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DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS OF THE VILLAGE AT SOUTHPORT,
A CONDOMINIUM AND BYLAWS OF THE VILLAGE
AT SOUTHPORT HOMEOWNERS ASSOCIATION

JANUARY 17th, 2001

RE Walter Pete Avery
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**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF
THE VILLAGE AT SOUTHPORT – A CONDOMINIUM
AND
BYLAWS OF
THE VILLAGE AT SOUTHPORT HOMEOWNERS ASSOCIATION**

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LIST OF EXHIBITS

Exhibit A -- The description of Phase I.

Exhibit B -- The description of "Area for Proposed Development".

Exhibit C -- Plats and Plans for Phase I.

Exhibit D -- Percentage of undivided interest in Common Elements.

Exhibit E -- Articles of Incorporation of The Village At Southport Homeowners Association, Inc., a North Carolina nonprofit corporation.

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF
THE VILLAGE AT SOUTHPORT – A CONDOMINIUM
AND
BYLAWS OF
THE VILLAGE AT SOUTHPORT HOMEOWNERS ASSOCIATION**

THIS DECLARATION AND BYLAWS, made on the date hereinafter set forth by
SOUTHPORT TRADING COMPANY/VILLAGE, L.L.C., 6314 Oleander Drive,
Wilmington, North Carolina 28403;

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property located in Southport,
Smithville Township, Brunswick County, North Carolina, and more particularly described as
follows:

All of that tract or parcel of land as shown on a map entitled _____
dated _____ and recorded in File # _____ of the Brunswick County
Registry.

NOW THEREFORE, Declarant hereby declares that all of the properties described
above shall be held, sold and conveyed subject to the following easements, restrictions,
covenants, and conditions, which shall run with the real property and be binding on all
parties having any right, title or interest in the described properties or any part thereof, their
heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

PART I
DEFINITIONS

Section 1: "Allocated Interest" means the undivided interest in the Common Elements
and Common Expense liability, and votes in the Association allocated to Units
in the Condominiums.

Section 2: "Association" means The Village at Southport Homeowners Association, Inc., a North Carolina Non-profit Corporation, its successors and assigns, a copy of The Articles of Incorporation are attached hereto as Exhibit E.

Section 3: "Bylaws" means the bylaws of the Association.

Section 4: "Common Elements" means all portions of the Condominium other than the units.

Section 5: "Common Expense" means expenditures made by/or financial liabilities of the Association together with any allocations to reserves and include but are not limited to:

- (i) Municipal water service to each Unit of the Condominium and to the common areas, trash service for each Unit and/or the Condominium, sewer charges for each Unit and the Condominium; Provided that if the City of Southport assumes maintenance of the water main, each Unit will be metered for water services and therefore will be responsible for water and sewer charges as well as trash service. Upkeep of the lateral water lines will be an Association expense.
- (ii) Expenses of administration, maintenance, repair or replacement of the Common Elements;
- (iii) Expenses declared to be Common Expenses by the Condominium Documents or by the Condominium Act;
- (iv) Expenses agreed upon as Common Expenses by the Association; and
- (v) Such reasonable reserves as may be established by the Association, whether held in trust or by the Association, for repair, replacement or addition to the Common Elements or any other real or personal property acquired or held by the Association.

Section 6: "Condominium" means real estate, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of those portions.

Section 7: "Declarant" means Southport Trading Company/Village, LLC, its successors and assigns.

Section 8: "Declaration" means this Declaration of Covenants, Conditions and Restrictions.

- Section 9: "Development Rights" means any rights reserved by the Declarant under Article I of this Declaration to create Units, Common Elements and Limited Common Elements within the Condominium and to withdraw and add real estate from and to the Condominium.
- Section 10: "Eligible Mortgagee" means an institutional lender holding a first mortgage or first deed of trust ("First Mortgage") encumbering a Unit that has notified the Association in writing of its status, stating both its name and address and the Unit number or address of the Unit its First Mortgage encumbers, and has requested all rights under the Condominium Documents. For Purposes of Article I only, when any right is to be given to an Eligible Mortgagee, such right shall also be given to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guarantying mortgages if the Association has notice of such participation.
- Section 11: "Executive Board" means the body designated in the Declaration to act on behalf of the Association.
- Section 12: "Incorporator" means Southport Trading Company/Village, LLC.
- Section 13: "Limited Common Elements" means a portion of the Common Elements allocated by the Declaration for the exclusive use of one or more but fewer than all of the Units.
- Section 14: "Member" means every person or entity that holds membership in the Association.
- Section 15: "Owner" means the record owner, whether one or more persons or entities, of a fee simple title to any Unit which is a part of the Condominium, together with an undivided interest in the Common Elements as hereinafter set forth, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.
- Section 16 "Period of Declarant Control" means the period commencing on the date hereof and continuing until the earlier of:
- (i) two (2) years after Declarant has ceased to offer units for sale in the ordinary course of business;
 - (ii) 120 days after conveyance of seventy-five percent (75%) of the Units (including any Units which may be created pursuant to special Declarant rights) to a unit owner other than Declarant.

