustee and COASTAL FEDERAL BANK, the Secured Construction Lender.

**ARTICLE ONE
DEFINITIONS**

Certain terms and provisions as used in this Declaration with its attached and incorporated exhibits shall be defined as follows, unless the context clearly requires and indicates a different meaning:

- (1) **Allocated Interest:** means the undivided interests in the Common Elements, the Common Expense Liability, and Votes in the POA allocated to each Unit.
- (2) **POA:** means the Property Owners Association which is organized to administer this Condominium.
- (3) **Common Elements:** means all portions of the Condominium other than the Units and Limited Common Elements.

(4) **Common Expenses:** means expenditures made by or financial liabilities of the POA.

(5) **Declaration:** means this instrument which creates this Condominium, and any amendments to this instrument.

(6) **Limited Common Elements:** means a portion of the Common Elements allocated by this Declaration or by the operation of law for the exclusive use of one of the Units. The Limited Common Elements shown on the plans are the balconies, exterior doors, windows, and assigned storage areas.

(7) **Unit:** means a physical portion of the Condominium designated for separate ownership, the boundaries of which are established by the walls, floors and ceilings as shown on the plans; therefore, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces thereof are a part of the Unit; and all other portions of such walls, floors, or ceilings are a part of the Common Elements. If any flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit is a Limited Common Element allocated exclusively to that Unit; and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the Common Elements.

All spaces, interior portions, and other fixtures and improvements within the boundaries of a Unit are a part of the Unit. In this connection, pipes, ducts, wire, conduits and other facilities for the furnishing of water, electrical, cable T.V., telephone, sewage facilities and other

services to the Unit and Common Elements from the point of entry through the interior surface walls, ceilings and floors are a part of the Unit.

Notwithstanding the foregoing, however, heating and air conditioning systems which serve only a particular Unit shall be considered a part of the Unit even though a portion thereof lies outside of the boundaries of the Unit.

(8) **Technical Words:** All other technical words which may be used in this Declaration, 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 NCGS 47C-1-103.

ARTICLE TWO **ESTABLISHMENT OF THE CONDOMINIUM**

Declarant is the owner of a certain tract or parcel of land located in Sunset Beach, Shallotte Township, Brunswick County, North Carolina, and more particularly described on **Exhibit A** attached hereto and incorporated herein by reference, and on which property there has been constructed one building containing a total of eighteen Condominium Units, their supporting facilities, appurtenant improvements (which include a passenger elevator), and amenities. The building is of wood frame construction with a combination of masonry and vinyl exterior siding as more particularly shown on the plans and specifications which appear in Unit Ownership File _____, Pages _____ - _____ recorded in the office of the Register of Deeds of Brunswick County which are fully incorporated herein by reference as a part of this Declaration of Condominium. The Declarant does hereby submit the above described property and improvements to Condominium ownership under the provisions of Chapter 47C of the General Statutes of North Carolina (North Carolina Condominium Act) and does hereby declare the same

to be a Condominium to be known and identified as "**THE REGENCY AT SUNSET BEACH, A CONDOMINIUM**".

ARTICLE THREE
RESERVATION OF DEVELOPMENT RIGHTS
AND SPECIAL DECLARANT RIGHTS

The Declarant hereby reserves the Development Rights to add the real estate shown on the general schematic map attached hereto as **Exhibit B** to the Condominium and to create additional Units, Common Elements and Limited Common Elements to be located thereon. Further, the Declarant hereby reserves the Special Declarant Rights to (a) complete any improvements on any plats or plans filed with this Declaration or any amendment thereto; and (b) to exercise the foregoing Development Rights; and (c) to maintain sales offices, management offices, signs advertising the Condominium and models; (d) the use of easements through the Common Elements for the purpose of making improvements within the Condominium or within the real estate which may be added to the Condominium; and (e) to make the Condominium part of a larger Condominium; and (f) to appoint or remove any officer of the POA or any member of the Board of Directors during the period of Declarant control of the POA.

The Development Rights and Special Declarant Rights herein reserved shall expire on December 31, 2015. The Development Rights may be exercised with respect to different portions of the property (phases) shown on **Exhibit B** at different times. Neither the definite boundaries of these phases, if incorporated, nor the order of incorporation can now be established. Exercise of the Development Rights as to any particular phase does not require that it must be exercised as to any future phase or any other portion of the remainder of the real estate which may be added to the Condominium. In any event however, the maximum number of Units

which may be added to the Condominium pursuant to the exercise of these Development Rights is 34, thereby creating a maximum number of 52 Units in the Condominium.

The buildings to be located on these additional parcels, if they are added to the Condominium, shall be of substantially the same design, construction and materials, as the building presently constituting the Condominium (Phase 1).

