

RETURN TO: KIRKMAN, WHITFORD, BRADY & BERRYMAN, P.A.

DECLARATION OF CONDOMINIUM
THE ISLANDER SUITES -
A HOTEL IN CONDOMINIUM FORM OF OWNERSHIP
PHASE I

STATE OF NORTH CAROLINA

COUNTY OF CARTERET

THIS DECLARATION, is made this the _____ day of _____, _____, by Islander Ventures of Emerald Isle, LLC, hereinafter designated "Declarant," pursuant to the Uniform Condominium Act, Chapter 47C of the General Statutes of North Carolina:

BACKGROUND STATEMENT

Declarant is the owner of certain real property situated in Carteret County, North Carolina, and more particularly described in Exhibit A, attached hereto and incorporated herein by reference (the "Property"). Declarant intends to convert the existing hotel on the Property into a hotel which will be owned in condominium form of ownership. Said development will consist initially of one two-story building. This hotel development in condominium form of ownership shall be known as The Islander Suites - A Hotel in Condominium Form of Ownership (the "Project") and shall initially consist of forty-four units. The Islander Suites - A Hotel in Condominium Form of Ownership is a phase condominium and all land which may become part of the Condominium is legally described Exhibit A.

In creating the Project, Declarant desires to develop a property with certain common elements and facilities to be used for the benefit of the Project. Declarant desires to provide for the preservation of the values and amenities and for the maintenance of the common areas and facilities in the Project, and therefore desires to subject the Property to this Declaration and the covenants, restrictions, easements, charges and liens described herein, and further, to submit the development area to the provisions of the North Carolina Condominium Act, North Carolina General Statutes, Chapter 47C.

Declarant has deemed it desirable to create a non-profit corporation which shall be delegated and assigned powers of maintaining and administering the common facilities of the Project, providing for the operation of a hotel on the Project, performing certain maintenance on the buildings, of administering and enforcing the covenants and restrictions created in this Declaration and of levying, collecting and disbursing the assessments and charges created by this Declaration, and to take any steps or perform any acts deemed necessary or appropriate to promote the recreation, health, safety and welfare of the owners of condominium units in the Project.

NOW, THEREFORE, Declarant hereby declares that all of the Property is hereby made subject to the following:

ARTICLE I

DEFINITIONS

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

- 1.1 "Act" shall mean the Uniform Condominium Act, Chapter 47-C, General Statutes of North Carolina, as amended from time to time;
- 1.2 "Association" shall mean Islander Suites Owners' Association, Inc., a North Carolina non-profit corporation organized pursuant to the Act, and its successors and assigns.
- 1.3 "Board" shall mean the Board of Directors of the Association.
- 1.4 "By-Laws" shall mean the By-Laws of the Association which are attached hereto and hereby

incorporated herein and made a part hereof by this reference.

1.5 "Common Elements" shall mean all portions of the Condominium except the Units and those areas as shown on the Plans as "Future Development Need Not Be Built". Limited Common Elements are Common Elements.

1.6 "Common Expenses" shall mean expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserve.

1.7 "Condominium" shall mean the Condominium created by this Declaration.

1.8 "Declarant" shall mean the Declarant and (i) any other person who has executed this Declaration except a Security Holder executing this Declaration for purposes of subordinating its interest, and (ii) any person who succeeds to any special Declarant rights pursuant to the Act, and (iii) any successors and assigns of Declarant specifically assigned the rights of Declarant hereunder by written instrument recorded in the office of the Register of Deeds of Carteret County.

1.9 "Declarant Control Period" shall mean the period of time beginning with the recordation of this Declaration and ending as provided in Section 2.10 hereof.

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

1.11 "Floor Plans" shall mean those plans of the Condominium recorded with, and by the Act, made a part of this Declaration, as the same may hereafter be amended. The plans of The Islander Suites - A Hotel in Condominium Form of Ownership recorded in Map Book _____, Pages _____ through _____, Carteret County Registry are incorporated herein.

1.12 "Limited Common Elements" shall mean those portions of the Common Elements allocated by operation of N.C.G.S. Section 47C-2-102(2)and(4) of the Act for the exclusive use of one Unit and also any Limited Common Elements specifically allocated to Units on Exhibit "B" hereof.

1.13 "Occupant" shall mean any person or persons in possession of a Unit, including Unit Owners, the family members, guests, tenants, hotel guests, and invitees of such person or persons.

1.14 "Person" shall mean a natural person, corporation, partnership, trust or other entity, or any combination thereof.

1.15 "Property" shall mean the real estate described on Exhibit "A," together with all buildings and improvements now or hereafter constructed or located thereon whether Unit, Common Element or Limited Common Element, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.16 "Security for an Obligation" shall mean the vendor's interest in a contract or deed, mortgagee's interest in a mortgage, trustee's interest in a deed of trust, purchaser's interest under a sheriff's certificate of sale during the period of redemption, or the holder's interest in a lien;

1.17 "Security Holder" shall mean any person owning a Security for an Obligation in a Unit.

1.18 "Unit" means a physical portion of the condominium designated for separate ownership or occupancy, the boundaries of which are described in Section 1.19. Each Unit is designated and delineated on the Floor Plans.

1.19 "Unit Boundaries" means, pursuant to G.S. 47C-2-102, that walls, floors and ceilings are designated as boundaries of the Units; specifically, perimeter walls, the walls separating the Units, and the floors of each unit as well as the ceilings of each unit shall be the boundaries of the Unit.

Unit Boundaries are further defined as set forth in Article VI, Section 6.3(a) hereof. The plans of The Islander Suites - A Hotel in Condominium Form of Ownership recorded in Map Book _____, Pages through _____, Carteret County Registry are incorporated herein.