PART II – DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTITONS

ARTICLE I
GENERAL

- Section 1: Declarant hereby submits the Property to the provisions of Chapter 47C of the North Carolina General Statutes. The Property will be administered in accordance with the provisions of Chapter 47C, the declaration and the bylaws.
- Section 2: The name of the condominium shall be The Village at Southport – a “Condominium”.
- Section 3: The Property is located in Southport, Brunswick County, North Carolina.
- Section 4: The maximum number of units, which Declarant reserves the right to create on that real estate property described on Exhibits A and B, is 64.
- Section 5: Declarant does hereby establish within the Property one building containing twelve (12) units, and does hereby designate all such units for separate ownership. Reference is hereby made to Exhibit C, the plat and plans entitled _____ and recorded as File # _____ for a separate description of the boundaries of each unit, identified by number, said plat being by this reference incorporated herein.
- Section 6: Each owner shall be a member of the Association. An owner shall be entitled to one (1) vote in the Association for each unit owned.
- Section 7: The following portions of the Common Elements are Limited Common Elements assigned to the Units as stated:
- a. If a chute, flue, pipe, duct, wire, conduit, bearing wall, bearing column, skylight or other fixture lies partially within and serving only the Unit is a Limited Common Element, allocated solely to the Unit, the use of which is limited to that Unit, and any portion thereof serving more than one Unit or a portion of the Common Elements is a part of the Common Elements.
 - b. Any shutters, awnings, doorsteps, porches, terraces, and each exterior door and window or other fixture designed to serve a single Unit that is located outside of the boundaries of the Unit, are Limited Common Elements allocated exclusively to the Unit and their use is limited to that Unit.

- c. Stoops and steps at the entrances to a building, which provide access to less than all Units, the use of which is limited to the Units to which they provide access.
- d. Walkways, driveways and HVAC systems shown on the Plats and Plans.
- e. Utility areas, the use of which is limited to the Unit or Units as shown on the Plats and Plans, if any.
- f. Storm windows and storm doors, if any, will be Limited Common Elements of the Unit which they serve.
- g. Exterior doors and windows will be Limited Common Elements allocated to the Units sheltered.
- h. Mailboxes, nameplates, and exterior lighting affixed to the building will be Limited Common Elements allocated to the Unit served.
- i. Any Parking Area specifically assigned to a particular Unit or Suite as shown on the Plats and Plans, or as assigned by the Declarant or Association as provided hereinbelow, shall be a Limited Common Element of and for the particular Unit or suite to which it is assigned.

Section 8: Those portions of the Common Elements now or hereafter improved as parking spaces may be subsequently allocated to each individual unit as a Limited Common Element of and for that individual unit or suite, in accordance with Article I, Section 18(a) of this Declaration, or may be assigned by Rules and Regulations of the Executive Board. The parking spaces so assigned shall be part and parcel of that assigned Unit, and may not be transferred apart from the assigned Unit. However, parking spaces may be traded between Units if the parking space is assigned to a Unit by the Board of Directors, (not by amendment to this Declaration) and is approved by the Board of Directors.

Section 9: Easements and licenses appurtenant to or included in the condominium are recited in Exhibit "A". These recorded instruments grant to owners, as property owners in The Village of Southport, nonexclusive easements in and to certain open spaces and private roads located within the real property known as The Village of Southport. Additionally, the bylaws of The Village of Southport Home Owners Association, Inc. grant to owners a nonexclusive right to use the recreational facilities located in The Village of Southport.

Section 10: Declarant reserves the following Special Declarant Rights for the entire Property, which shall be exercisable during the Period of Declarant Control:

- (i) To complete any and all improvements indicated on the filed plats and plans;
- (ii) To construct and maintain any sales office, management office or model in any of the units or on any of the common elements shown on the plat;
- (iii) To alter the size of any unit, combine or merge two or more units, subdivide any unit or to increase or decrease the number of units;
- (iv) To appoint and remove any executive board members during the period of declarant control subject to the provisions of Article I, Section 15;
- (v) To exercise any Development Right reserved in the Declaration;
- (vi) To use easements through the Common Elements for the purpose of making Improvements within the Condominium;
- (vii) To appoint or remove an officer of the Association or an Executive Board member during the Period of Declarant Control subject to the provisions of Section 15 of this Article of this Declaration;
- (viii) To make the Condominium part of a larger Condominium;
- (ix) To sell or grant an easement through or over the common elements to an adjacent property or property owner. Any proceeds from such a transaction shall be retained solely by the declarant or his assigns.

Section 11: Models, Sales Offices and Management Offices. As long as the Declarant is a Unit Owner, the Declarant and its duly authorized agents, representatives and employees may maintain any unit owned by the Declarant or any portion of the Common Elements as a model unit or sales office or management office.

Section 12: Construction; Declarant's Easements. The Declarant reserves the right to perform repairs and construction work, and to store materials in secure areas, in Unit and Common Elements, and the further right to control all such work and repairs, and the right of access thereto, until its completion. The Declarant without the consent or approval of the Executive Board may perform all work.

The Declarant has such an easement through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations for exercising Special Declarant Rights, whether arising under the Condominium Act or reserved in this Declaration. Such easement includes the right to convey utility and drainage easements to public utilities, municipalities, the State of North Carolina, riparian owners or upland owners to fulfill the plan of development. The Declarant when conveying such easements shall limit the liability of the grantee of the granted easement to the utility lines serviced and maintained by said grantee within the designated utility easements and hold it free from liability for disturbances to other privately owned infrastructure located within said easements.

Section 13: Signs and Marketing. The Declarant reserves the right to post signs and displays in the Common Elements to promote sales of Units, and to conduct general sales activities, in a manner as will not unreasonably disturb the rights of Unit Owners.

Section 14: Declarant's Personal Property. The Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the premises that has not been represented as property of the Association. The Declarant reserves the right to remove from the Property, any and all of the goods and Improvements used in development, marketing and construction, whether or not they have become fixtures.

Section 15: Declarant Control of the Association.

