

For Amendment to this instrument refer to Bk 416 Pg. 181 2-1-91

Prepared by: LANIER & FOUNTAIN, ESQS.

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DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND CONDOMINIUM
OF
ST. REGIS RESORT

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND CONDOMINIUM, for ST. REGIS RESORT, a Condominium Development by COVEST, INC., a North Carolina Corporation, hereinafter at times referred to as "Developer or Declarant".

W I T N E S S E T H:

WHEREAS, COVEST, INC., is the owner of certain real property located in Stump Sound Township in Onslow County, North Carolina and more particularly described in Exhibit "A", attached hereto and incorporated herein by reference.

WHEREAS, COVEST, INC., desires to subject such property to the provisions of this Declaration and to have constructed on the property St. Regis Resort, a mixed use residential, resort and commercial community with related recreational and attendant facilities and amenities, and to provide a flexible and reasonable method for the administration, assessment, and maintenance of such property; and

WHEREAS, as hereinafter provided, COVEST INC., has reserved the right, privilege and option to submit to the provisions of this Declaration at a later time and from time to time as a part of St. Regis Resort, all or any portion of the real property described in Exhibit "B", attached hereto and incorporated herein by reference.

NOW, THEREFORE, COVEST, INC., hereby declares that all of the property described in Exhibit "A" and any additional property described in Exhibit "B" or so much of it as Declarant may, in its sole discretion, see fit to develop or dedicate, as, by subsequent amendment hereto, may be subjected to this Declaration shall be held, transferred, sold, conveyed, leased, occupied and used subordinate and subject to the following easements, restrictions, covenants, charges, liens and conditions which are hereby imposed for the purpose of protecting the value and desirability of these lands and which restrictions, easements, charges, liens, conditions, and covenants shall touch and concern and run with title to the real property subjected to this

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Declaration and which shall be binding on all parties having any right, title or interest in these described properties or any portion of them. This instrument also binds the respective heirs, devisees, fiduciary representatives, successors, successors in title and/or assigns, and shall inure to the benefit of anyone or anything who/which purchases or takes any interest in real property within the lands subject to this instrument.

1. DEFINITIONS. As used herein and in the By-Laws attached hereto and in all amendments hereto, unless the context requires otherwise:

- A. "Act" means the Unit Ownership Act as set forth in Chapter 47A of the North Carolina General Statutes, as such may be supplemented or amended from time to time.
- B. "Assessment" means a share of the funds required for the payment of common expenses which from time to time is assessed against the unit owner by the Association.
- C. "Association" means the entity responsible for the operation of the condominium pursuant to the Act, whether or not incorporated.
- D. "Board of Directors" or "Board" means the Board of Directors of the Association and "Director" means a member of the Board.
- E. "By-Laws" shall mean and refer to those By-Laws which govern the administration and operation of the Association, as may be amended from time to time, which By-Laws are attached as Exhibit "E" to this Declaration.
- F. "Residential Unit" shall mean and refer to units within the condominium, the use of which is restricted to residential purposes.
- G. "Commercial Unit" shall mean and refer to those units which may be used for residential and/or commercial purposes, including, without limitation, offices, retail shops and stores, restaurants and related facilities.
- H. "Common Areas and Facilities" means the portion of the condominium property owned, in undivided interest, by all the owners, as more specifically set forth herein.

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- I. "Common Expenses" include the expenses of administration, maintenance, operation, repair and replacement, (including a capital reserve for repair, maintenance and replacement), of the common areas and facilities, and other expenses declared by the Association to be common expenses, as further defined in the Act.
- J. "Common Profits" means the balance of all revenues of the Association remaining after deduction of the common expenses.
- K. "Condominium Documents" means this Declaration, the By-Laws, the Rules and Regulations, and all other exhibits attached hereto and all other documents and regulations promulgated pursuant to the authority created herein and in the Act, and as such documents shall be amended or supplemented from time to time.
- L. "Declaration" means this instrument as it may be from time to time amended or supplemented.
- M. "Limited Common Areas and Facilities" means and includes those common areas and facilities which are reserved for the use of a certain unit or units to the exclusion of any other unit or units, as more specifically defined herein.
- N. "Mortgage" with an initial capital letter, shall mean and refer to a mortgage, security deed, deed of trust, installment land sales contract and security agreement or other similar security instrument granting, creating or conveying a lien upon, a security interest in, or a security encumbered title to a Dwelling, or Commercial Center Area.
- O. "Property" means and includes the land described in Exhibit "A" attached hereto and incorporated herein by reference, together with any buildings and improvements as may be subjected to this Declaration by Declarant pursuant to the provisions hereinafter set forth.
- P. "Unit" or "Condominium Unit" means a part of the Property which is to be subject to private ownership and use, as designated on the exhibits attached to this "Declaration" and as further defined in the Act. The word "apartment" if used herein is synonymous with the word "unit" as defined herein.

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Q. "Unit Owner" or "Owner" means a person or entity or any combination thereof, who owns a unit, commercial or residential, at the St. Regis Resort.

2. DESCRIPTION OF PROPERTY. All that certain lot, parcel, piece or plat of land with the buildings and improvements thereon erected or to be erected situated, lying and being in Stump Sound Township, County of Onslow, State of North Carolina, and more particularly described in Exhibit "A", attached hereto and made a part hereof.

3. EXPANSION OF THE PROPERTY SUBJECT TO THIS DECLARATION.

A. By this Declaration the Declarant submits only the land described in Exhibit "A", together with the improvements thereon, and the same shall be known as St. Regis Condominiums. Nevertheless, Declarant hereby reserves the right and option, but not the obligation, to expand the property subject to this Declaration by adding all or any portion or portions of the land described in Exhibit "B".