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

ARTICLE II

CONDOMINIUM

2.1 Submission. Declarant hereby submits the Property to the Act. Notwithstanding the foregoing, those areas shown on that plat recorded in Map Book _____, Page _____, Carteret County Registry, which are designated as "Future Development Need Not Be Built" are not submitted to the Act or this Declaration.

2.2 Name. The Property shall hereafter be known as The Islander Suites - A Hotel in Condominium Form of Ownership.

2.3 Division of Property Into Separately Owned Units. Declarant, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property, except those areas shown on that plat recorded in Map Book ____, Page ____, Carteret County Registry, which are designated as "Future Development Need Not Be Built", into forty-four (44) Units and does hereby designate each such Unit for separate ownership, subject, however, to the provisions of Section 2.4 below.

2.4 Alterations of Units. Subject to the provisions of the By-Laws, a Unit may be altered pursuant the provisions of N.C.G.S. Section 47C-213(a) and (b) of the Act.

2.5 Limited Common Elements. The Limited Common Elements serving or designated to serve each Unit are hereby allocated solely and exclusively to each such Unit. In addition to those defined in Article I, Section 1.12, Limited Common Elements include those set forth on Exhibit "B" and Article VI, Section 6.3(a) and are hereby allocated to Units as shown on Exhibit "B".

2.6 Unit Allocations. The allocations to each Unit of a percentage of undivided interest in the Common Elements, of votes in the Association, and of a percentage of the Common Expenses, are as stated on Exhibit "C." The undivided interest in the Common Elements declared to be an appurtenance to each Unit shall not be conveyed, devised, encumbered or otherwise dealt with separately from said Unit, and shall be deemed conveyed, devised, encumbered or otherwise included with the Unit, even if not referenced or specifically described in the document or instrument of conveyance, devise or encumbrance, or otherwise dealing with the Unit. The formula for allocation interest or reallocating undivided interest in the Common Element and percentage of Common Expense is the fraction created by dividing the total number of Units subject to the Declaration by one hundred.

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

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

2.9 Association.

a. In order to provide for the administration of the Condominium by the Owners of the Units, the Association has been organized as a nonprofit corporation pursuant to Chapter 55A of the North Carolina General Statutes and pursuant to N.C.G.S. 47C-3-101. The By-Laws of the Association are described at Section 14.5 herein and are affixed hereto as Exhibit G.

b. The Association shall have the authority and power to enforce this Declaration, and all Association documents, to levy and collect assessments and fines in the manner provided herein and by the Act, to adopt, distribute and enforce rules and regulations regarding the use of Common Elements as the Board deems to be in the best interest of the Association, and to exercise all powers provided by its Articles of Incorporation, the By-laws, and the Act, as amended from time to time, and except as restricted by the Act or by this Declaration to exercise all powers provided to nonprofit corporations in the State of North Carolina.

c. Every person or entity who is the record owner of a fee simple or undivided interest in a Unit, for so long as they own such interest in said Unit, shall be a Member of the Association; provided however that no person or entity who holds an interest solely as security for the performance of an obligation shall be a Member.

d. The Association shall have one class of membership. Members shall have one vote for each Unit in which they hold the interests required for membership. When more than one person holds such interests or interests in any Unit all such persons shall be Members, and the vote for such Unit shall be exercised as they among themselves determine but in no event shall more than one vote be case with respect to any such Unit.

e. If a Unit is owned by one person his right to vote shall be established by the record title to his Unit. If a Unit is owned by more than one person, the person entitled to cast the vote for said property shall be designated by a certificate signed by all of the record owners of said property and filed with the secretary of the Association. If a Unit is owned by a corporation, the person entitled to cast the vote for said property shall be designated by a certificate of appointment signed by the president, vice president or secretary of the corporation and filed with the secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Unit.

2.10 Declarant Control Period. Subject to the remainder of this paragraph, the Declarant may appoint and remove the officers and members of the Board of the Association during the period that shall terminate no later than the earlier of (i) 120 days after conveyance of 75% of the Units, including Units which may be created pursuant to special Declarant rights, to Unit Owners other than

a Declarant; (ii) two years after Declarant has ceased to offer Units for sale in the ordinary course of business; or (iii) two years after any development right to add new Units was last exercised hereinafter referred to as the "Declarant Control Period". The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of the Declarant Control Period, but in that event Declarant shall have the right for the duration of the Declarant Control Period to specify that any or all of the following actions of the Association or Board be approved by the Declarant before they become effective:

1. Amend the Declaration or By-Laws;
2. Terminate the Condominium;
3. Prepare a budget for the Association.

During the Declarant Control Period, and at all times thereafter, the Board shall manage and operate the Association in a manner consistent with the terms and conditions of this Declaration, any and all supplements or amendments hereto, the Association's By-Laws and the North Carolina General Statutes. Upon the Declarant's written notification to each Unit Owner prior to the termination of the Declarant Control Period, said notice manifesting the Declarant's intention to surrender his right to appoint and remove the officers and members of the Board, the Association shall call a meeting of the membership for the purpose of electing a new Board for the Association from the membership of the Association. From that point on, the new Board shall then become responsible for the operation and management of the Association and the Declarant's responsibility for same terminates.

Not later than sixty (60) days after the conveyance of twenty-five percent (25%) of the Units, including Units which may be created pursuant to special Declarant rights, to Unit Owners other than the Declarant, at least one Member and not less than twenty-five percent (25%) of the Members of the Board shall be elected by Unit Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Unit Owners other than the Declarant, not less than thirty-three percent (33%) of the Members of the Board shall be elected by Unit Owners other than the Declarant. Not later than the termination of any period of Declarant control, the Unit Owners shall elect a Board of at least five (5) members, at least a majority of whom must be Unit Owners. The Board shall elect the officers. The Board members and officers shall take office upon election.