- (a) Subject to Section 16, during the Period of Declarant Control, a Declarant or persons designated by the Declarant may appoint and remove the officers and members of the Executive Board. Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before the termination of the Period of Declarant Control, but in that event the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.
- (b) Conveyance of control and management responsibilities to the Unit Owners' Association shall take place within one hundred twenty (120) days after three-quarters (3/4) of all the Units have been conveyed to Unit Owners other than Declarant, or no later than two (2) years after Declarant has ceased to offer units for sale in the ordinary course of business.

- (c) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Unit Owners other than Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Executive 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 Declarant, not less than thirty-three percent (33%) of the members of the Executive board shall be elected by Unit Owners other than Declarant.
- (d) Not later than the termination of the period of Declarant Control, the Unit Owners shall elect an Executive Board of at least three (3) members, all of whom shall be Unit Owners. The Executive Board shall elect the officers. The Executive Board members and officers shall take office upon election.
- (e) Notwithstanding any provision of this Declaration or the Bylaws to the contrary, following notice under Section 47C-3-108 of the Condominium Act, the Unit Owners, by a sixty-seven percent (67%) vote of all persons present and entitled to vote at a meeting of the Unit Owners at which a quorum is present, may remove a member of the Executive Board with or without cause, other than a member appointed by the Declarant.

Section 16: Limitations on Special Declarant Rights. Unless sooner terminated by an amendment to the Declaration executed by the Declarant, the Declarant may execute any Special Declarant Right:

- (i) so long as the Declarant owns any Unit; or
- (ii) Eight (8) years after recording this Declaration.

Section 17: Interference with Special Declarant Rights. Neither the Association nor any Unit Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right without the prior written consent of the Declarant.

Section 18: Reservation of Development Rights. The Declarant reserves the following Development Rights during the Declarant Control Period:

- (a) The right by amendment, to allocate as Limited Common Elements all of the numbered parking spaces located in the parking area as shown on the Plats and Plans, and assign them to particular Units. No assurance is given that such spaces will be allocated, however.

- (b) The right to construct underground utility lines, pipes, wires, ducts, conduits and other facilities across the land anywhere in the Condominium for the purpose of furnishing utility and other services to any Improvements. The Declarant also reserves the right to grant easements to public utility companies and to convey Improvements within those easements for the above mentioned purposes. If the Declarant grants any such easements, Exhibit "A" will be amended to include reference to the recorded easement.
- (c) The right to add real estate to the Condominium; to create Units, Common Elements, or Limited Common Elements within the Condominium; to subdivide Units or convert Units into Common Elements.

ARTICLE II
PROPERTY RIGHTS

Section 1: Ownership of a unit shall vest fee simple title to such unit in the owner.

Section 2: Every Owner shall own an undivided interest in the common elements and shall have a right and easement of enjoyment in the common elements, which shall be appurtenant to and shall pass with the title to every unit. The undivided interest of every Unit Owner in the common elements shall be proportionate to the total number of Units in the Condominium. The undivided interest in the common elements and the right and easement of enjoyment in such common elements are subject to the following:

- (a) The Association shall have the right to suspend the voting rights and right of use of any recreational facilities by an Owner for any period during which any assessment against his Unit remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;
- (b) The Association shall have the right to adopt such rules and regulations as may be needed to regulate the use and enjoyment of the Common Elements;
- (c) The right to add real estate to the Condominium; to create Units, Common Elements, or Limited Common Elements within the Condominium; to subdivide Units or convert Units into Common Elements.
- (d) The Special Declarant Rights as set forth in Article I, Section 10.

- (e) The Association shall have the right to dedicate or transfer, or encumber all or any part of the Common Elements subject to approval by the Owners as provided in G.S. § 47C-3-112.
- (f) Common Elements are not subject to partition, and any purported conveyance, encumbrance, individual sale, or other voluntary or involuntary transfer of the undivided interest in the Common Elements made without the Unit to which that interest is allocated is void.

Section 3: Every Owner shall have a Limited Common Element right to a parking bay located beneath the building on which the Units are contained.

Section 4: Any Owner may delegate his right of enjoyment to the Common Elements to members of his family or tenants.

ARTICLE III
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1: The Declarant, for each Unit owned within the Property, and each Owner by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, hereby covenants and agrees to pay the Association: (1) annual assessments or charges, (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided and (3) an initial fee due at closing equal to 1/6 of the then current Annual Assessment for the use and operation of the Common Elements. The liability of each Owner for the Common Expenses of the Association shall be proportionate to the total number of units in the condominium: one twelfth for each Unit owned. Any assessment levied against a Unit remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on that Unit when filed of record in the office of the Clerk of Superior Court of Brunswick County and shall accrue interest at a rate set by the Association not to exceed 18% per annum. The Association may bring an action at law against the Owner, or foreclose the lien against the Property as a mortgage on real property under power of sale pursuant to Article 2A of Chapter 45 of the North Carolina General Statutes. Fees (including attorneys' fees), charges, late charges, fines, and interest are also enforceable as assessments.

Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessment shall not pass to his successors in title unless expressly assumed by them.

Section 2: The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage and ad valorem taxes. Sale or transfer of any Unit shall not affect the assessment lien. The sale or transfer of any Unit pursuant to mortgage or tax foreclosure or any proceeding in lieu thereof, however, shall extinguish the lien of such assessments as to payments, which became due prior to such sale or transfer. No sale or transfer shall relieve such Unit from liability for any assessments thereafter becoming due or from the lien thereof.

Section 3: Apportionment of Common Expenses. Except as provided in Article III, Section 4, all Common Expenses shall be assessed against all Units in accordance with their liability for the Common Expenses as described in Article III, Section 1 of this Declaration.

Section 4: Common Expenses Attributable to Fewer than All Units.