The formula for assigning the appurtenant Allocated Interest for the Units in Phase 1 and for Units which will be contained in the future phases, should they be added pursuant to the Development Rights retained by this Article, are set out in Article Five. The procedure for exercising the Development Rights contained in this Article is set out in Article Seventeen.

ARTICLE FOUR
DESCRIPTION OF IMPROVEMENTS
AND UNIT DESIGNATIONS

A graphic description of the Condominium appears in the Unit Ownership File described in Article Two. This file contains the plans and specifications for the improvements constituting the Condominium. The plans also identify the Condominium Units, the Common Elements, the Limited Common Elements and their respective locations, dimensions and the building materials used in construction of the Condominium. The Architect's As-built Verified Statement and the Surveyor's Certification as required by N.C.G.S Section 47C-2-109 appear on the face of the plans.

Each unit is identified by a code number consisting of three digits. The first digit represents the building number; the next number represents the floor number; and the last digit represents the unit location on the floor.

The present building, Phase 1, and the individual Units located therein are identified as follows:

Standing in the street adjacent to the building, facing the building, the unit on the first floor on the far left is designated as Unit 111; and progressing to the right, the next is designated as Unit 112. The first unit on the far left on the second floor is designated as Unit 121; and progressing to the right, the units are designated as Unit 122, 123, and 124. The first unit on the far left on the third floor is designated as Unit 131; and progressing to the right, the units are designated as Units 132, 133, and 134. The first unit on the far left on the fourth floor is designated as Unit 141; and progressing to the right, the units are designated as Units 142, 143, and 144. The first unit on the far left of the fifth floor is designated as Unit 151; and progressing to the right, the units are designated as Units 152, 153, and 154. If Phases 2 and/or 3 are incorporated into the Condominium, the numbering scheme shall be the same.

ARTICLE FIVE
OWNERSHIP OF UNITS AND
APPURTENANT ALLOCATED
INTEREST TO EACH UNIT

Each 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 Unit, an undivided interest in the Common Elements, votes in the POA and Common Expense Liabilities. The allocation in the Common Elements and of the Common Expenses of the POA as well as the votes in the POA appurtenant to each Unit as of the date of this Declaration is set out in **Exhibit C** attached hereto and made a part hereof. The allocated

interest appurtenant to each Unit as ownership in the Common Elements and the Common Expense Liability is to be determined by the following formula:

The number "1" divided by the aggregate number of Units in the Condominium.

Thus since the first phase will contain 18 Units the allocated interest appurtenant to each Unit and the Common Expense Liability for each Unit is 1/18. This fraction will then be converted to a four decimal place percentage number which for the Units in Phase 1 will be 5.5555%.

The Allocated Voting Interest appurtenant to each unit in all cases is 1. Each unit is allocated one vote in the POA. All of these appurtenant allocations to each Unit will be determined in the same manner upon the addition of subsequent phases. Except through the incorporation of additional phases and the Units located therein, the undivided Allocated Interest in the Common Elements and the Common Expense Liability appurtenant to each Unit may not be changed.

ARTICLE SIX
RESTRICTION AGAINST FURTHER SUBDIVISION OF
UNITS; SEPARATE CONVEYANCE
OF APPURTENANT COMMON ELEMENTS PROHIBITED

No Unit may be divided or subdivided into a smaller Unit than is shown on the plans which are in the Unit Ownership File for this Condominium referred to in Article Two. The undivided interest in Common Elements 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. Any conveyance, mortgage or other instrument which purports to grant any right, interest or lien in, to or upon the Unit shall be null, void and of no

effect insofar as the same purports to affect any interest in a Unit and its appurtenant undivided interest in Common Elements, unless the same purports to convey, devise, encumber or otherwise trade or deal with the entire Unit. Any instrument conveying, devising, encumbering or otherwise dealing with any Unit, which describes the Unit by the numerical designation assigned thereto in Article Four without limitation or exception, shall be deemed and construed to affect the entire Unit and its appurtenant undivided interest in the Common Elements.

Nothing herein contained shall be construed as limiting or preventing ownership of any Unit and its appurtenant undivided interest in the Common Elements by more than one person or entity as tenants in common, joint tenants, or as tenants by the entirety.