ARTICLE III

EASEMENTS

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

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

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

3.4 Easement for Management Office and Hotel Lobby. Declarant hereby grants an easement to the Association and to such persons as are authorized by the Association to provide for the on-site management of the hotel, as specifically set forth in Article IV hereof, the right to use the existing office located in Building B as an on-site management office and hotel lobby. Declarant reserves the right to relocate the on-site management office and hotel lobby within Building B at no cost to the Association provided the area is of the same or better character and quality as the existing the office and lobby. Upon the on-site management office and hotel lobby being made a Common Element by the Declarant, this easement shall be deemed extinguished.

3.5 Declarant's Easements. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations and completing the development and construction of the Condominium, including, without limitation, the development and construction of improvements on any property annexed into the Condominium pursuant to Article XIII hereof, which easements shall exist as long as reasonably necessary for such purposes.

3.6 Enjoyment. Subject to Declarant's development rights, the restrictions herein, and the provisions of the Act, the Common Elements, with the exception of the Limited Common Elements, are subject to a perpetual, nonexclusive easement in favor of all Unit Owners for their use and the use of their guests and invitees for all proper and normal purposes, and for the furnishing of services and facilities both of which are reasonable intended for and related to the use and enjoyment of the Units. Subject to Declarant's development rights herein, the Association shall have the exclusive right to develop rules and regulations for use of the Common Elements.

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

ARTICLE IV

RESTRICTIONS, CONDITIONS AND COVENANTS

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

4.2 Administration of Condominium. The Condominium shall be administered in accordance with the provisions of the Act, this Declaration and the By-Laws.

4.3 Hotel Use. Zoning regulations for the Town of Emerald Isle require the Project continue to be operated as a hotel. Each Unit will be part of a hotel complex made up of all the Units and the common area properties of the condominium. All Unit Owners shall make their Units and interest in Common Elements available for short-term rentals as part of the condominium's hotel operation and Unit Owners shall occupy their Units only on a transient basis. Unit Owners are prohibited from using their Units as either a primary or secondary residence and a Unit Owner shall have no right of residential occupancy in any respect other than as a transient guest similar to a non-owner transient guest. The Association shall provide for the hotel operation where transient guests may rent units for short-term periods. The Association shall establish the terms and conditions of the hotel operation as necessary to keep the Project in compliance with Town of Emerald Isle zoning ordinance. All Units are subject to the Association's terms and conditions for the hotel operation as established and amended from time to time by the Association. Included in the Association's power and authority to operate the Project as a hotel are:

a. the right of the Board to contract for the on-site management of the hotel (the "Hotel Manager") that will be the only on-site manager which all Unit Owners must use, and for a rental manager that may or may not be the Hotel Manager, which Unit Owners may choose to use to handle the booking of their rentals, but which they shall not be required to use;

b. the right of the Board to secure a hotel franchise for the Condominium;

c. the right of the Board to require Unit Owners to provide the Hotel Manager chosen by the Board with all rental and booking information, including rates and reservations, for the rental of the Unit Owner's Unit, and to provide the Hotel Manager with the name and contact information of any rental agent other than the Hotel Manager used by the Unit Owner for the marketing and booking of rentals of their Unit, and to permit the Hotel Manager to keep, and to cooperate in providing all information necessary for the Hotel Manager to keep, records of rates, and details of occupancy (including occupancy by the Unit Owner), including names and addresses of guests and dates of use, for all rentals of their Unit, and to require all guests to check in and out with the Hotel Manager, as part of the hotel operation;

d. the right of the Board to establish minimum Unit standards in terms of wall, floor, and ceiling coverings, furnishings, fixtures and appliances; and

e. to take all other action necessary to ensure compliance with the Town of Emerald Isle zoning.

In the event the Town of Emerald Isle modifies its zoning ordinances such that use of the Units and Condominium for something other than a hotel is permitted, the Association shall have the authority to convert the Condominium to any such permitted and conforming use. However, the Condominium shall at all times remain compliant with Emerald Isle zoning and subject to the authority of the town to cease occupation of the units where the condominium is found to be noncompliant. [Note: If Emerald Isle amends its zoning to make the hotel operation for the Condominium non-conforming, the hotel operation will continue subject to the provisions of the zoning ordinance relating to non-conforming uses.]

Notwithstanding the authority and obligation of the Association in this section to establish and

operate the Project as a hotel, the Association and/or the Unit Owners may neither "pool" rental revenues nor otherwise take any action that may subject this property to the jurisdiction of the U.S. Securities and Exchange Commission. The rental revenues for each Unit must be accounted for and distributed to the Unit Owners separately.

The Declarant makes no representation, express or implied, that any Unit Owner will receive any revenues or profit from the operation of the Project as a hotel, or that any Unit Owner will receive any return upon the sale of his Unit.

The Town of Emerald Isle is made a beneficiary of these covenants to the extent necessary to maintain compliance with the Town of Emerald Isle zoning ordinance. Additionally, the Town is authorized to enforce the provisions of this section related to operation of the Project as a hotel. In order to ensure the Property is being operated in compliance with the Emerald Isle Zoning Ordinance, the Town of Emerald Isle is specifically granted the right to inspect the books and records of the Association and the Hotel Manager. If the Town of Emerald Isle seeks to enforce the provisions of this Declaration through a legal proceeding and the Town is the prevailing party in such action, the Association shall pay the attorneys' fees incurred by the Town. In the event the Association is the prevailing party, the Town shall pay the attorneys' fees incurred by the Association.

In the event there is a violation of any provision of this Section of the Declaration relating to hotel operation, the Unit Owner or Owners responsible for the violation shall be responsible for paying in the form of a special assessment to the Association any and all fines assessed by the Town of Emerald Isle or legal fees incurred by the Association as a result of the violation.