- (a) Any Common Expense associated with the maintenance, repair or replacement of a Limited Common Element shall be assessed against the Unit or Units to which the Limited Common Element is assigned. If any such Limited Common Element is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Element shall be assessed equally among the Units to which it is assigned.
- (b) Any Common Expense for services provided by the Association to an individual Unit at the request of the Unit Owner shall be assessed against the Unit which benefits from the service.
- (c) Any insurance premium increase attributable to a particular Unit by virtue of activities in or construction of the Unit shall be assessed against the Unit.
- (d) An assessment to pay a judgment against the Association may be made only against the Units in the Condominium at the time the judgment was entered, in proportion to their Common Expense liabilities.
- (e) If a Common Expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against his or her Unit(s).
- (f) Fees, charges, late charges, fines, collection costs, and interest charged against a Unit Owner pursuant to the Condominium Documents and the Condominium Act are enforceable as Common Expense assessments.

Section 5: The annual assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents and in particular for the acquisition, improvement and maintenance of the

Condominium, services and facilities devoted to this purpose, and for the use and enjoyment of the Common Elements.

The Association may also levy a special assessment payable in a manner as specified by the Association for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of a majority of the Unit Owners.

Section 6: Until January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment shall be \$1,500.00 per Unit, prorated for the remainder of said year.

- (a) From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased effective January 1 of each year without a vote of the membership by up to ten percent (10%) of the previous year's maximum annual assessment.
- (b) From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment for the next succeeding two (2) years may be increased above the increase permitted in Section 6(a) so as to cover the true costs of maintenance and the needs for reserves, provided that any such assessment shall receive the affirmative vote of two-thirds (2/3) of the votes of the Owners who are voting in person or by proxy, at a meeting duly called for this purpose. Written notice setting forth the purpose of such meeting shall be sent to all Owners not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. No quorum shall be required.
- (c) The Executive Board may fix the annual assessment at an amount not in excess of the maximum.

Section 7: Both annual and special assessments must be fixed at a uniform rate based on Unit size for all Units and may be collected on a monthly basis.

Section 8: The annual assessments provided for herein shall commence upon conveyance of the first unit to an owner other than the Declarant. Once such annual assessments are established, written notice of the annual assessment shall be sent to every Owner subject thereto. The Executive Board shall establish the due dates.

ARTICLE IV
PARTY WALLS

- Section 1: The walls and flooring connecting adjacent Units are "party walls" and are situated on or about the boundary line separating such Units.
- Section 2: All finish flooring and any other materials constituting any part of the walls, floors, or ceilings are a part of the Common Elements, pursuant to G.S. Chapter 47C-2-102(1).
- Section 3: Each wall which is built as a part of the original construction of a Unit and placed on the dividing line between the Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.
- Section 4: The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.
- Section 5: Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes a party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.
- Section 6: The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.
- Section 7: If any Owner desires to sell his Unit, such Owner may, in order to assure a prospective purchaser that no adjoining Unit Owner has a right of contribution as provided in this Article IV, request of the adjoining Unit Owner a certification that no right of contribution exists, whereupon it shall be the duty of the adjoining Unit Owner to make such certification immediately upon request and without charges; provided however, that where the adjoining Unit Owner claims a right of contribution, the certification shall contain a recital of the amount claimed.
- Section 8: In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be settled by arbitration as provided by the laws of North Carolina as then existing.

ARTICLE V
EXTERIOR MAINTENANCE

- Section 1: In addition to maintaining the Common Elements, the Association shall provide exterior maintenance for each Unit, subject to assessment hereunder,

including the performance of the following, as needed: Paint, repair, replace and care of roofs, exterior building surfaces, trees, shrubs, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

Section 2: In the event that the need for maintenance, repair, or replacement is caused through the willful or negligent act of an Owner, his family, guests, invitees, or tenants, the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such Unit is subject.

ARTICLE VI ARCHITECTURAL CONTROL

No building, fence, wall, or other structure or improvement shall be commenced, erected or maintained upon the Condominium, nor shall any exterior addition or change therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing by the Declarant or its successors.

The exterior color of a Unit cannot be changed unless the color scheme of the entire Condominium is similarly changed. Any such change requires the approval of two-thirds of the Owners at a duly called meeting at which a quorum is present.

ARTICLE VII

USE RESTRICTIONS

Section 1: No Unit shall be used except for single family residential purposes, subject to Declarant's rights pursuant to Article I, Section 11.

Section 2: No noxious or offensive activity shall be conducted upon any Unit nor shall anything be done thereon which may be or may become an annoyance or nuisance.

Section 3: No animals, livestock or poultry of any kind shall be kept or maintained on any Unit or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for

commercial purposes. All household pets shall be kept on a leash at all times when outside the Units.

Section 4: No outside radio or television antennas, including satellite dishes or receivers shall be erected on any Unit unless and until the Executive Board has granted permission for the same.

Section 5: No signs shall be permitted on or about the Units.

Section 6: All window coverings (i.e., curtains, blinds, draperies, shades, etc.) shall appear white or off-white from the exterior.

Section 7: Owners shall not park or store any camper, trailer (other than boat trailer), trailer vehicle, or similar vehicle anywhere on the premises. No trucks shall be permitted except for standard ½ ton pickup trucks and any other type of sport utility vehicle ("SUV"), or smaller sized truck.

Section 8: Restrictions on Alienation. A Unit may not be conveyed pursuant to a time-sharing plan.

A Unit may be leased or rented subject to any applicable rules and regulations. All leases of a Unit shall be deemed to include a provision that the tenant will recognize and attorn to the Association as landlord, solely for the purpose of having the power to enforce a violation of the provisions of the Condominium documents against the tenant, provided the Association gives the landlord notice of its intent to so enforce, and a reasonable opportunity to cure the violation directly, prior to the commencement of an enforcement action.