B. Such expansion shall occur, if at all, by the recordation of one or more amendments to this Declaration, which amendment(s) shall be executed by the Declarant or its successors and assigns. The recordation of any such amendment, and expansion of the Property and the said Building II subject to this Declaration effectuated thereby, shall not require consent or ratification of any unit owners.

C. The right and option described in sub-paragraphs A and B above shall terminate on December 31, 1991, and shall be subject to the conditions, restrictions and limitations set forth in sub-paragraphs D, E, F and G of this paragraph 3.

D. If the Declarant adds all the land described in Exhibit "B" hereof, the Declarant covenants and agrees that no more than 160 units will be added to the Property subject to this Declaration by such expansion, making the total units not to exceed 244 in number.

E. The number of stories and principal composition of the exterior of Building II is shown on the attached Exhibit "C", which is hereby incorporated by reference as if fully set out herein.

F. The assigned values of the units presently subjected to this Declaration are shown in Exhibit "D" attached hereto and made a part hereof. If any units are added to and made subject to this Declaration by the expansion

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contemplated by this paragraph, then the undivided interest in the common areas and facilities, the liability for common expenses not specifically assessed, the interest in any common surplus, and the voting rights in the Association will thereafter be that proportion that the fair market value of such unit bears to the then aggregate fair market value of all units at the date of the amended or supplemental Declaration or Declarations, as determined by Declarant. In determining such fair market value for any additional units added to or made subject to this Declaration, Declarant may use the offering or purchase price of such unit or the fair market value as established by any independent appraiser. In determining the fair market value of units previously subjected to the Declaration, the Declarant may use the value as then established for tax purposes by the appropriate authorities or the value established by any independent appraiser.

The fair market value assigned to a unit shall not be deemed as warranty of the value of said unit by the Declarant.

G. Nothing herein shall be deemed to limit or alter Declarant's right, hereby reserved, to vary the internal layout or exterior configurations of any units hereafter constructed so long as Declarant substantially conforms with the provisions of this Paragraph 3.

H. Every unit owner in ST. REGIS CONDOMINIUM, by accepting a Deed to a unit therein, thereby agrees for himself and his heirs, successors and assigns, to any expansion of the Property subject to this Declaration in accordance with the provisions of sub-paragraphs A through G of this Paragraph 3.

4. DESCRIPTION OF BUILDINGS. The Declarant has constructed or will construct, upon the Property described in Exhibit "A" attached hereto, one (1) multi-unit building, to be used for residential and commercial purposes, as hereinafter provided. A plat of survey of the property showing the location and said building(s) is attached hereto and made a part hereof as Exhibit "A". Said multi-unit building(s) are more particularly described in the plans of said buildings, a copy of which plans are attached hereto and made a part hereof as Exhibit "C", showing all particulars of each building as required by law.

In addition, the buildings will have common outside parking areas, private covered parking, landscaped areas and other appurtenances and facilities.

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5. UNIT DESIGNATIONS. The unit designation of each Condominium Unit, its location, its use, approximate area, number of rooms and immediate common areas and facilities to which it has access and other data necessary for its proper identification are set forth in Exhibit "C" attached hereto and made a part hereof. Each unit is bounded both as to horizontal and vertical boundaries by the interior surface of its perimeter walls, ceilings and floors which are shown on said plans, subject to such encroachments as are contained in the building, whether the same now exist or may be caused or created by existing construction, settlement or movement of the buildings, or by permissible repairs, construction or alteration.

6. COMMON AREAS AND FACILITIES.

A. The common areas and facilities consist of the following:

- 1) The land on which the building is erected and all land surrounding the buildings as is more fully described in Paragraph 2 above, subject to the private covered parking areas.
- 2) All common foundations, columns, girders, beams, supports, load-bearing walls, and other structural members.
- 3) The stairs, stairways, elevators, entrances and exits (other than those in the individual units) yards, roads, driveways and parking areas.
- 4) All roofs, exterior walls and interior walls, except the following: (a) non-load bearing partition walls, (b) non-common chases and (c) suspended ceilings wholly within a unit.
- 5) All central and appurtenant installations, apparatus and equipment for utility services, including, but not limited to, power, water, heating, cooling, telephone, sewer lines and irrigations, if any, supplied for the use and convenience of the unit owners.
- 6) All other parts of the Property and all apparatus and installations existing in the building or upon the property for common use or necessary or convenient to the enjoyment, existence, maintenance or safety of the Property.

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B. The undivided interest of each unit owner in such common areas and facilities is as set forth in Exhibit "D" and attached hereto and made a part hereof.

7. LIMITED COMMON AREAS AND FACILITIES. The limited common areas and facilities appurtenant to each unit are as follows:

A. The surface areas and railings of any decks accessible by normal means solely from the unit;

B. All non-load bearing walls located entirely within the unit;

C. All materials, including, but not limited to, studs, sheetrock, plywood, carpet, paint, paneling, tile, vinyl or brick, attached to, or on, the inside surfaces of perimeter walls, floors and ceilings of the unit;

D. All doors, windows, screens, ventilation fans and vents located entirely within the unit or extending into the unit from the perimeter walls, floors or ceilings thereof;

E. All air handling units, ducts, compressors and components and all water, power, telephone, television and cable television, electricity, plumbing, gas and sewage lines located in the unit, provided, however, that the portion of said lines located in a common compartment for, or installation of, such lines shall be general common areas and facilities as described above.