4.3.1 Nothing contained herein shall prevent the Declarant from using a Unit as a model or office until such time as all Units have been conveyed by the Declarant. Furthermore, nothing shall prevent parties responsible for the on site hotel management from using a Unit or a portion of the Common Element as an office for use in managing the hotel and/or rental program.

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

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

4.6 Pets. The Board shall have specific authority to regulate, or prohibit, the keeping of pets within Units or on Common Elements and Limited Common Elements. All Owners must follow the rules and regulations promulgated from time to time by the Board regarding pets.

4.7 Antennae, Mail Boxes etc. No antennae, aerial, or satellite dish shall be installed on Common Elements or the exterior of a Unit unless installed by the Association. The Board on behalf of the Association is specifically authorized to regulate or prohibit mail boxes, newspaper boxes or other such features. The Board is authorized to require that mail be collected at a post office box, or, if the Board so determines, that mail be collected in uniformly approved or joint use mail collection locations and facilities.

4.8 Trailers/Large Vehicles. No boats, jet skis, boat or jet ski trailers, travel trailers, truck bed campers, habitable motor vehicles, trailerized cookers nor other vehicles exceeding one-half ton shall be allowed to be parked on any Common Elements, except in areas designated for such parking by the Board.

4.9 Time Share Prohibition. No Unit may be subdivided into "time share" form of ownership as said term is defined in G.S. 93A-41 and no unit may be owned in time shares.

4.10 Nuisance. No Unit Owner may carry on any practice or permit any practice to be carried on, which unreasonably interferes with the quiet enjoyment by the occupants of any other Unit.

4.11 Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict herewith and supplementary hereto may be promulgated and amended from time to time by the Board as more fully provided in the By-Laws.

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

ARTICLE V

ASSESSMENTS

5.1 Assessments/Liens. The Board has the power to levy assessments against the Units for Common Expenses. Each Unit Owner, by the acceptance of title thereto, shall be deemed to covenant and agree to pay to the Association, assessments as further provided in the By-Laws, this Declaration and the Act. The assessments may be classified as (A) Regular for operation, maintenance, repair, replacement and improvement of Common Elements, and other purposes of the Association, including, without limitation, establishing reserve funds for replacement of and capital improvements to Common Elements, and (B) Special for capital improvement to and replacement of Common Elements if sufficient reserve funds are not available, emergencies, and for damages and expenses created by less than all Unit Owners to pay expenses and liabilities, including, but not limited to insurance premiums not covered by Regular assessments. Assessments are to be fixed, established and collected from time to time as provided in the By-Laws, subject to any limitations provided by the Act or expressly set forth herein. Such assessments shall be a lien on the Units against which they are assessed when a claim of lien is filed with the clerk of superior court in Carteret County pursuant to N.C.G.S. §47C-3-116, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit sold with the Association having the power of sale with respect thereto, or a money judgment obtained against the persons liable therefore, all as provided in N.C.G.S. §47C-3-116 as amended from time to time, and as set forth in the By-Laws. Regular assessments may also be referred to as dues in this Declaration, the By-laws, Public Offering Statement and other condominium documents. The Association shall also be entitled to recover administrative fees, interest in an amount established by the Board or in the maximum amount permitted by law if not set by the Board, late fees, and attorneys' fees as permitted by the Act, and as provided by the By-Laws.

5.1.1 Declarant Liability. Declarant shall pay an equitable sum to the Association to defray the cost to the Association for insuring and maintaining those areas shown on that plat recorded in Map Book ____, Page ____, Carteret County Registry which are designated as "Future Development Need Not Be Built" in which the Declarant has reserved future development rights to create additional units and to subject the same to the Declaration. Declarant's obligation set forth herein shall expire upon the earlier to occur of the following: (i) upon submitting a total of fifty-six (56) additional units to the Declaration, (ii) until the Declarant has released its right to develop the same, or (iii) until December 31, 2030 which earlier is the first to occur.

5.2 Personal Liability of Transferee; Statement; Liability of First Mortgagee.

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

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to Article XIX, Section 3 (c) of the Bylaws, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

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

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

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

5.4 Commencement of Assessments. Payment of Regular assessments shall commence upon the conveyance fifteen (15) Units by the Declarant. As legally required by N.C.G.S. Section 47C-3-115 of the Act, Declarant shall pay all accrued expenses of the Condominium until assessments are levied against the Units.

ARTICLE VI

MANAGEMENT, MAINTENANCE, REPAIRS, REPLACEMENTS,
ALTERATIONS AND IMPROVEMENTS.

6.1 Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements, including without limitation the maintenance of the structural integrity of the buildings in which the Units are located, shall be the responsibility of the Association, and, subject to the provisions of Section 6.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 6.1 (b) hereof. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense. Notwithstanding this provision, the Association may charge to any Owner the cost of any repairs or maintenance required because of the negligence of any Owner, his agents, employees, or invitees.

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

(c) Utilities. The Association shall pay all charges for the utilities in the name of the Association including, but not limited to common area electrical lights, common area irrigation or water systems, and shall repair and maintain any signage on Common Elements.

6.2 Expenses Associated With Limited Common Elements Or Benefiting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element as a rule shall be assessed against the Unit, or in equal shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred; however, the Board of Directors shall have the authority when fundamental fairness requires to declare such common expense a general common expense and not assess the same specifically against the Unit to which the limited common element is appurtenant.

(b) That in the event damage to a Limited Common Element is covered by the Association's casualty insurance, the costs of repairs or replacements will not be assessed to the appurtenant Unit Owner(s) unless damage is the intentional act of the Unit Owner(s).

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

6.3 Units: Boundaries and Maintenance.

(a) The boundaries of each unit are situated as shown on the Floor Plans and are as follows:

(1) Walls, floors and ceilings are designated boundaries of the Units; specifically, perimeter walls, the walls separating the Units, and the floors of each unit as well as the ceilings of each unit shall be the boundaries of the Unit. All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished flooring, and any other materials constituting any part of the finished surfaces thereof are a part of the Unit.