ARTICLE SEVEN **ADMINISTRATION OF THE CONDOMINIUM**

A. A non-profit North Carolina Corporation known and designated as **THE REGENCY PROPERTY OWNERS' ASSOCIATION (POA)** has been organized to provide for the administration of the Condominium. The POA is responsible for causing the Common Elements to be maintained, repaired, and replaced when necessary and to assess the Unit Owners as necessary to recover the cost of such maintenance, repair, or replacement. In this connection, even though the exterior doors and windows to the Units, the balconies, and the assigned storage areas are Limited Common Elements, they shall be maintained as if they were Common Elements by the POA and the cost thereof included in the POA budget; otherwise, the cost of maintenance, repair, or replacement of any other Limited Common Elements shall be assessed against the Unit being benefited by the Limited Common Elements. In order to carry out this responsibility, the POA is granted all the powers contained in N.C.G.S. 47C-3-102, and these

powers shall be carried out in accordance with the terms of its Articles of Incorporation and Bylaws. Each Unit Owner shall automatically become a member of the POA upon his acquisition of an ownership interest in any Unit and its appurtenant undivided interest in the Common Elements; and the membership of any Owner shall terminate automatically upon his being divested of ownership interest in the title to such Unit.

B. Subject to the provisions of Section C of this Article Seven, the Declarant shall have the right to appoint or remove any member or members of the Board of Directors or any Officer or Officers of the POA until such time as the first of the following events occurs: (i) 120 days after conveyance of 75% of the Units (including Units which may be created pursuant to the Development Rights reserved in Article Three) to Unit Owners other than the Declarant; or (ii) 2 years after the Declarant has ceased to offer the Units for sale in the ordinary course of business; or (iii) 2 years after the Development Right to add new Units was last exercised. Any member of the Board of Directors or Officer of the POA designated and selected by the Declarant need not be a Unit Owner or a resident of the property.

C. Not later than 60 days after conveyance of 25% of the Units (including Units which may be created by the incorporation of the additional phases) to Unit owners other than the Declarant, at least one member and not less than 25% of the members of the Board of Directors shall be elected by Unit Owners other than the Declarant. Not later than 60 days after conveyance of 50% of the Units (including Units which may be created by the incorporation of the additional phase), to Unit Owners other than the Declarant, not less than 33% of the members of the Board of Directors shall be elected by Unit Owners other than the Declarant. Upon termination of the period of the Declarant control of the POA, the Unit Owners shall elect a three

member Board of Directors, at least two of whom must be Unit Owners. The Board of Directors shall elect the officers of the POA. Members of the Board of Director and Officers shall take their office upon election.

ARTICLE EIGHT
ASSESSMENTS:
LIABILITY, LIEN AND ENFORCEMENT

The POA is given the authority to administer the operation and management of the Condominium (including making capital improvements as necessary), it being recognized that the delegation of such duties to one entity is in the best interest of the Owners of all Units. To properly administer the operation and management of the Condominium, the POA will incur, for the mutual benefit of all Owners, costs and expenses as necessary for these purposes; therefore, the POA is granted the right to make, levy and collect assessments against the Unit Owners and their Units. In furtherance of this grant of authority to the POA to make, levy and collect assessments to pay the costs and expenses of these items, the following provisions shall be operative and binding upon the Owners of all Units.

A. Unless specifically provided for otherwise in this Declaration, Common Expenses must be assessed against all Units in accordance with the allocations set forth in Article Five of this Declaration.

B. Subject to the provisions of Section C of this Article Eight, assessments provided for herein shall be payable in monthly installments as determined by the Board of Directors of the POA. Assessments for each Unit shall commence on the first day after the day this Declaration is recorded in the Brunswick County Public Registry (should future phases be incorporated into

the Condominium, assessments for these Units shall commence on first day after the day the amendment to this Declaration incorporating these Units into the Condominium is recorded).

C. In addition to the annual assessment authorized above, the Board of Directors may levy a special assessment for the purpose of:

1. Funding any shortage caused by increase in insurance premiums on the premises;
and
2. Defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Elements, including fixtures and personal property related thereto; and
3. As an aid in funding any special assessment, the POA shall specifically have the right to assign its right to future income, including the right to receive Common Expense Assessments.

D. In order to insure that the POA will have sufficient money available to meet operational needs, a Working Capital Fund is hereby established. At the time of closing on the first sale of each Unit, the purchaser thereof shall pay into such Fund an amount equal to the monthly assessment for the Unit multiplied by two plus two-hundred and fifty dollars. No such payment made to the Working Capital Fund shall be considered an advance or current payment of regular assessments. All money paid into the Working Capital Fund shall be held and administered by the POA in accordance with the terms of this Declaration and the Bylaws.

E. The Board of Directors of the POA shall establish an Annual Budget in advance for each fiscal year. 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, and the budget shall 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 keep separate items relating to operation and maintenance from items relating to capital improvements. Upon adoption of the Annual Budget by the Board of Directors of the POA, copies shall be delivered to each owner of a Unit and the assessment for the year shall be established based upon the Budget, although the failure to deliver a copy of the Budget to each owner shall not affect the liability of any owner for the assessment.