F. The limited common areas and facilities which are appurtenant to any unit(s) shall not be separated therefrom and shall pass with title to any unit(s), whether or not separately described.

G. All recreational facilities, including but not limited to the swimming pools, hot tub, health spa, and tennis courts and accompanying facilities shall be a limited common area to residential unit owner(s) only.

8. USE OF UNITS. Each of the residential units shall be used for residential purposes only, with the exceptions that Developer or its agents or assigns shall have the right to maintain a sales office in any of the said units of its choice for the purpose of selling, renting and managing the remaining condominium units and further developing the overall condominium development. Each of the commercial units shall be located on the seventh floor, eighth floor and ground floor of Building II of the St. Regis Resort and may be used for retail businesses, shops, restaurants, offices or for residential purposes. Declarant also reserves the right to use the ground floor of additional buildings which may be added to the property for either residential or

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commercial purposes. All commercial units are shown on the plans and specifications and denoted by the initial "C" appearing before the unit number. Use of the buildings and units, as well as of the Common Areas and Facilities is further restricted as follows:

- a. No unsightly objects or nuisances shall be erected, placed or permitted to remain on the property, nor shall the property be used in any way or for any purpose which may endanger the health of or unreasonably disturb the owner of any residence or any resident thereof. No business activities of any kind whatsoever shall be conducted in any building or on any portion of the property unless otherwise provided herein; provided, however, the foregoing covenants shall not apply to the business activities, and signs of the Developer, its agents or assigns, during the construction and sale period. Further, this covenant shall not apply to the use of units for property management and rental management, provided said use benefits the members of the Association and has the approval of the Association.
- b. No animals, livestock or poultry of any kind shall be raised, bred or kept on any part of the property.
- c. The exterior of the units shall not be decorated by the individual unit owners in any manner without the prior written consent of the Board of Directors of ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC., and no awning (other than those provided by Developer or Association), radio or television aerials or other projections may be installed or attached to the exterior of any unit without such prior written consent. No clothes line for any purpose shall be permitted outside of an owner's unit.
- d. No trailer of any sort, tent, barn, storage camper, shed, garage or other similar out building or structure shall be placed on the property at any time, either temporarily or permanently. Any motor homes parked in common areas by owner or non-owner residents may not be occupied at any time. Boats and trailers are only permitted in areas designated for boat storage.
- e. No structure of a temporary character shall be placed upon the property at any time, provided, however, that this provision shall not apply to shelters and sheds used by the Contractor during the construction of the multi-unit buildings or Common Area improvements, it being clearly understood that these latter temporary structures may not, at any time, be used as residences or permitted to remain on the building site after completion of construction.
- f. All garbage and refuse from the individual units shall be deposited with care in garbage containers or receptacles intended for such purpose, said containers or receptacles to be kept at all times in the space provided by the Association.
- g. No noxious or offensive activities shall be carried on, in or upon any unit, nor shall anything be done therein tending to cause embarrassment, discomfort, annoyance or nuisance to other unit owners. The use of charcoal grills or outside fires are permitted only in those Common Areas specifically identified for such purposes.
- h. It shall be the responsibility of each unit owner, and the Board of Directors of ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC., to prevent the development of any unclean, unsightly or unkempt conditions of the limited and general Common Areas.

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1. No exterior changes to any building shall be allowed without the prior approval of the Association.
- j. The commercial units shall be subject to the following additional restrictions:
 - (1) No illegal or offensive activity may be carried on in any commercial unit. Further, no adult business, including the sale of adult videos, books or paraphernalia may be sold on the property.
 - (2) That each commercial unit shall be kept in orderly fashion at all times, shall be kept in a clean manner and shall otherwise be maintained in proper and sufficient manner.
 - (3) If a commercial unit is being used for residential purposes it shall be subject to the same restrictions and assessment obligations as other residential units.

All restrictions and affirmative obligations set forth in this Declaration shall run with the land and shall be binding on parties and persons claiming under them for a period of twenty (20) years from the date of recordation of this Declaration, after which time said restrictions and obligations will be automatically extended for successive periods of ten (10) years, unless any instrument signed by a majority of the then owners of units affected by such restrictions and obligations has been recorded, agreeing to change such restrictions and obligations in whole or in part.

In the event of a violation or breach of any of these restrictions or of any other covenants of this Declaration, by any property owner, or agent thereof, the owners of other units or any of them, jointly or severally, shall have the right to proceed at law or in equity to compel the compliance to the terms hereof or to prevent the violation or breach in any event. In addition to the foregoing, the Board of Directors of ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC., shall have the right whenever there shall have been any violation of these restrictions, to enter upon the property where such violation exists and summarily abate or remove the same at the expense of the owner, if after thirty (30) days written notice of such violation it shall not have been corrected or removed by the owner. Any such entry and abatement or removal shall not be deemed a trespass. The failure to enforce any right, reservation or conditions contained in this Declaration, however long continued, shall not be deemed a waiver of the right to do so hereafter, as to the same breach or as to a breach occurring prior or subsequent thereto and shall not bar or affect its enforcement. The invalidation by any court of any restrictions or obligations in this Declaration contained shall in no way affect any of the other restrictions which shall remain in full force and effect.

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All non-owner residents, guests or owners, their heirs and assigns of units now in existence or to be constructed shall be subject to and shall comply with the provisions of this Declaration, the By-Laws and any rules and regulations as may be adopted in accordance with the By-Laws or said Declaration, By-Laws, rules and regulations as they may be amended from time to time. The acceptance of a deed of conveyance, or the entering into of a lease, or the entering into occupancy of any unit shall constitute an agreement that the provisions of this Declaration, By-Laws, and any rules and regulations which may be adopted are accepted and ratified by such owner, tenant or occupant and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease.