ARTICLE VIII EASEMENTS

Section 1: Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may obstruct or change the flow of drainage channels in the easements.

Section 2: All Units and Common Elements shall be subject to easements for the encroachment of improvements constructed on adjacent Units by the Declarant to the extent that such improvements actually encroach, including, but not limited to, such items as overhanging eaves, stoops, misaligned common wall foundation footings and walls, provided such encroachment does not interfere with the reasonable use of the Common Elements or Units so encroached upon.

- Section 3: Declarant shall have a reasonable construction easement across the Common Elements for the purpose of constructing improvements on the Units. Declarant shall also have such easements through the Common Elements as may be reasonably necessary for the purpose of discharging Declarant's obligations or exercising Special Declarant Rights as provided herein.
- Section 4: The Association shall have a right of entry upon the Units and any Limited Common Elements to effect emergency repairs, and a reasonable right of entry upon the Units to effect other repairs, improvements, or maintenance as necessary.
- Section 5: Each Unit Owner shall have an easement to use all pipes, wires, ducts, cables, conduits, public utility lines and all other such facilities which are located within another Unit and serve his/her Unit. Each Unit shall be subject to an easement in favor of the Owners of all other Units to use the pipes, ducts, cables, wires, conduits, public utility lines and all other such facilities which are located in such Unit and serve other Units. The Executive Board shall have the right of access to each Unit to inspect the same, to remove violations therefrom and to maintain, repair, or replace the common facilities contained therein or elsewhere in the building.
- Section 6: All easements granted herein are appurtenant to and shall run with the land, and shall inure to the benefit of and be binding upon the Declarant, the Association, Owners, occupants, and mortgage holders, and any other person or entity having an interest in the Condominium.

ARTICLE IX
AMENDMENTS TO DECLARATION

- Section 1: General. Except in cases of amendments that may be executed by the Declarant pursuant to G. S. 47C-2-117, the Association, pursuant to Section 47C-2-117 of the Condominium Act, and Section 47C-2-118 of the Condominium Act, and except as limited herein, this Declaration, including the Plats and Plans, may be amended only by vote or agreement of Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated.
- Section 2: Limitation of Actions. An action to challenge the validity of an amendment adopted by the Association pursuant to this Article may not be brought more than one year after the amendment is recorded.
- Section 3: Recordation of Amendments. Each amendment to the Declaration must be recorded in the county in which the Condominium is located and the amendment is effective only upon recording. An amendment must be indexed

in the grantee's index in the name of the Condominium and the Association and in the grantor's index in the name of the parties executing the amendment.

Section 4: Unanimous Consent Required. Except to the extent expressly permitted herein or required by other provisions of the Condominium Act, an amendment may not create or increase Special Declarant Rights, the Allocated Interests of a Unit, the provisions of Article I Section 7 hereinabove, or the uses to which a Unit is restricted, in the absence of the unanimous consent of the Unit Owners.

Section 5: Execution of Amendments. An amendment to the Declaration required by the Condominium Act to be recorded by the Association, which has been adopted in accordance with this Declaration and the Condominium Act, must be prepared, executed, recorded and certified on behalf of the Association by an officer of the Association designated for that purpose, or in the absence of designation, by the president of the Association.

Section 6: Special Declarant Rights. Provisions in this Declaration creating Special Declarant Rights may not be amended without the consent of the Declarant.

Section 7: Consent of Holder of Security Interests. Amendments are subject to the consent requirements of Article XV of this Declaration.

Section 8: Amendments to Create Units or Withdraw Real Estate. To exercise any Developmental Rights reserved under Article I of this Declaration, the Declarant shall prepare, execute and record an amendment to the Declaration. The Declarant shall also record either new Plats and Plans necessary to conform to the requirements of Section 47C-2-109(a), (b), and (c) of the Condominium Act or new certifications of the Plats and Plans previously recorded if those Plats and Plans otherwise conform to the requirements of those Sections.

The amendment to the Declaration shall describe any Common Elements and any Limited Common Elements created thereby and designate the Unit to which each Limited Common Element is allocated to the extent required by Section 47C-2-108 of the Condominium Act.

ARTICLE X
RIGHT TO ASSIGN FUTURE INCOME

The Association may assign its future income, including its right to receive Common Expense assessments, only by the affirmative vote of Unit Owners of Units to which at least

fifty-one percent (51%) of the votes in the Association are allocated, at a meeting called for that purpose, and the eligible Mortgagee consent described herein.

ARTICLE XI
PERSONS AND UNITS SUBJECT TO THE CONDOMINIUM DOCUMENTS

- Section 1: Compliance with Condominium Documents. All Unit Owners, tenants, mortgagees and occupants of Units shall comply with the Condominium documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the entering into occupancy of a Unit constitutes agreement that the provisions of the Condominium documents are accepted and ratified by such Unit Owner, tenant, mortgagee or occupant, and all such provisions recorded in the Office of the Register of Deeds of Brunswick County, North Carolina are covenants running with the land and shall bind any persons having at any time any interest or estate in such Unit.
- Section 2: Adoption of Rules and Regulations. The Executive Board may adopt rules and regulations regarding the use and occupancy of Units, affecting the Common Elements, Limited Common Elements and the activities of occupants, subject to notice and consent.