F. All money collected by the POA shall be treated as separate property of the POA and may be applied by the POA to the payment of any expense of operation and management of the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration of Condominiums, the Articles of Incorporation or the Bylaws of the POA. Assessment money collected from the Unit Owners may be commingled. Although all funds and common surplus, including other assets of the POA, and any increments thereto or profits derived therefrom or from the leasing or use of Common Elements, shall be held for the benefit of the members of the POA, no member of the POA shall have the right to assign, hypothecate, pledge or in any manner transfer his ownership interest therein, except as an appurtenance to his Unit. When the Owner of a Unit ceases to be a member of the POA by reason of his divestment of ownership of such Unit, by whatever means, the POA shall not be required to account to such owner for any share of the funds or assets of the POA, or which may have been paid to the POA by such owner, as all money which any owner has paid to the POA shall be and constitute an asset of the POA which may be used in the operation and management of the Condominium.

G. The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the POA within thirty (30) days of the due date for such payment. When in default, the delinquent assessment or delinquent installment thereof due the POA 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 the POA. All money owing to the POA shall be payable to the Managing Agent or as otherwise directed by the Board of Directors.

H. The owner or owners of each Unit shall be personally liable, jointly and severally, to the POA for the payment of all assessments, regular or special, which may be levied by the POA against such units while such party or parties are owner or owners of a Unit. In the event that any Unit Owner is in default in payment of any assessment or installment thereof owed to the POA, such Unit Owner or Owners shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including reasonable attorneys fees, whether suit be brought or not.

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

J. Recognizing that prompt payment of all assessments is necessary for proper operation and management of the Condominium, any assessment levied against the Owner of a Unit remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on that Unit when filed of record in the Office of the Brunswick County Clerk of Court in the manner

provided by Article 8 of Chapter 44 of the North Carolina General Statutes. The Claim of Lien shall state the description of the Unit encumbered thereby, the name of the record Owner, the amount due and the date when due and shall be signed and verified by an officer or agent of the POA. Upon full payment of all sums secured by such lien, it shall be satisfied of record.

This lien shall secure all money due plus interest, if any, for all assessments then or thereafter levied against the Owner of the Unit. The lien shall further secure any advances for taxes and payments on account of superior mortgages, liens or other encumbrances which may be required to be advanced by the POA in order to preserve and protect its lien, including interest thereon.

This lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A, Chapter 45 of the North Carolina General Statutes. Fees, charges, late charges, fines, and interest are enforceable as assessments under this provision.

The lien provided for by this Article is prior to all other liens and encumbrances on a Unit, except (i) 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 (ii) liens for real estate taxes and other governmental assessments or charges against the Unit. This provision shall not affect the priority of mechanics or materialmen's liens.

A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the docketing thereof in the Office of the Superior Court of Brunswick County. The lien granted by this Article does not prohibit actions to recover sums for which a lien is created or prohibit the POA from taking a deed in lieu of foreclosure.

A judgment, decree, or order in any action brought under this Article must include costs and reasonable attorney fees for the prevailing party.

Where 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 a result of foreclosure of a first mortgage or first deed of trust, such purchaser and his (its) heirs, successors and assigns, shall not be liable for the assessments against the Unit which became due prior to acquisition of title to the Unit by such purchaser. These unpaid assessments shall be deemed to be Common Expenses collectable from all the Unit Owners including such purchaser and its heirs, successors and assigns.

K. In the event a Unit is leased, sold or mortgaged at the time when payment of any assessment is past due (whether or not a Claim of Lien has been recorded by the POA), then the rent, proceeds of sale or mortgage shall be applied by the lessee or purchaser first to payment of any then delinquent assessment or installments thereof due to the POA before the payment of any rent, proceeds of sale or mortgage to the owner who is responsible for payment of such delinquent assessment.

L. In any voluntary conveyance of a Unit, the purchaser thereof shall be jointly and severally liable with seller for all unpaid assessments against the seller made prior to the time of the voluntary conveyance, without prejudice to the rights of the purchaser to recover from seller the amounts paid by purchaser therefor.

M. Institution of a suit at law to attempt to affect collection of the payment of any delinquent assessment shall not be deemed to be an election by the POA 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 collection be deemed to be

an election precluding the institution of a suit at law to collect any sum then remaining owing to the POA.

ARTICLE NINE
COMMON SURPLUS

Any surplus funds of the POA remaining after payment of or provision for Common Expenses and any prepayment of reserves shall be paid to the Unit Owner in proportion to their Common Expense Liabilities or credited to them to reduce their future Common Expense Assessments.