9. RIGHTS OF COMMERCIAL UNIT OWNER. Notwithstanding any other provisions of this Declaration, the rights and privileges of all commercial or non-residential unit owners shall be protected by all members of the Association. No rules and regulations shall be enacted by the Association which shall unduly restrict the parking rights, elevator usage, hours of operation, access, electricity, cooling, heating, telephone service, water or sewer service to the commercial area.

10. PERSON TO RECEIVE SERVICE OF PROCESS. KEITH E. FOUNTAIN, is hereby designated to receive Service of Process in any action which may be brought against or in relation to these condominium units. Said person's residence or place of business is 114 Old Bridge Street, Jacksonville, Onslow County, North Carolina 28540. The Board of Directors may change the person designated to receive service of process by filing the appropriate information with the office of the Secretary of State of North Carolina and the Register of Deeds for Onslow County.

11. PARKING. Declarant reserves and is hereby granted the right to assign Parking Spaces as hereinafter set forth. At the closing of the sale of each Condominium Unit by the Declarant to the first purchaser of such Condominium Unit, the Declarant may assign to the Owner the exclusive right to use, occupy and enjoy at least one Parking Space, provided that such Parking Space shall be used only for parking an automobile or motorcycle. The Declarant may assign additional Parking Spaces to Condominium Units at any time prior to

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termination of Declarant's rights under Article 21, and may charge a fee for the assignment of any such additional Parking Spaces. Declarant may also assign or designate parking spaces for the commercial units. Any unassigned Parking Spaces remaining after termination of Declarant's rights may be leased or otherwise assigned as the Board from time to time determines.

An Owner may (with the prior written consent of the Owner's mortgage, if any) transfer the right to use the Parking Space which is assigned to the Owner's Condominium Unit only to another Owner. The transfer shall be noted on the books of the Association upon delivery of an instrument executed by both the transferor and the transferee Owners, and thereupon, the Parking Space shall be assigned to the Owner's Condominium Unit to the occupant of any other Condominium Unit upon such terms as the lessor shall deem advisable; provided that any such lease shall automatically terminate upon the transfer of ownership of the lessor's Condominium Unit for any reason, or upon any violation of this Declaration of the Rules.

No vehicle of any type may be parked on the General Common Elements except in Parking Spaces or on such portions of Private Streets as may be designated by the Association. No commercial type of vehicle, no trucks and no recreational vehicles shall be stored or parked on the General Common Elements except in areas designated by the Association. A Recreational Vehicle shall include for purposes of this Declaration, motor homes, motor coaches, buses, pickup trucks with camper tops or similar accessories, camping trailers or trailers of any type. All unused automobiles or vehicles of any kind, except as hereinafter provided, shall not be stored or parked on any portion of the General Common Elements or Limited Common Elements, except in areas so designated by the Association. "Unused Vehicle" shall be defined as any vehicles which has not been driven under its own propulsion for a period of two (2) weeks or longer. A written notice describing the "Unused Vehicle" and requesting removal thereof may be served upon the owner by posting on the unused vehicle or otherwise, and if such vehicle has not been removed within twenty-four (24) hours thereafter, the Board shall have the right to remove the same without liability to the Board, and the expense thereof shall be charged against the Owner. If such owner shall be a Member of the Association, the cost thereof shall be added to such Owner's next assessment due. Parking Spaces

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shall be used only for parking automobiles and motorcycles and not for any other storage purposes. Motorcycles shall not be stored on patios or sundecks.

12. EASEMENTS.

A. Each unit and all common areas and facilities and limited common areas and facilities are hereby subjected to an easement for the repair, maintenance, expansion, reduction, inspection, removal, relocation or other service of or to all gas, electrical, television, telephone, water, plumbing, sewer, utility, drainage or other lines or common areas and facilities, whether or not the cause of any or all of those activities originates in the unit in which the work must be performed.

Each unit owner shall have an easement in common with the other owners of all other units to use all pipes, wires, ducts, cables, conduits, public utility lines and any other common areas and facilities located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use pipes, ducts, cables, wires, conduits, public utility lines and any other common areas and facilities serving such other units and located in such unit.

The initial and subsequent Boards may grant or assume easements, leases or licenses for utility purposes for the benefit of the Property, 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 and on any portion of the units and/or common areas and facilities and limited common areas and facilities; and each unit owner hereby grants to the Board, or its designee, the irrevocable power of attorney to execute, acknowledge and record for or in the name of the Association or each unit owner such instruments as may be necessary to effectuate the foregoing.

In the event any portion of the common areas and facilities encroaches upon any unit, or any unit encroaches upon any other unit, or any unit encroaches upon the common areas and facilities, (whether the same now exists or may be caused or created by existing construction, settlement or movement of the buildings, or by permissible repairs, construction or alteration), a valid cross easement for any such encroachment or encroachments, and maintenance of same is hereby granted.

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B. Each unit and all common areas and facilities and limited common areas and facilities are hereby subjected to an easement for right of entry to the said areas by rescue officers, fire-fighting personnel, police officers and service personnel while performing their duties.

C. The Developer hereby retains such easements on and across the Common Elements of the Condominium as are necessary to facilitate Developer's sales program, including but not limited to an easement for Developer's business invitees' ingress, egress and parking to, from and upon the Common Elements.