ARTICLE XII
INSURANCE

- Section 1: Coverage. To the extent reasonably available, the Executive Board shall obtain and maintain insurance coverage as set forth in this Article. If such insurance is not reasonably available, and the Executive Board determines that any insurance described herein will not be maintained, the Executive Board shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners and Eligible Mortgagees at their respective last known addresses.
- Section 2: Property Insurance.
- (a) Property insurance covering:
 - (i) the project facilities (which term means all buildings on the Property, including the Units and all fixtures, equipment and any improvements and betterment whether part of a Unit or a Common Element, and such personal property of Unit Owners as is normally insured under building coverage), but excluding land, excavations, portions of foundations below the under surface of the lowest floors, underground pilings, pipes, flues and drains and other items normally excluded from property policies; and

- (ii) all personal property owned by the Association.
- (b) Amounts. Such insurance shall insure the project facilities for an amount (after application of any deductions) equal to one hundred percent (100%) of their actual cash value at the time the insurance is purchased and at each renewal date. Personal property owned by the Association for an amount equal to its actual cash value.

The Executive Board is authorized to obtain appraisals periodically for the purpose of establishing said replacement costs of the project facilities and the actual cash value of the personal property and the cost of such appraisals shall be a Common Expense.

The maximum deductible for insurance policies shall be \$10,000 or one percent (1%) of the policy face amount.

The Association as a Common Expense shall pay the difference between the policy deductible and \$250. The deductible portion of \$250 shall be paid by each of the Unit Owner(s) suffering a loss.

- (c) Risks Insured Against. The insurance shall afford protection against "all risks" of direct physical loss commonly insured against.
- (d) Other provisions. Insurance policies required by this Section shall provide that:
 - (i) The insurer waives the right to subrogation under the policy against a Unit Owner or member of the household of a Unit Owner.
 - (ii) An act or omission by a Unit Owner, unless acting within the scope of the Unit Owner's authority on behalf of the Association, will not void the policy or be a condition to recovery under the policy.
 - (iii) If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the policy of the Association provides primary insurance.
 - (iv) Loss must be adjusted with the Association.
 - (v) Insurance proceeds shall be paid to an insurance trustee designated in the policy for that purpose, and in the absence of

such designation to the Association, in either case to be held in trust for each Unit Owner and such Unit Owner's mortgagee.

- (vi) The insurer may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association as well as each Unit Owner and each holder of a security interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.
- (vii) The name of the insured shall be substantially as follows: "Trustees for The Village at Southport Homeowners' Association, Inc." for the use and benefit of the individual Owners and lien holders as their interest may appear.

Section 3.

Liability Insurance. Liability insurance, including medical payments insurance, in an amount determined by the Executive Board but in no event less than \$1,000,000.00 covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the activities of the Association.

- (a) Other provisions. Insurance policies carried pursuant to this section shall provide that:
 - (i) Each Unit Owner is an insured person under the policy with respect to liability arising out of the interest of the Unit Owner in the Common Elements or membership in the Association.
 - (ii) The insurer waives the right to subrogation under the policy against a Unit Owner or members of the household of a Unit Owner.
 - (iii) An act or omission by a Unit Owner, unless acting within the scope of the Unit Owner's authority on behalf of the Association, will not void the policy or be a condition to recovery under the policy.
 - (iv) If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the policy of the Association provides primary insurance.
 - (v) The insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation

or non-renewal has been mailed to the Association, each Unit Owner and each holder of a security interest to whom a certificate or memorandum of insurance has been issued at their last known addresses.

- Section 4:** Fidelity Bonds. A blanket fidelity bond may be provided for anyone who either handles or is responsible for funds held or administrated by the Association, whether or not they receive compensation for their services.
- Section 5:** Unit Owner Policies. An insurance policy issued to the Association does not prevent a Unit Owner from obtaining insurance for his or her own benefit.
- Section 6:** Worker's Compensation Insurance. The Executive Board shall, if covered, obtain and maintain worker's compensation insurance to meet the requirements of the laws of the State of North Carolina.
- Section 7:** Directors' and Officers' Liability Insurance. The Executive Board shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the directors and officers of the Association in such limits as the Executive Board may, from time to time, determine.
- Section 8:** Other Insurance. The Association may carry other insurance, which the Executive Board considers appropriate to protect the Association or the Unit Owners.
- Section 9:** Premiums. Insurance premiums shall be a Common Expense.

ARTICLE XIII
DAMAGE TO OR DESTRUCTION OF PROPERTY

- Section 1:** Duty to Restore. A portion of the Condominium for which insurance is required under Section 47C-3-113 of the Condominium Act or for which insurance carried by the Association is in effect, whichever is more extensive, that is damaged or destroyed must be repaired or replaced promptly by the Association unless:
- (a) the Condominium is terminated;
 - (b) repair or replacement would be illegal under a state statute or municipal ordinance governing health or safety; or
 - (c) eighty percent (80%) of the allocated votes, including the votes of each Owner of a Unit or assigned Limited Common Element that will not be rebuilt, vote not to rebuild.

Section 2: Cost. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense.

Section 3: Plans. The Property must be repaired and restored in accordance with either the original plans and specifications or other plans and specifications, which have been approved by the Executive Board, a majority of Unit Owners allocated votes, and fifty-one percent (51%) of eligible mortgagees.

Section 4: Replacement of Less than Entire Property.

- (a) The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium.
- (b) Except to the extent that other persons will be distributees:
 - (i) the insurance proceeds attributable to a Unit and Limited Common Elements that are not rebuilt must be distributed to the Owner of the Unit and the Owner of the Unit to which the Limited Common Elements were allocated, or to lienholder, as their interests may appear; and
 - (ii) The remainder of the proceeds must be distributed to each Unit Owner or lienholder, as their interests may appear, in proportion to the Common Element interests of all the Units.
- (c) If the Unit Owners vote not to rebuild a Unit, the allocated interests of the Unit are reallocated upon the vote as if the Unit had been condemned under Section 47C-1-107(a) of the Condominium Act, and the Association promptly shall prepare, execute and record an amendment to the Declaration reflecting the reallocations.