(2) All utility pipes, lines or services, including, but not limited to plumbing, electrical, telephone, television, and gas located within a Unit and serving exclusively a Unit are a part of the Unit.

(3) The Unit's heating, ventilation and air conditioning (HVAC) equipment and fixtures are a part of the Unit even if located on Common Elements; however, lines and pipes connecting the HVAC equipment located on Common Elements with the Unit are Limited Common Elements.

(b) Each Unit Owner shall maintain his Unit at all times in a good and clean condition as determined by the Declarant and subsequently the Association; shall maintain, repair and replace at his expense all portions of his Unit including finished flooring, wall coverings furnishings, fixtures, and appliances necessary to comply with minimum Unit Standards established by the Board; shall perform his responsibilities in such manner as not to unreasonably disturb other occupants and so as not to impede or damage the structural integrity of the walls and structural components of the building in which the Unit is located; shall promptly report to the Board, or its agents, any defect or need for repairs, the responsibility for which is that of the Association; and to the extent that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall be made upon demand by the Unit Owner of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

In the event a Unit Owner fails to maintain his Unit or its furnishings as herein specified or as required by the Board in connection with minimum hotel room standards, the Declarant and subsequently the Association may enter the Unit and cause the necessary repairs or replacements to be made to the Unit and/or its furnishings. The costs of any repairs and/or replacements shall be assessed to the Unit Owner as special assessment and collected as set forth herein and in the By-laws.

(c) Each Unit Owner shall furnish his Unit as specified by the Declarant and

subsequently, the Association. Each Unit Owner shall be responsible for replacing all furnishings so that they are in a condition that is acceptable to the Declarant and subsequently the Association. In the event a Unit Owner fails to maintain or replace the furnishings of his Unit, the Declarant and/or the Association may enter the Unit in order to maintain the furnishings and may purchase and replace furnishings as it deems necessary. The costs of any repairs and/or replacements shall be assessed to the Unit Owner as a special assessment and collected as set forth herein and in the By-Laws.

6.4 Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, (all rights of entry to the Association shall be deemed to include the Hotel Manager with which the Association contracts), may, without notice, enter any Unit or any of the Limited Common Elements in case of any emergency or dangerous condition or situation originating in or threatening that Unit or any of the Limited Common Elements. The Association, and any person authorized by the Association, may enter each Unit without notice to perform periodic pest control. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for the purposes of performing any of the Association's duties or obligations, or exercising any of the Association's powers under the Act, this Declaration, or the By-Laws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding this Section 6.4, the Association shall be responsible for any damage caused by the Association, or its authorized person, to the entered Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner. Each Unit Owner shall provide a key to his Unit to the Association or its designated Hotel Manager to be used for access to the Unit as set forth herein.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representatives to enter his Unit, or Limited Common Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing, or replacing the Unit, or performing the duties and obligations under the Act, this Declaration, or the By-Laws of the Unit Owner or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding this Section 6.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

6.5 Incorporation of Powers under the Act. The Association shall have all power and authority set forth under G.S. 47C-3-102 of the Act (as amended from time to time) including, but not being limited to, the right to assign its future income, including the right to receive common expense assessments.

ARTICLE VII

INSURANCE

7.1 Casualty Insurance. The Association shall maintain casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to, the Association, as Trustee for all Unit Owners and Security Holders as their interests may appear, and such proceeds shall be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than the full insurable value of the Property on a replacement cost basis and shall insure against such risks, including all risks of direct physical loss normally insured against including fire and extended coverage perils, and shall contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act including, without limitation those in N.C.G.S 47C-3-113, as amended from time to time, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to the Act.

7.2 Public Liability Insurance. The Association shall maintain public liability insurance for the benefit of the Unit Owners, Occupants and holders of a vendor's interest in a contract for deed on a Unit, the Association, the Board, the manager, if any, the Declarant, and their respective officers, directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board; provided that the public liability insurance shall be for at least \$3,500,000.00 per occurrence for death, bodily injury and property damage. Limits on liability may be altered from time to time by the Board. Said insurance shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefited parties against such liability arising out of or in connection with the use, ownership, or maintenance of the Common Elements, and the streets, sidewalks and public spaces adjoining the condominium; and insure the Association, the Board, the manager, if any, and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units. Such insurance shall also comply in all respects with the requirements of the Act, including, without limitation, those in N.C.G.S. Section 47C-3-113, as amended from time to time.

7.3 Other Insurance. The Association may procure such other insurance as it may from time to time deem appropriate to protect the Association or the Unit Owners.

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

7.5 Individual Policy For Unit Owners. Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amount such Unit Owner deems necessary to protect his own interest; provided that any such insurance shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of the insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assigns the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE VIII

CASUALTY DAMAGE

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

ARTICLE IX

CONDEMNATION

In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Property, the same shall be repaired or restored, and the awards paid on account thereof shall be used and applied in accordance with N.C.G.S. Section 47C-1-107.

ARTICLE X

TERMINATION

The Condominium may be terminated only in strict compliance with N.C.G.S. Section 47C-2-118.

ARTICLE XI

AMENDMENT

This Declaration may be amended pursuant to the Act, including, without limitation, N.C.G.S. Section 47C-2-117; however, Declarant reserves the right to amend this Declaration to annex additional properties to the Condominium and Declarant further reserves the right to make amendments to this Declaration to eliminate any conflicts or inconsistencies or terms and provisions or to clarify any term or provision that is vague. Notwithstanding the foregoing, there shall be no amendment to any of the terms or provisions of this Declaration relating to Declarant's rights without the consent of the Declarant.