ARTICLE TEN
USE OF COMMON ELEMENTS

Each Unit Owner, his lessees, invitees, or guests shall have the right to use the Common Elements in accordance with the purposes for which they are intended and for all purposes incident to the use and occupancy of his Unit, and such right shall be appurtenant to and run with his Unit; provided, however, no person shall use the Common Elements or any part thereof in such a manner as to interfere with or restrict or impede the use thereof by others entitled to the use thereof or in any manner contrary to or not in accordance with this Declaration, the Bylaws, and such rules and regulations as may be established from time to time by the Board of Directors.

ARTICLE ELEVEN
ASSIGNMENT OF STORAGE AREAS

Each Unit Owner shall have the exclusive use of one (1) designated storage area located on the first or ground floor. These areas are Limited Common Elements and are identified on the plans by the Unit designation for which their exclusive use is limited.

ARTICLE TWELVE
RIGHT OF THE POA TO ALTER AND
IMPROVE COMMON ELEMENTS AND ASSESSMENTS THEREFOR

The POA shall have the right to make or cause to be made such alterations or improvements to the Common Elements (including the right to grant and establish upon, over and across the Common Elements such easements as are necessary or desirable for providing service or utilities to the Units and the Common Elements) which do not materially prejudice the rights of the owner of any Unit in the use and enjoyment of his Unit, provided the making of such alterations and improvements are approved by the Board of Directors of the POA, and the cost of such alterations or improvements shall be Common Expenses to be assessed and collected from all of the owners of Units. However, where any alterations and improvements are exclusively or substantially for the benefit of the Owner or Owners of certain Unit or Units requesting the same, then the cost of making, maintaining, repairing and insuring such alterations or improvements shall be assessed against and collected solely from the Owner or Owners of the Unit or Units exclusively or substantially benefited by the assessment to be levied in such proportion as may be determined by the Board of Directors of the POA.

ARTICLE THIRTEEN
MAINTENANCE AND REPAIR BY
OWNERS OF UNITS

Every owner shall promptly perform all maintenance and repair work within his Unit which, if omitted would affect the Condominium, either in its entirety or in 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 Unit shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all of the Unit's air conditioning and

heating equipment, including compressors, ducts, wiring, pipes and so forth. He shall also be responsible for the upkeep of any utility fixtures and/or their connections required to provide water, light, power, telephone, cable TV, sewage and sanitary service to his Unit from the point of entry into his Unit. Such owner shall further be responsible and liable for the maintenance, repair and replacement of the exterior 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 Unit. Whenever the maintenance, repair and replacement of any item for which the owner of a 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 POA, the proceeds of the insurance received by the POA shall be used for the purpose of making such maintenance, repair or replacement except that the owner of such Unit shall be, in such 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 provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. Except as provided in Article Seven, Paragraph A, the Owner of a Unit who has exclusive use of any Limited Common Element shall maintain such at his own expense.

ARTICLE FOURTEEN **EASEMENTS**

A. Each Unit Owner shall have a perpetual nonexclusive easement in common with all other Unit Owners to use all pipes, wires, ducts, cables, conduits, public utility lines and other Common Elements located in any of the other Units and serving his Unit. Each Unit shall be

subject to a perpetual non-exclusive easement in favor of all other Unit Owners to use the pipes, ducts, cables, wires, conduits, public utility lines and other Common Elements serving such other Units and located in such Unit. The Board of Directors shall have the right of access to each Unit to remove violations therefrom and to maintain, repair or replace the Common Elements contained therein.

B. To the extent that any Unit or Common Element encroaches on any other Unit or Common Element, a valid easement for the encroachment is hereby granted pursuant to N.C.G.S. 47C-2-114. The Declarant further hereby reserves such easements through the Common Elements as may be reasonably necessary for the exercise of the Special Declarant Rights pursuant to N.C.G.S. 47C-2-116.

C. The Board of Directors may hereafter grant easements for utility purposes for the benefit of the property including the right to install, lay, maintain, repair and replace water lines, pipes, ducts, sewer lines, gas mains, telephone and cable TV wires and equipment and electrical conduits, and wires over, under, along and on any portion of the Common Elements; and each Unit Owner hereby grants to the Board of Directors an irrevocable power of attorney to execute, acknowledge and record for and in the name of each Unit Owner such instruments as may be necessary to effectuate the foregoing and said Unit Owner hereby binds himself, his grantee(s), heirs, devisees, executors, administrators, successors, and assigns.

D. In case of emergency originating in or threatening any Unit or the Common Elements, regardless of whether the Unit Owners are present at the time of such emergency, the Board of Directors, or any other person authorized by it, shall have the right to enter any Unit for the

purpose of remedying or abating the cause of such emergency and making any other necessary repairs not performed by the Unit Owners, and such right of entry shall be immediate.