Section 5: Insurance Proceeds. The Trustee, or if there is no Trustee, then the Executive Board of the Association, acting by the president, shall hold any insurance proceeds in trust for the Association, Unit Owners and lienholder as their interests may appear. Unless the Condominium is terminated, repair or replacement would be illegal or 80% of the allocated votes, including the votes of each Owner of one Unit or assigned Limited Common Element that will not be rebuilt, vote not to rebuild, the proceeds shall be disbursed first for the repair or restoration of the damaged property, and the Association, Unit Owners and lienholder are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the Condominium is terminated.

Section 6: Certificates by the Executive Board. The Trustee, if any, may rely on the following certifications in writing made by the Executive Board:

- (a) Whether or not damaged or destroyed property is to be repaired or restored.
- (b) The amount of amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

ARTICLE XIV
GENERAL PROVISIONS

Section 1: All powers granted in the Declaration or the Bylaws to the Association shall be exercisable by the Executive Board, except as expressly provided in the Declaration, the Bylaws, or Chapter 47-C of the North Carolina General Statutes.

Section 2: The Association shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the Bylaws and articles of incorporation of the Association. Failure by the Association to enforce any covenant or restrictions therein shall in no event be deemed a waiver of the right to do so thereafter.

Upon notice to the Association of a violation hereunder and a failure of the Association to take action upon said violation within ninety (90) days, any Unit Owner, or other holder of an interest in the condominium may undertake the enforcement of the provisions of the Declaration at his own expense.

Section 3: Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 4 The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first 20-year period by an instrument signed by not less than ninety (90) percent of the Owners, and thereafter by an instrument signed by not less than seventy-five (75) percent of the Owners. Any amendment must be recorded.

Section 5: The fiscal year of the Association shall begin on the first day of January and end the 31st day of December of each year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XV
MORTGAGEE PROTECTION

- Section 1: Introduction. This Article establishes certain standards and covenants, which are for the benefit of eligible mortgagees. This Article is supplemental to, and not in substitution for, any other provisions of the Condominium documents, but in the case of conflict, this Article shall control.
- Section 2: Percentage of Eligible Mortgagees. Wherever in this Declaration the approval or consent of a specified percentage of eligible mortgagees is required, it shall mean the approval or consent of eligible mortgagees holding first mortgages in Units which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Units then subject to first mortgages held by eligible mortgagees.
- Section 3: Notice of Actions. The Association shall give prompt written notice to each eligible mortgagee of:
- a. Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit in which there is a first mortgage held, insured, or guaranteed by such eligible mortgagee, as applicable;
 - b. Any delinquency in the payment of Common Expense assessments owed by an Owner whose Unit is subject to a first mortgage held, insured, or guaranteed, by such eligible mortgagee, which remains uncured for a period of sixty (60) days;
 - c. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;
 - d. Any proposed action which would require the consent of a specified percentage of eligible mortgagees as specified in Section 4; and
 - e. Any judgment rendered against the Association.
- Section 4: Consent Required.
- a. Changes in the Condominium Documents. Notwithstanding any lower requirement permitted by this Declaration or the Condominium Act, no amendment of any material provision of the Condominium Documents by the Association or Unit Owners described in this Subsection 4a may be effective without the vote of at least sixty-seven percent (67%) of the allocated votes (or any greater allocated vote required in this Declaration or

the Condominium Act) and until approved in writing by at least fifty-one percent (51%) of the eligible mortgagees (or any greater eligible mortgagee approval required by this Declaration). Any changes altering the parking and other Limited Common Elements of the Units shall require the above 67% of allocated votes, including 100% of the votes allocated to the affected Units. The foregoing approval requirements do not apply to amendments effected by the exercise of any Development Right.

“Material” includes, but is not limited to, any provision affecting:

- (i) assessments, assessment liens or subordination of assessments liens;
- (ii) voting rights;
- (iii) reserves for maintenance, repair and replacement of Common Elements;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the Common Elements or Limited Common Elements except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Units Owners and only the eligible mortgagees holding first mortgages in such Units must approve such action;
- (vi) rights to use Common Elements and Limited Common Elements;
- (vii) boundaries of Units except that when boundaries of only adjoining Units are involved, then only those Unit Owners and the eligible mortgagees holding first mortgages in such Unit or Units must approve such action;
- (viii) convertibility of Units into Common Elements or Common Elements into Units;
- (ix) an expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;
- (x) insurance or fidelity bond;
- (xi) leasing of Units;

- (xii) imposition of restrictions on a Unit Owner's right to sell or transfer his or her Unit;
 - (xiii) establishment of self-management when professional management had been required previously by any eligible mortgagee;
 - (xiv) restoration or repair of the Condominium after a hazard damage or partial condemnation in a manner other than that specified in the Condominium documents;
 - (xv) termination of the Condominium after occurrence of substantial destruction or condemnation; and
 - (xvi) The benefits of eligible mortgagees.
- b. Actions. Notwithstanding any lower requirement permitted by the Declaration or the Condominium Act, the Association may not take any of the following actions other than rights reserved to the Declarant as Special Declarant Rights without the approval of at least fifty-one (51%) of the eligible mortgagees:
- (i) Convey or encumber the Common Elements or any portion thereof, (as to which an eighty percent (80%) eligible mortgagee approval is required). (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium will not be deemed a transfer within the meaning of this clause);
 - (ii) the establishment of self-management when professional management had been required previously by an eligible mortgagee;
 - (iii) the restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium documents;
 - (iv) the termination of the Condominium for reasons other than substantial destruction or condemnation, as to which a sixty-seven percent (67%) eligible mortgagee approval is required;
 - (v) the alteration of any partition or creation of any aperture between adjoining Units (when Unit boundaries are not otherwise being affected), in which case only the Owners of