ARTICLE XII

RIGHTS OF FIRST MORTGAGEE; V.A., FNMA, AND FHLMC PROVISIONS

The following provisions shall take precedence over all other provisions of this Declaration and the By-Laws:

12.1 Availability of Condominium Documents, Books, Records, and Financial Statements. The Association shall, upon request and during normal business hours, make available for inspection by Unit Owners and the first mortgagees and the insurers and guarantors of a first mortgage on any Unit, current copies of the Declaration, the By-Laws, other rules and regulations governing the Condominium and the books, records, and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a first mortgagee or insurer or guarantor of a first mortgage. The Association shall, upon request and during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, By-Laws, other rules and regulations governing the Condominium, and the most recent annual audited financial statement (if one is prepared).

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

by them or become due and payable after title has transferred to a successor.

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

12.4 Management and Other Agreements. Any management agreement between the Declarant or the Association and a professional manager, or any other agreement providing for services of the Declarant, sponsor, builder or Declarant, shall be terminable by either party thereto without cause and without payment of a termination fee upon not less than ninety (90) days prior written notice and shall not exceed a term of three (3) years, subject to renewal by the consent of both parties.

12.5 Consent of First Mortgagees. This Section 12.5 shall be effective only if, at the time this Section would apply, at least one Unit is subject to financing. Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation of the Property shall require the prior written consent of Security Holders, as defined in Section 12.7 hereof, representing 100% of the votes allocated to Units subject to First Mortgages held by eligible Security Holders. Any amendment to the Declaration or By-Laws which changes any of the following shall require the prior written consent of all Unit Owners and of all eligible Security Holders:

- (a) Voting rights;
- (b) Assessments, assessment liens or subordination of such liens;
- (c) Reserves for maintenance, repair, and replacement of Common Elements;
- (d) Responsibility for maintenance and repairs;
- (e) Re-allocation of interests in the Common Elements or Limited Common Elements or rights to their use;
- (f) Boundaries of any Unit;
- (g) Convertibility of Units into Common Elements or Common Elements into Units;
- (h) Expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;
- (i) Insurance or fidelity bonds;
- (j) Leasing of Units;
- (k) Imposition of any restrictions on a Unit Owner's right to sell, transfer or otherwise convey his Unit;
- (l) A decision by the Association to establish self management when professional management had been required previously by any eligible Security Holder;
- (m) Restoration or repair of the Condominium (after damage or destruction or partial condemnation) in a manner other than that specified in this Declaration or the By-Laws;
- (n) Any action to terminate the legal status of the Condominium after substantial damage or destruction or condemnation; or
- (o) Any provisions that expressly benefit First Mortgagees or insurers or guarantors of first mortgages.

12.6 Consent of First Mortgagees or Unit Owners. This Section 12.6 shall be effective only if, at the time this Section would apply, at least one Unit is subject to financing. Except with the unanimous consent of all First Mortgagees, the Association shall not be entitled to:

- (a) By act or omission, seek to abandon or terminate the Condominium;
- (b) Change the pro rata interest or obligations of any Unit for the purpose of:
 - 1. Levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or
 - 2. Determining the pro rata share of ownership of each Unit in the Common Elements;
- (c) Partition or subdivide any Unit;
- (d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes

consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause);

(e) Use hazard insurance proceeds for losses to any part of the Condominium (whether to Units or to Common Elements) for other than repair, replacement or reconstruction thereof.

12.7. Notice. Each First Mortgagee and each insurer or guarantor of a First Mortgage, upon written request stating its mortgage held, insured or guaranteed, shall be entitled to timely written notification by the Association of (i) any proposed action which requires consent of a specified percentage of First Mortgagees; (ii) any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its First Mortgage; (iii) any 60-day delinquency in the payment of assessments or charges owed by the Unit Owner of the Unit on which the First Mortgagee held its First Mortgage or in the performance of any obligation under this Declaration or the By-Laws by said Unit Owner; or (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. Each First Mortgagee who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of eligible Security Holders shall be considered an "eligible Security Holder." With respect only to non-material amendments (which excludes items (a) to (c) of Section 12.5), such as for the correction of technical errors or for clarification, any First Mortgagee who receives a written request by the Association, or any Unit Owner, to approve an addition or amendment to the Declaration or By-Laws who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

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

12.9 Rights of First Mortgagee; Insurance Proceeds or Condemnation Awards. With respect to First Mortgages held by or for the benefit of any person, no provision of this Declaration or the By-Laws shall be deemed to give a Unit Owner, or any other person, priority over any rights of a First Mortgagee pursuant to its First Mortgage on said Unit Owner's Unit, in the case of a distribution to said Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

ARTICLE XIII

DEVELOPMENT RIGHTS

13.1 Additional Units. Declarant reserves all special declarant rights as defined in the Act, including the right to add additional units in phases within Building A and Building B as shown on the plans and identified as "Future Development Need Not Be Built". Phases II through V as described on Exhibit F may be added by recording in the Office of the Register of Deeds of Carteret County, North Carolina, an amendment to this Declaration, which amendment shall not require the joinder of the Association, Unit Owners, mortgage holders or any third party, which Amendment specifically describes buildings in which the units are located and the units added to this Declaration. Such amendment shall specify restrictions and conditions applicable to the new units, but no such provisions or conditions shall materially and adversely impact the rights granted to the owner of any unit on the Property.

For purposes of this provision, a reduction in percentage ownership in the Common Elements or an increase in the use of the Common Elements both occurring as a result of such additional units shall not be considered to "materially and adversely impact the rights of the owner of any Unit on the Property." Declarant shall have no obligation to add any units, and may add them in different phases and from time to time. However, the right to add the additional units reserved herein shall expire December 31, 2030. In no event shall the total number of units including the Units established in this Declaration, and the units established pursuant to an annexation hereunder, exceed one hundred (100).