13. MAINTENANCE.

A. Maintenance Of The General Common Elements. The Association shall provide for the care, operation, management and repair of the General Common Elements, except as otherwise provided herein. Without limiting the generality of the foregoing and by way of illustration, the Association shall keep the General Common Elements, including recreational facilities, in good, clean, attractive and sanitary order and repair; may arrange for water, sewer, electric, gas and all other necessary utility services to be furnished to the General Common Elements and each of the Units; may maintain and replace all or any portion of the landscaping; may provide for rubbish collection; shall keep the General Common Elements safe, attractive and desirable; and may make necessary or desirable alterations or improvements to the General Common Elements. Nothing herein shall be construed as a waiver of any right by the Association to recover for any damage or expense incurred as the result of the willful or negligent action or omission of any person.

B. Owner Maintenance. Each Owner shall provide for all maintenance, repair and replacement of the Owner's Unit, including, but not limited to maintenance, repair and replacement of the air conditioning, refrigerators, ranges and other kitchen appliances, lighting fixtures and other electrical appliances which are within and appurtenant to a Unit; maintenance, replacement and repair of patios, patio or balcony doors, and the interior surfaces of balconies which are appurtenant to a Unit; all replacement of broken windows and glass surfaces of the Unit; all of the decorating within the Owner's Unit, including painting, wall papering, washing, cleaning, paneling, floor covering, interior window surfaces, draperies, window shades, curtains, lamps and other furnishings, and all other interior decorating; maintenance and repair of all utilities, fixtures and equipment installed within a Unit, commencing at the point where utility lines, pipes, wires, conduits, or systems enter the

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exterior walls of the Unit. Each Owner shall be entitled to the exclusive use of the interior surfaces of the perimeter walls, floors, and ceilings which constitute the exterior boundaries of the Owner's Unit, and each Owner shall maintain such interior surfaces in good condition. The use and covering of the interior surfaces of windows by any item visible from the exterior of the Unit shall be subject to the Rules of the Association. No Owner shall do any act or work or allow any condition to exist which shall adversely affect the other Units or their occupants.

All parts of a condominium 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 unit owner will promptly comply with any requirements of the insurance underwriters of the insurance for the Common Areas and Facilities when so requested in writing by the Board or its designated agent. Any failure of an owner to repair, maintain or replace as may be required pursuant to the Condominium Documents or a determination by the Board or its designated agent that such failure will endanger or impair the value of the Common Areas and Facilities or any unit, or the Limited Common Areas and Facilities belonging to another Owner, may be, upon written notice to the Owner of the nature of the required repair, maintenance or replacement, repaired or replaced by the Association at the expense of the Unit Owner, to be collected by special assessment as provided herein and in the By-Laws. Such assessment may include the cost to the Association incurred in the abatement of any nuisance maintained by the Unit Owner therein.

C. ASSOCIATION MAINTENANCE. Except as otherwise provided in this Article, the Association shall provide for the maintenance, repair and replacement of the Buildings, including, but not limited to, the following:

- (1) Maintenance, repair and replacement of water, sewer, electrical and other systems which serve more than one Unit, but not including those portions of such systems which are within a Unit.
- (2) Maintenance, repair and replacement of roofs, sky lights, steps, outer surfaces of exterior walls, exterior of patios and balconies, doors other than to Units, passageways, and all fences.
- (3) Painting, repainting and resurfacing of Building exteriors.

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(4) Decorating of the General Common Elements, other than interior surfaces within the Unit, and any redecorating of the interior of Units to the extent made necessary by any damage thereto caused by maintenance, repair or replacement work by the Association to the General Common Elements.

(5) An Owner shall do not act and no work that will or may impair the structural soundness or integrity of a Building or impair any easement or hereditament without the written consent of the Board, after first proving to the satisfaction of the Board that such work or act will not impair structural soundness and that such work or act shall be done or performed in a workmanlike manner. Any expense to the Board for investigation, including but not limited to the engaging of a structural engineer, may be charged to the Owner seeking the consent. The decision of the Board shall not be subject to review and shall be subject only to its absolute discretion.

D. DUTY TO INSPECT PREMISES AND TO REPAIR DEFECTS. Each Owner shall have the duty to make reasonable inspections of the Owner's Unit, from time to time, to determine if said Unit contains any obvious defects. In the event of discovery of such a defect, the Owner shall have the duty immediately to give written notice of the defect to the Association. In the event a defect may affect the Unit of any other Owner or the General Common Elements, the Owner whose Unit has the defect shall repair the same in a workmanlike fashion within a reasonable time following discovery thereof, if such repair is responsibility of the Owner according to this Article. Upon the failure of such Owner to so repair, the Association shall have the duty to enter into and upon the Unit and effect such repair, the cost of which shall be chargeable to such Owner by assessment or otherwise.

E. WILLFUL OR NEGLIGENT ACTS. In the event that any maintenance, repair or other work is required because of the willful or negligent action or lack of action by an Owner, the Owner's family, guests, tenants, invitees, lessees or licensees and such maintenance, repair or other work is not covered or paid for by insurance for the benefit of the Association, the Board may perform such work or cause the same to be performed at such Owner's cost and expense and may make an assessment to recover payment thereof against such Owner, provided, except in event of emergency, such Owner shall be given ten (10) days' prior notice within which to perform the required maintenance, repair or work.

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14. PARTITIONING. The common areas and facilities shall not be divided nor shall any right to partition any thereof exist. Nothing herein contained, however, shall be deemed to prevent ownership of a unit by the entireties, jointly, or in common or in any other form permitted by law or prevent changes of layout in the commercial area.

15. LIENS.

A. With the exception of liens which may result from the initial construction of this condominium no liens of any nature may be created subsequent to the recording of this Declaration against the Condominium Property as a whole (as distinguished from an individual unit), together with its undivided common interest in the common areas and facilities except with the unanimous consent of the unit owners and the holders, if any, of prior liens thereon.