E. The Declarant reserves for itself, its successors and assigns the right to use and/or grant easements for drainage, stormwater management, and utility purposes for the benefit of the property, including the right to install, lay, maintain, repair and replace water lines, pipes, ducts, sewer lines, gas mains, telephone and cable TV wires and equipment and electrical conduits, wires, and drainage structures over, under, along and on any portion of the Common Elements..

F. The Declarant reserves for itself, its successors and assigns, all the rights defined in Section E of this Article together with the right of ingress, egress and regress over and along the streets which constitute a part of the Common Elements of the Condominium for the purpose of development and utilization by subsequent purchasers of the Declarant's adjoining properties.

ARTICLE FIFTEEN
NO PARTITIONING OF ALLOCATED
INTERESTS IN COMMON ELEMENTS

Recognizing that the proper use of a Unit by an Owner or Owners is dependent upon the use and enjoyment of the Common Elements with the Owners of all other Units, and that it is in the interest of all Owners that the ownership of the Common Elements be retained in common by the Owners, it is hereby declared that the Allocated Interest in the Common Elements appurtenant to each Unit shall remain undivided and no Unit Owners shall bring or have any right to bring any action for partitioning or division.

ARTICLE SIXTEEN
LIENS ON THE COMMON ELEMENTS

A judgment for money against the POA is not a lien on the Common Elements, but if docketed in the Brunswick County Clerk of Courts Office, shall be a lien in favor of the judgment lienholder against all of the Units in the Condominium at the time the judgment was entered. No other property of a Unit Owner is subject to the claim of creditors of the POA. Notwithstanding this statement however, if the POA grants a security interest in the Common Elements to a creditor of the POA, the holder of the security interest must exercise its right against Common Elements before its judgment lien on any Unit may be enforced. If a lien (other than a deed of trust) becomes effective against two or more Units, the Unit Owners of any effected Unit may pay the lienholder the amount of the lien attributable to his Unit and obtain a release of the lien on his Unit.

ARTICLE SEVENTEEN
AMENDMENTS

A. To exercise the Development Rights reserved under Article Three, the Declarant shall record an amendment to this Declaration together with plans and specifications which comply with the requirements of N.C.G.S. 47C-2-109. The amendment shall also set out the new appurtenant Allocated Interest in the Common Elements and Common Expense Liability appurtenant to the Units as a result of the addition of the new phase or phases being added.

B. Except for an amendment to the Declaration to exercise the Development Rights retained by the Declarant pursuant to Article Three or as otherwise permitted by N.C.G.S. 47C-

2-117, this Declaration may only be amended by the affirmative vote of or written agreement signed by, the Unit Owners of 67% of the votes in the POA.

ARTICLE EIGHTEEN
AMENITIES

The swimming pool, hot tub, equipped exercise room, meeting/party room, pier, floating dock, and the nine (9) temporary boat slips are the recreational amenities; and these facilities are part of the Common Elements. The boat slips, on a space available basis, may only be used for temporary docking (24 hours or less). Any boat or other water craft remaining in a slip for more than twenty-four consecutive hours may be removed by or at the direction of the POA or the Managing Agent at the Owner's risk and expense. The guest bedroom, the equipped exercise room, and the meeting/party room will be included in the second phase if it is incorporated into the Condominium. These facilities will be a part of the Common Elements. The guest bedroom may be used on a first reserved basis, subject to rules which may adopted by the Board of Directors and enforced by the Managing Agent.

ARTICLE NINETEEN
INSURANCE

A. Commencing not later than the time of the first conveyance of a Unit to a person other than the Declarant, the POA shall maintain, to the extent available:

1. Property Insurance on the Common Elements and Units insuring against all risks of direct physical loss commonly insured against, including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than one hundred percent (100%) 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; and

2. Liability insurance in reasonable amounts, covering all occurrences commonly insured against death, bodily injury and property damage arising out of or in connection with the use, ownership, or maintenance of the Common Elements.

B. The insurance maintained under subsection Section A, Paragraph 1 need not include improvements and betterments installed by Unit Owners.

C. If the insurance described in Section A is not reasonably available, the POA shall promptly cause notice of that fact to be hand delivered or sent prepaid by the United States Mail to all Unit Owners. The POA may carry any other insurance it deems appropriate to protect the POA or the Unit Owners.

D. Insurance policies carried pursuant to Section A 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 POA;
2. The insurer waives its right to subrogation under the policy against any Unit Owner or members of his household;
3. No act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the POA, will preclude recovery under the policy; and

4. If, at any 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 POA's policy provides primary insurance.

E. Any loss covered by the property policy under subsections Section A, Paragraph 1, and Section B shall be adjusted with the POA, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the POA, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the POA shall hold any insurance proceeds in trust for Unit Owners and lienholders as their interests may appear. Subject to the provisions of Section H, the proceeds shall be disbursed first for the 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 completely repaired or restored, or the Condominium is terminated.