13.2 Reserved Rights. The rights reserved to Declarant herein shall include without limitation the rights to:

(a) Construct units, utility lines, pipes, wires, ducts, conduits and other facilities across the Property, including the Common and Limited Common Elements that are not occupied by improvements and/or Units for the purpose of furnishing utility and other services to the additional units. The Declarant also reserves the right to withdraw and grant easements and construct other utility improvements within those easement areas anywhere in the Condominium not occupied by buildings and/or Units for the above-described purposes.

(b) Withdraw and grant easements for utility services, drainage, pedestrian and vehicular ingress, egress and regress, or otherwise, across, under or through the Common Elements as may be considered by Declarant to be desirable to provide utility service, drainage, pedestrian and vehicle access to any additional units and the improvements thereon.

(c) Modify or expand the footprint(s) of Building A or B.

(d) The right to declare and turn into Common Element Building in the event Declarant does not exercise all of its development described herein.

13.3 Additional Phases Not Required. Nothing contained in this Declaration or any exhibits hereto, on the plat and plans of the Condominium, in the public offering statements or preliminary drawings, etc. shall create any obligation, duty or commitment on the part of the Declarant to submit the successive phases described herein to condominium ownership or to construct any additional units on the property Declaration has reserved for future development and shown on the plat recorded in Map Book ___, Page ___, Carteret County Registry as "Future Development- Need Not Be Built". Declarant reserves the right to amend this Declaration, without the joinder of the Association or units owners to modify or delete subsequent phases.

ARTICLE XIV

GENERAL PROVISIONS

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

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

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

14.4 Exhibits. Exhibits "A," "B," "C," "D," "E", "F" and "G", attached hereto are made a part hereof.

14.5 By-Laws. The By-Laws of the Association attached hereto are made a part hereof.

14.6 Authority of Association. Unless specifically limited by a provision of this Declaration or the By-Laws, any action allowed or required to be taken by the Association may be taken by a majority vote of the Board, without joinder or approval of the members of the Association.

14.7 Allocations. Each Unit shall be allocated an equal (to the extent mathematically practical) and pro-rata interest in the Common Elements, and like-wise an equal and pro-rata share of the Common Expenses and one vote each. There shall be no differentiation as to allocations on particular matters.

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

ISLANDER VENTURES OF EMERALD ISLE, LLC

By: _____ (SEAL)
Manager

By: _____ (SEAL)
Manager

By: _____ (SEAL)
Manager

STATE OF NORTH CAROLINA
COUNTY OF _____

I certify that the following person(s) personally appeared before me this day, each

acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____

Date: _____

NOTARY PUBLIC
_____, Notary Public
Notary's typed or printed name
My Commission Expires:

(Official Seal)

STATE OF NORTH CAROLINA

COUNTY OF _____

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____

Date: _____

NOTARY PUBLIC
_____, Notary Public
Notary's typed or printed name
My Commission Expires:

(Official Seal)

STATE OF NORTH CAROLINA

COUNTY OF _____

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____

Date: _____

NOTARY PUBLIC
_____, Notary Public
Notary's typed or printed name
My Commission Expires:

(Official Seal)

EXHIBIT A

(Property)

Being a portion of that property shown on Map Book 30, Page 894, Carteret County Registry prepared by James I. Phillips, RLS dated September 2005 and being more particularly described as follows:

Beginning at an existing iron pipe located S 33-00-55 E 26.46 feet from a pk nail at the intersection of the centerlines of Louise Avenue and Islander Drive. From said POINT AND PLACE OF BEGINNING run thence S 05-23-41 E 592.64 feet to an iron pipe; thence S 05-23-40 E 234.65 feet to the high water mark of the Atlantic Ocean; thence with the high water mark of the Atlantic Ocean S 79-49-28 W 231.30 feet to a point; thence N 05-23-40 W 846.57 feet to an iron pipe in Louise Avenue; thence N 84-36-22 E 229.49 feet to the point and place of beginning.

EXHIBIT B TO DECLARATION

(Limited Common Elements)

The Limited Common Areas shall be those features described in N.C.G.S. 47C-2-102 (2) and (4), or as identified and designated as Limited Common Elements in the Floor Plans, or as designated below. Those portions of the Limited Common Elements serving only the Unit above, below or adjacent to such Limited Common Elements, as the case may be, are Limited Common Elements allocated only to the Unit which they serve. Those Limited Common Elements (if any) shown and identified as such on the Floor Plans shall be allocated to the Unit indicated therein.

The following portions of a Building are hereby designated as Limited Common Elements:

(a) Any steps, stoops, decks, porches, and all exterior doors and windows or other fixtures designed to serve a single Unit but located outside the Unit's boundary are Limited Common Area for that Unit;

(b) Siding, walls, and railing, and the flooring constituting any balcony or deck adjacent to a Unit; and

(c) Any lighting fixture mounted on an exterior surface of the Common Element and intended to illuminate one or more adjacent balconies.