B. No labor performed or materials furnished to the common areas and facilities shall be the basis for a lien thereon unless authorized by the Condominium Documents or expressly authorized by the Board, in which event same might be the basis for the filing of a lien against all units in the proportions for which the owners thereof are liable for common expenses.

C. Unless otherwise provided by law, in the event a lien against one or more condominium units becomes effective, each owner thereof may relieve his condominium unit of the lien by paying the proportionate amount attributable to his unit. Upon such payment, it shall be the duty of the lienor to release the lien of record for such unit.

D. Assessments against unit owners by the Association made pursuant to the By-Laws shall, if not paid when due, bear interest at such rate as is determined by the Board, not to exceed the maximum rate allowed by law, and shall create a lien to the extent of such assessment, together with interest thereon, in favor of the Association against the unit of the defaulting owner.

E. All liens provided for herein shall be subordinate, and are hereby subordinated, to the lien of any first mortgage or deed of trust given to any lender to secure a loan, the proceeds of which are used to finance the purchase of any unit or units, unless any such lien provided for herein shall have been recorded in the Office of the Clerk of Superior Court prior to the recordation of said first lien mortgage or deed of trust in the Office of the Register of Deeds of Onslow County, North Carolina.

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16. NATURE OF INTEREST IN UNIT.

A. Every unit, together with its undivided common interest in the common areas and facilities, shall for all purposes be a separate parcel of real property and the unit owner thereof shall be entitled to the exclusive ownership and possession of such unit subject only to the Condominium Documents and the covenants, restrictions, easements, regulations, resolutions and decisions adopted pursuant thereto.

B. A unit owner shall be entitled to use the common areas and facilities in accordance with the purposes for which they are intended, but no such use shall hinder or encroach upon the lawful rights of the owners of other units.

17. INSURANCE.

A. Securing Policies. All insurance policies upon the Property (except personal property within a unit and limited common areas and facilities) shall be secured by the Board or by the Managing Agent if so designated by the Board, who shall have the authority to, and shall, obtain such insurance against (1) loss or damage by fire, wind, flood and other hazards normally insured against, and (2) such other risks, including a public liability insurance policy with limits of not less than \$1,000,000.00., as from time to time shall be customarily required for other property similar in construction, location and use as the Property and the improvements thereon, all under such terms and for such amounts as the responsible authority shall determine. The foregoing shall not preclude the Board from obtaining insurance coverage on all or a portion of the limited common areas and facilities. In obtaining such coverage, the responsible authority shall consider the reasonable requirements of holders of first liens on individual units and shall maintain adequate insurance to replace the improvements placed upon the common areas.

B. Premiums. All insurance policy premiums on the Property and for the benefit of the Association purchased by the Board or the Managing Agent and any deductibles payable by the Association upon loss shall be a common expense.

C. Proceeds. All insurance policies purchased pursuant to these provisions shall provide that all proceeds thereof shall be payable to the Board as insurance trustee or to such attorney-at-law or institution with trust powers as may be approved by the Board of Directors. The sole duty of insurance

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trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purpose elsewhere stated herein or stated in the By-Laws and for the benefit of the unit owners in accordance with the Act. The initial insurance trustee is Keith E. Fountain, who shall serve until a successor is named by the Board.

D. Fidelity Bonds. The Association shall require blanket fidelity bonds for anyone who either handles or is responsible for funds held or administered by the Association. This requirement shall not be waived due to the absence of compensation. The premiums for said bonds shall be paid by the Association as a common expense, except the bonds for the management agent which shall be paid by said agent. The bond shall be in an amount to equal the maximum amount of funds that will be in the custody of the Association. In addition, the bond shall be in an amount to include three (3) months assessment on all units in the development and any reserve funds.

E. Written Notice. All insurance policies and fidelity bonds shall require not less than ten (10) days written notice to the Association, Declarant and all first lien holders before cancellations or amendments to any policy.

18. DISTRIBUTION OF INSURANCE PROCEEDS. Proceeds of insurance policies shall be distributed to or for the benefit of the beneficial owners in the following manner:

A. Expense of Trust. All reasonable expenses of the insurance trustee as approved by the Board, shall be first paid or provision made therefor.

B. Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, in accordance with the Act, the remaining proceeds shall be paid to defray the cost thereof as provided in Paragraph 18 hereof. Any proceeds remaining after defraying such cost shall be distributed to the beneficial owners, pursuant to the percentage of ownership as stated in Exhibit "D", including lienholders of record, or retained by the Association for such common expenses or purposes as the Board shall determine.

C. Failure to Reconstruct or Repair. If it is determined, as provided in Paragraph 19 hereof, that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, per ownership interest as set forth in Exhibit "D", including lien holders of record.

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19. DAMAGE AND DESTRUCTION. Except as hereinafter provided, damage to or destruction of the common areas and facilities, and to the extent insurance proceeds are available, limited common areas and facilities, shall be promptly repaired and restored by the Board using the proceeds of any insurance available for those purposes, and the unit owners of all units shall be liable for assessment of any deficiency, in accordance with their undivided interest in the common areas and facilities; provided, however, if the building be more than two-thirds destroyed by fire or other casualty and the owners of Ninety Percent of the units resolve not to proceed with reconstruction or restoration, then in that event, the Property shall be either (a) sold or otherwise transferred as hereinafter provided, or (b) deemed to be owned as tenants-in-common by the unit owners, and subject to the provisions of Section 47A-25 of the Act as the same exists at the date hereof or as amended hereafter. Any reconstruction or repair shall be in accordance with the plans and specifications of the original building and improvements, unless other plans and specifications are approved by the Board and any governmental authorities whose approval may be necessary.