F. An insurance policy issued to the POA does not prevent a Unit Owner from obtaining insurance for his own benefit.

G. An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the POA and upon written request, to any Unit Owner, mortgagee, or beneficiary under a deed of trust. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or non-renewal has been mailed to the POA, each Unit Owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

H. Any portion of the Condominium for which insurance is required under this section which is damaged or destroyed shall be repaired or replaced promptly by the POA unless (1) the Condominium is terminated, (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 owners of Units not to be rebuilt or Owners of Limited Common Elements not to be rebuilt. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Condominium is not repaired or replaced, (1) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium, (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 the Units to which those 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 the 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 N.C.G.S. 47C-1-107(a), and the POA shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, N.C.G.S. 47C-2-118 governs the distribution of insurance proceeds if the Condominium is terminated.

ARTICLE TWENTY
TIME SHARE

No Unit may be owned or occupied in a time share form of ownership.

ARTICLE TWENTY-ONE
WATER AND SEWER

Sewer will be furnished to the Condominium by the Brunswick County Utility Department. Water will be furnished by the Town of Sunset Beach.

ARTICLE TWENTY-TWO
STORMWATER REGULATIONS AND
INFRA-STRUCTURE MAINTENANCE

A. As part of the planning process and preceding the establishment of the Condominium, Declarant applied to the Division of Water Quality (DWQ) of the N. C. Department of Environment and Natural Resources (NCDNR) and obtained Stormwater Permit Number SW8 040424 for the Condominium. Pursuant to the terms of that Permit, the Declarant hereby states that:

1. The following covenants are intended to insure ongoing compliance with Stormwater Permit Number SE8 040424 as issued by NCDNR. These Covenants may not be changed or deleted without consent of the State.
2. No more than square feet of the total project area shall be covered by structures or impervious materials. Impervious materials include asphalt, gravel, concrete, brick, stone, slate or similar material but do not include wood decking or the water surface of swimming pools.
3. Swales shall not be filled in, piped, or altered except as necessary to provide driveway crossings.

4. Built-upon areas in excess of the permitted amount requires state stormwater management permit modifications prior to construction.
5. All permitted runoff from out-parcels or future development shall be directed into the stormwater system. These connections to the stormwater system shall be performed in a manner that maintains the integrity and performance of the system as permitted.

B. The stormwater retention facility and other elements of the stormwater drainage system are a part of the Common Elements; and, therefore, the cost of maintenance of these items and the ongoing compliance with the stormwater permit shall be included in the POA's Annual Budget.

ARTICLE TWENTY-THREE
STATEMENT OF PURPOSES, USE AND RESTRICTIONS

The Units and Common Elements shall be occupied and used as follows:

- A. All Units are limited to residential use, however rentals or leases of less than thirty (30) consecutive days are not allowed.
- B. There shall be no obstruction of the Common Elements. Nothing may be stored in the Common Elements without the prior written consent of the Board of Directors.
- C. Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance on the Common Elements or any other Unit without the prior written consent of the Board of Directors. No Unit Owner shall permit anything to be done or kept in his Unit or in the Common Elements which would result in the cancellation of insurance

on any Unit or any part of the Common Elements, or which would be in violation of any law.

No waste of the Common Elements shall be permitted or committed.

D. No signs of any kind (including “for sale” signs) shall be displayed to the public view from any Unit or from the Common Elements.

E. No animals, livestock, or poultry of any kind may be raised, bred or kept in any Unit or in the Common Elements; however, household pets may be kept in the Units subject to the rules adopted by the Board of Directors. In this connection, Rottweilers, Doberman Pinschers, Pit Bulls, Weimaranas, snakes, and any other kind of exotic creature are hereby deemed not to be household pets and, therefore, may not be kept in any Unit or Common Elements of the Condominium.

F. No noxious, offensive, unlawful, immoral, or improper activity shall be carried on in any Unit or in the Common Elements; nor shall anything be done therein which will be an annoyance or nuisance to other owners.

G. Nothing shall be altered or constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors.

H. The Board of Directors of the POA is authorized to adopt rules for the use of the Common Elements, said rules to be furnished in writing to the Unit Owners.

I. Except with the written consent of the Board of Directors, no natural barriers in the form of trees, bushes or shrubs and no man-made structures shall be permitted on or about the Common Elements, except such natural barriers and man-made structures existing on the date of this Declaration.