EXHIBIT C TO DECLARATION

(Allocation of Common Elements and Expenses Among Units)

<u>Unit Designation</u>	<u>Percentage of Undivided Interest</u>	<u>Percentage of Common Expenses</u>	<u>Votes in Association</u>	
Unit 101	2.27		2.27	1
Unit 102	2.27		2.27	1
Unit 103	2.27		2.27	1
Unit 104	2.27		2.27	1
Unit 105	2.27		2.27	1
Unit 106	2.27		2.27	1
Unit 107	2.27		2.27	1
Unit 108	2.27		2.27	1
Unit 109	2.27		2.27	1
Unit 110	2.27		2.27	1
Unit 111	2.27		2.27	1
Unit 112	2.27		2.27	1
Unit 113	2.27		2.27	1
Unit 114	2.27		2.27	1
Unit 115	2.27		2.27	1
Unit 116	2.27		2.27	1
Unit 117	2.27		2.27	1
Unit 118	2.27		2.27	1
Unit 119	2.27		2.27	1
Unit 120	2.27	2.27		1
Unit 139	2.28		2.28	1
Unit 140	2.28		2.28	1
Unit 201	2.27		2.27	1
Unit 202	2.27		2.27	1
Unit 203	2.27		2.27	1
Unit 204	2.27		2.27	1
Unit 205	2.27		2.27	1
Unit 206	2.27		2.27	1
Unit 207	2.27		2.27	1
Unit 208	2.27		2.27	1
Unit 209	2.27		2.27	1
Unit 210	2.27		2.27	1
Unit 211	2.27		2.27	1
Unit 212	2.27		2.27	1

Unit	213	2.28	2.28	1
Unit	214	2.28	2.28	1
Unit	215	2.28	2.28	1
Unit	216	2.28	2.28	1
Unit	217	2.28	2.28	1
Unit	218	2.28	2.28	1
Unit	219	2.28	2.28	1
Unit	220	2.28	2.28	1
Unit	239	2.28	2.28	1
Unit	240	2.28	2.28	1

EXHIBIT D TO DECLARATION

(Liens, Defects, and Encumbrances on the Property)

- (a) The Declaration of Condominium for The Islander Suites - A Hotel in Condominium Form of Ownership and the Bylaws of the Islander Suites Owners' Association, Inc. and the plats and plans of the Condominium.
- (b) Building setback lines, utility easements, drainage easements, and other matters set forth on that plats recorded in Map Book 13, Page 80, in the Office of the Register of Deeds, Carteret County, North Carolina and Map Book 30, Page 894, in the Office of the Register of Deeds, Carteret County.
- (c) Title below the mean highwater mark of the Atlantic Ocean.
- (d) Rights of the federal and state governments, and the general public, with respect to the ownership and use of all lands, and waters, lying below the mean highwater mark of the Atlantic Ocean and lands that have been created through artificial means. This property is also subject to the rights of the federal government to control navigable water and the public right of access to any navigable water.
- (e) Littoral and riparian rights incident to Atlantic Ocean.
- (f) A deed of trust from Islander Ventures of Emerald Isle, LLC to TRSTE, INC., Trustee for Wachovia Bank National Association dated March 21, 2007 in the amount of \$4,761,000.00 recorded in Book 1215, Page 440, Carteret County Registry. This deed of trust will be released as to each condominium unit as it is sold
- (g) Right of way to Carolina Telephone and Telegraph Company recorded in Book 36, Page 7 Carteret County Registry.
- (h) Beach renourishment easement to the Town of Emerald Isle recorded in Book 1065, Page 323, Carteret County Registry.
- (i) Right of way to Carteret Craven Electric Membership Corporation recorded in Book 155, Page 109, Carteret County Registry.
- (j) Right of way to Bogue Banks Water & Sewer recorded in Book 314, Page 480, Carteret County Registry.
- (k) Pavement encroachment on western boundary line of property by the Town of Emerald Isle related to public beach access.

EXHIBIT E TO DECLARATION

(CONSENT TO DECLARATION)

STATE OF NORTH CAROLINA

COUNTY OF CARTERET

CONSENT TO DECLARATION

Wachovia Bank, National Association, a national banking association herein beneficiary and TRSTE, Inc., a Virginia corporation, Trustee, as designated in that certain Deed of Trust executed by Islander Ventures of Emerald Isle, LLC as recorded in Deed Book 1215, Page 440, Carteret County Registry, has executed this Exhibit to the Declaration of Unit Ownership for The Islander Suites - A Hotel in Condominium Form of Ownership for the purpose of subordinating said Deed of Trust recorded aforesaid to this Declaration of Unit Ownership for the Islander Suites - A Hotel in Condominium Form of Ownership so that said real property currently subject of the Deed of Trust to Wachovia Bank National Association on the property described as The Islander Suites - A Hotel in Condominium Form of Ownership, Emerald Isle, North Carolina, Map Book _____, Page _____, Carteret County Registry, may be hereafter acquired, conveyed, mortgaged, occupied and used in accordance with said Declaration of Unit Ownership.

IN WITNESS WHEREOF, Beneficiary and Trustee have executed this Consent to Declaration on the _____ day of _____, 2008.

Wachovia Bank, National Association

BY: _____
President

TRSTE, Inc.

By: _____
President

STATE OF NORTH CAROLINA

COUNTY OF _____

I, a Notary Public of the county and state aforesaid, certify that _____, personally appeared before me this day and acknowledged he/she is _____ President of Wachovia Bank, National Association and that by authority duly given and as the act of said entity, he/she signed the foregoing instrument in its name on its behalf as its act and deed.

WITNESS my hand and official stamp or seal this ____ day of _____, 2008.

Notary Public

Printed Name of Notary Public

My Commission Expires:

STATE OF NORTH CAROLINA

COUNTY OF _____

I, a Notary Public of the county and state aforesaid, certify that _____, personally appeared before me this day and acknowledged he/she is _____ President of TRSTE, Inc. and that by authority duly given and as the act of said entity, he/she signed the foregoing instrument in its name on its behalf as its act and deed.

WITNESS my hand and official stamp or seal this ____ day of _____, 2008.

Notary Public

Printed Name of Notary Public

My Commission Expires:

EXHIBIT F

CONDOMINIUM PHASES

Phase I:	Units 101-120, Building A Units 210-220, Building A Units 139-140, Building A Units 239-240, Building A
Phase II:	Units 133-138, Building A Units 233-238, Building A
Phase III:	Units 127-132, Building A Units 227-232, Building A
Phase IV:	Units 121-126, Building A Units 221-226, Building A
Phase V:	Units 301-320, Building B