20. RECOMMENDATION OF RENTAL AGENTS. At the annual meeting of the Association, or such other meeting of the Association as is designated by the Board, the Board may, upon such notice to the owners, recommend for the approval of the Association one or more agents for the rental of units during the forthcoming year. Prior to recommending agents for the approval of the Association, the Board shall have authority to require any agent desiring to qualify as an approved agent to submit a copy of the proposed rental agreement to be used by such agent, together with such other information as the Board may reasonably require. The Board may require, as a condition of approval, that all rental agreements incorporate such standard procedures as may be required to minimize problems of security, maintenance, quality and operation of the common areas and facilities of the Property. Neither the Association nor the Board shall have, or attempt to impose as a condition of approval, any control over the commission schedule or fees charged by any approved rental agent, or the permissible period of rental, all of which shall be for the sole determination of the approved rental agent and any owner selecting such agent. Each owner shall have the absolute right to enter into any direct rental management

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agreement, lease or sales arrangement with tenants, lessees, rental management companies and purchasers which shall be consistent with the Declaration and By-Laws of the Association and such other regulations as may from time to time be promulgated by the Association and/or Board. Nothing herein shall be construed as creating or authorizing any rental pooling or as requiring the rental of a unit by an owner. If any court of law, governmental regulatory body having appropriate jurisdiction or approved legal counsel to the Association determines that any portion of this provision is unlawful or would require registration of the offering of any unit as a security, then such portion of this provision shall be invalid until such requirement is eliminated.

21. MANAGEMENT. Management of the affairs of ST. REGIS CONDOMINIUM shall be the right and responsibility of the Association of unit owners known as "ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC.", hereinafter referred to as the "Association"; and said management duties shall be carried out in accordance with the terms and conditions of this Declaration and the terms and conditions set forth in the By-Laws of ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC., a copy of which is attached hereto and made a part hereof; provided, however, that the Association shall not be authorized to take over the management rights of the Development until such time as 75% of the units under construction or to be constructed have been sold and deeds for those units delivered to the new owner(s) or Five years from date, whichever first may occur. Until such time, the Developer shall have the entire rights and responsibilities of managing the condominium development through the use of said Association. However, any management agreement entered by Developer that does not allow the Association to terminate said agreement without cause upon 90 days notice is void.

22. ASSESSMENTS. Each owner of any unit, by acceptance of the deed thereto, whether or not it shall be so expressed in such deed, is deemed to, and does thereby covenant and agree to pay assessments in the pro-rata share equivalent to such unit's ownership interest in the Common Areas for the common expenses of the up-keep, maintenance and improvement of the Common Areas and for expressly designated services provided to all unit owners in the condominium development.

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Each residential unit owner, by acceptance of the deed thereto, whether or not it shall be so expressed in such deed, is deemed to, and does thereby covenant and agree to pay assessments in the pro-rata share equivalent to such units ownership interest in the Limited Common Area as defined in Paragraph 7 (g) for the common expenses of the up-keep, maintenance and improvements of the said Limited Common Areas.

At the time above specified, the owner of each respective unit shall pay to the Association, an assessment in the sums as indicated on Exhibit "D", beginning the first day following the delivery of the deed to the respective unit by the Developer to the unit owner, the Association to use said sums for the upkeep and maintenance of the Common Areas and for the provision of common services ordinarily to be provided by the Owners' Association as set forth hereinafter in Paragraph (22). The Association shall be responsible for obtaining comprehensive hazard, flood and liability insurance covering all units Limited Common Areas as defined in Paragraph 7 (g), and Common Areas, and the purchaser of an individual unit shall pay to the Association, at the time of the payment of the purchase price for such unit, his pro-rata share of the total insurance premium for the first twelve-month period at the time of the purchase of the unit. Ownership by the Developer of units held for sale shall not obligate the Developer to the payment of any other than pro rata share of insurance premiums, utilities and any other amenities which may be used by Developer.

The Association reserves the right to increase the said assessment in the event there is an increase in the expense outlined in paragraph (22).

In the event the Developer should collect any assessment, the Developer shall turn over all remaining unexpended funds so collected by him to the Association and shall make a full accounting of all sums spent from the amounts collected and shall transfer to the ownership of the Association all insurance policies then in effect on the condominium units and Common Areas. The owner of each unit shall thereafter make all future payments directly to the Association for all common expenses in the proper pro-rata percentage of the total common expenses as set forth hereinafter in keeping with the General Statutes of North Carolina relating to unit ownership.

23. PURPOSES OF ASSESSMENTS. The assessments paid to the Association shall be used exclusively to promote the health, safety and welfare of the owners of ST. REGIS CONDOMINIUM and properties, services and facilities devoted to this purpose and relating to the exterior maintenance of the buildings and units, all for the use and enjoyment of the Common Areas and Facilities, including, but not limited to, the cost of water and sewer service; garbage collection; electricity and local taxes or assessments levied for the Common Areas, repairs (including capital reserves for major repairs); replacements and additions to the Common Areas and Facilities, the cost of labor, equipment and materials expended on the Common Areas and Facilities, the procurement and maintenance of liability, flood and hazard insurance coverage on the units and Common Areas; landscaping, exterior, entrance and parking lighting; security, elevators, lobby maintenance, the employment of attorneys, accountants and when deemed necessary or advisable by the association and such other needs as may arise.