ARTICLE TWENTY-FOUR
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, the Articles of Incorporation and Bylaws of the POA, as any of the same are now constituted or as they may be amended from time to time. A default under the provision of any one of these documents by the Owner of any Condominium Unit shall entitle the POA or the Owner of other Condominium Units to the following relief:

A. An action to recover sums due for damages, injunctive relief, foreclosure of liens, or any combination thereof, which action may be brought by the POA 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 guest, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the POA. 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 POA or any Unit Owner adversely affected, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorney's fees as may be determined by the Court.

D. The failure of the POA or 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 POA 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 POA or the Owner or Owners of a Condominium Unit, pursuant to any terms, provisions, covenants or conditions of the Declaration of Condominium or the 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 Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration of Condominium or other above mentioned documents shall not constitute a waiver of the right of Declarant to thereafter enforce such right, privilege, covenant or condition in the future.

ARTICLE TWENTY-FIVE
USE OF UNITS AND COMMON ELEMENTS
FOR SALES PURPOSES

The Declarant reserves the right to maintain a sales office and model sales Units during the period of time that it is actively selling Units in the Condominium. The Declarant further reserves the right to make use of the Common Elements for the purpose of maintaining sales booths, placing advertising material and otherwise as it deems expedient. The Declarant may use any Unit it chooses for this purpose and may make whatever use of the Common Elements it chooses for these purposes.

ARTICLE TWENTY-SIX
INVALIDITY

The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity and enforceability of the remainder of this Declaration; and in such event, all the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein.

ARTICLE TWENTY-SEVEN
WAIVER

No provisions contained in the Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

ARTICLE TWENTY-EIGHT
CAPTIONS

The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration or the intent of any provision hereof.

ARTICLE TWENTY-NINE
LAW CONTROLLING

This Declaration and The Articles of Incorporation and Bylaws of the POA shall all be construed and controlled by and under the laws of the State of North Carolina.

ARTICLE THIRTY
LIBERAL CONSTRUCTION

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan of Condominium ownership as provided in the North Carolina Condominium Act. Throughout this Declaration, wherever appropriate, the singular shall include the plural and the masculine gender, the feminine or neuter, as the context permits or requires.

ARTICLE THIRTY-ONE
ENCUMBRANCES

_____, Trustee, and Coastal Federal Bank, the Secured Construction Lender, join in this Declaration for the purpose of subordinating the construction loan deed of trust appearing in Book _____ at Page _____ of the Brunswick County Registry to this Declaration creating unit ownership pursuant to the North Carolina Condominium Act.

(Signature Page Follows)

IN TESTIMONY WHEREOF, the Parties have executed this Declaration, the day and year first above written.

ISLAND INVESTMENTS LLC

BY: _____
Mason H. Anderson
Member-Manager

George A. Sloane, III
Member-Manager

Trustee

COASTAL FEDERAL BANK

BY: _____
Title: _____

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

I, _____, Notary Public of the County and State aforesaid, certify that Mason H. Anderson and George A. Sloane, III, Member-Managers of Island Investments LLC, a limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.

WITNESS my hand and official seal, this ___ day of _____, 200_.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

I, _____, Notary Public of the County and State aforesaid, certify that _____, Trustee, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this ___ day of _____, 200_.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

I, _____, Notary Public of the County and State aforesaid, certify that _____ personally appeared before me this day and acknowledged that she/he is _____ of Coastal Federal Bank, a South Carolina Corporation, and that he/she, as _____, being authorized to do so, executed the foregoing instrument on behalf of the corporation.

WITNESS my hand and official seal, this _____ day of _____, 200_.

Notary Public

My Commission Expires: _____

EXHIBIT "A"

**DECLARATION CREATING UNIT OWNERSHIP
THE REGENCY**

A survey of the property constituting Phase 1

EXHIBIT "B"

**DECLARATION CREATING UNIT OWNERSHIP
THE REGENCY**

A site plan showing Phase 1 and the proposed additional phases

EXHIBIT "C"

**TO THE DECLARATION CREATING UNIT OWNERSHIP
FOR THE REGENCY AT SUNSET BEACH, A CONDOMINIUM**

APPURTENANT ALLOCATED INTEREST

<u>Unit Number</u>	<u>Allocated Interest In The Common Elements and Common Expense Liability</u>	<u>Allocated Votes Appurtenant To Each Unit In the POA</u>
111	5.5555%	1
112	5.5555%	1
121	5.5555%	1
122	5.5555%	1
123	5.5555%	1
124	5.5555%	1
131	5.5555 %	1
132	5.5555%	1
133	5.5555%	1
134	5.5555%	1
141	5.5555%	1
142	5.5555%	1
143	5.5555%	1
144	5.5555%	1
151	5.5555%	1
152	5.5555%	1
153	5.5555%	1
154	5.5555%	1