24. CHANGE IN ASSESSMENTS At any time after the actual assumption of management duties by the Association, it shall have the right, by a vote of its Board of Directors, to change the method of payment of any assessments from a monthly to a quarterly, semi-annual or annual basis and shall have the right to increase said assessments without the approval of the membership by an amount not to exceed ten (10%) per cent of the assessment of the previous year.

The assessment may be increased without limit by a vote of two-thirds (2/3) of the members of the Association voting in person or by proxy at a meeting duly called for this purpose.

25. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the assessments specified above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements upon the Common Areas, including fixtures and personal property related thereto; provided that any such assessment shall have the assent therefore voted by two-thirds (2/3) of the members of the Association who are voting in person or by proxy in a meeting duly called for this purpose.

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26. LOCAL TAXES. ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS

ASSOCIATION, INC., shall be responsible for the payment of local taxes on the Common Areas. Upon default by the Owners Association on the payment to the governmental authority of any ad valorem taxes levied against the Common Areas or assessments for public improvements to the Common Areas, should the default continue for a period of six (6) months, then each unit owner(s) shall be obligated to pay the taxing or assessing governmental authority a portion of such tax or assessments in the amount determined by dividing the total taxes and/or assessments due to the governmental authority by the percentage of ownership, said unit owner may have in the Common Area. If the sum is not paid by the owner(s) within thirty (30) days following receipt of notice of the amount due, then the sum shall become a continuing lien on the real estate of the then owner(s), his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law against the owner obligated to pay the same or may elect to foreclose the lien against the owner.

The Owners Association shall be empowered to levy assessments against the owners of units within the development for the payment of expenditures made by the Association for items set forth above and any such assessment not paid by the owner against whom such are assessed shall constitute a lien on the units of the owner.

27. DATE OF COMMENCEMENT OF ASSOCIATION ASSESSMENTS. Assessments levied by the Association on the owners of individual units shall commence on the first day following delivery of the deed to the owner by the Developer of the respective unit.

28. UNITS SUBJECT TO CONDOMINIUM DOCUMENTS. All present and future owners, tenants and occupants of units and their guests or invitees shall be subject to, and shall comply with the provisions of the Condominium Documents, and as the Condominium Documents may be amended from time to time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any dwelling shall constitute an agreement that the provisions of the Condominium Documents are accepted and ratified by such owner, tenant or occupant, and all of such provisions shall be deemed and take to be covenants running with the land and shall bind any person having any time, any

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interest or estate in such unit as though such provisions were made a part of each and every deed of conveyance or lease. Failure to comply with the provisions of the Condominium Documents shall entitle the Association or any owner to seek legal and/or equitable relief, including costs and reasonable attorney's fees incurred in enforcing such compliance.

29. DOCUMENT AVAILABILITY. The Association shall have current copies of the Declaration, By-Laws, books, records and financial records which shall be available for inspection and copying by Unit Owners or by holders, insurers or guarantors of first mortgages. Said records shall include an audited statement for the preceding fiscal year.

30. AMENDMENT OF DECLARATION. Except as provided below, this Declaration may be amended at any regular or special meeting of the Unit owners called and convened in accordance with the By-Laws by the affirmative vote of voting members casting not less than two-thirds (2/3rds) of the total vote of the members of the Association. All amendments shall be recorded and certified as required by the Condominium Act.

Except as provided herein, no amendment shall impair or prejudice the rights and priorities of any mortgages or change the provisions of this Declaration with respect to institutional mortgages without the written approval of all institutional mortgagees of record, nor shall the provisions of Article 30 of this Declaration be changed without the written approval of all institutional mortgagees of record. No amendment shall change the rights and privileges of the Developer without the Developer's written approval. Notwithstanding the foregoing paragraphs of this Article 30:

a. If the Declaration is amended so as to change the configuration of units or to incorporate and annex additional land or units as provided in this Article, such changes shall be reflected by the amendment of this Declaration with a survey attached reflecting such authorized changes. The survey shall be certified in the manner required by the Condominium Act.

b. The Developer, so long as it owns more than ten percent (10%) of the Condominium Units in the condominium reserves the right at any time to amend the Declaration as may be required by any lending institution or public body or in such manner as the Developer may determine to be necessary to carry

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out the purposes of the project, which amendment is not otherwise prohibited by the Condominium Act.

31. NON-PROFIT CORPORATION. It is the intention of Declarant that all rights of the Association shall be vested in a non-profit corporation known as ST. REGIS OF ONSLOW COUNTY, N.C., OWNERS ASSOCIATION, INC., which shall be or has been formed pursuant to laws of the State of North Carolina and the applicable Federal laws. Such corporation shall be formed and operated in accordance with the Declaration and the By-Laws attached hereto and incorporated herein, and all governing laws, as they shall be amended from time to time.

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

33. MORTGAGEE'S RIGHTS.

A. Notice to Mortgagee. Each holder of a deed of trust on any Condominium Unit upon written request by such holder to the Board, shall receive any of the following:

(1) Copies of budgets, notices of assessments, insurance certificates, or any other notices or statements provided under this Declaration by the Association to the Owner of the Condominium Unit covered by the deed of trust;

(2) Any audited or unaudited financial statements of the Association within ninety (90) days following the end of any fiscal year, which are prepared for the Association and distributed to the Owners;

(3) Copies of notices of meetings of the Owners and the right to be represented at any such meetings by a designated representative;

(4) Notice of the decision of the Owners or the Association to make any material amendment to this Declaration, the By-Laws or the Articles of Incorporation of the Association;

(5) Notice of substantial damage to or destruction of any Unit, or any part of the General Common Elements;

(6) Notice of commencement of any condemnation or eminent domain proceedings with respect to any part of the General Common Elements;