Units affected and eligible mortgagees of those units need approve the action;

- (vi) the merger of this Condominium with any other condominium;
 - (vii) the granting of any easements, leases, licenses and concessions through or over the Common Elements (excluding, however, any utility easements serving or to serve the Condominium and excluding any lease, licenses or concessions for no more than one year);
 - (viii) the assignment of the future income of the Association, including its rights to receive Common Expense assessments;
 - (ix) Any action taken not to repair or replace the Property.
- c. The Association may not change the period for collection of regularly budgeted Common Expense assessments without the consent of all eligible mortgagees.
- d. The failure of an eligible mortgagee to respond within thirty (30) days to any written request of the Association for approval of a non-material addition or amendment to the Condominium documents shall constitute an implied approval of the addition or amendment.

Section 5: Inspection of Books. The Association shall permit any eligible mortgagee to inspect the books and records of the Association during normal business hours.

Section 6: Financial Statements. The Association shall provide any eligible mortgagee, which submits a written request, with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement shall be audited by an independent certified public accountant if any eligible mortgagee requests it and pays the cost of such audit.

Section 7: Enforcement. The provisions of this Article are for the benefit of eligible mortgagees and their successors, and may be enforced by any of them by any available means, at law, or in equity.

Section 8: Attendance at Meetings. Any representative of an eligible mortgagee may attend and address any meeting, which a Unit Owner may attend.

Section 9: Appointment of Trustee. In the event of damage or destruction or condemnation of all or a portion of the Condominium, any eligible mortgagee may require that such proceeds be payable to a Trustee. Proceeds will

thereafter be distributed pursuant to Article XIII or pursuant to a condemnation award. Unless otherwise required, the members of the Executive Board acting by majority vote through the president may act as Trustee.

ARTICLE XVI
ALLOCATED INTERESTS

Section 1: Allocation of Interests. The table showing Unit numbers and their Allocated Interests is attached as Exhibit D. These interests have been allocated in accordance with the formulas set out in this Article XVI.

Section 2: Formulas for the Allocation of Interests. The interest allocated to each Unit has been calculated on the following formulas:

- a. Undivided Interest in the Common Elements. The percentage of the undivided interest in the Common Elements allocated to each Unit is based on a per unit formula in which each unit's undivided interest in the Common Elements shall be proportionate to the total number of units in the Condominium.
- b. Liability for the Common Expenses. Each Unit in the Condominium shall be liable for its share of the Common Expenses of the Condominium based on its allocated, per unit interest in the Common Elements as set out in Section 2a hereinabove, and shown on Exhibit D attached hereto. Nothing contained in this Subsection shall prohibit certain Common Expenses from being apportioned to particular Units under Article III of this Declaration.
- c. Votes. Each Unit in the Condominium shall have ONE EQUAL VOTE. Any specified percentage portion or fraction of Unit Owners, unless otherwise stated in the Condominium Documents, means the specified percentage, portion, or fraction of all the votes as allocated in Exhibit B.

PART III
BYLAWS

ARTICLE I
MEETINGS OF MEMBERS

Section 1: The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular

annual meeting of the Members shall be held at such time and place as may be designated in the Notice of Meeting.

Section 2: Special meetings of the Members may be called at any time by the President or the Executive Board, or upon written request of the Members entitled to vote $\frac{1}{4}$ of all the votes of the Association pursuant to G.S. Chapter 47C-3-108.

Section 3: Written notice of each meeting shall be given by, or at the direction of, the Secretary or person(s) authorized to call the meeting, by hand delivering or mailing a copy of such notice, postage prepaid, at least 10 days and not more than 50 days before such meeting to each Member as provided in Chapter 47C-3-108.

Section 4: Within thirty (30) days after adoption of any proposed budget for the Condominium, the Executive Board shall provide a summary of the budget to all the Unit Owners. The budget shall be considered at a meeting of the Unit Owners as set forth in G.S. Chapter 47C-3-103(C).

Section 5: The presence at the meeting of Members or proxies entitled to cast ten percent (10%) of the votes shall constitute a quorum for any action except as otherwise provided by law.

Section 6: Every Unit Owner shall be entitled to one vote for each Unit owned. If more than one person owns a Unit, they shall certify in writing to the Secretary the name of the voting representative.

Section 7: Pursuant to G.S. Chapter 47C-3-110, votes allocated to a Unit may be cast pursuant to a dated written proxy signed by a Unit Owner. A Unit Owner may not revoke a proxy except by written notice delivered to the person presiding over a meeting of the Association. A proxy terminates one year after its date, unless it specifies a shorter term.

Section 8: Voting Required to Transact Business. When a quorum is present at any meeting, a majority of the votes entitled to be cast by the Members present or represented by proxy shall decide any question brought before the meeting unless the question is one upon which, by express provision of the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 9: Order of Business. The order of business at annual Members' meetings, and, as far as is practical at other Members' meetings, shall be:

- A. Roll call and certification of proxies;
- B. Proof of notice of meeting or waiver of notice;

- C. Reading of minutes of prior meeting;
- D. Officers' reports;
- E. Committee reports;
- F. Appointment by chairman of Inspectors of Election;
- G. Approval of Budget;
- H. Elections of directors and officers;
- I. Unfinished Business;
- J. New Business;
- K. Adjournment.

ARTICLE II
OFFICERS AND EXECUTIVE BOARD; SELECTION; TERM OF OFFICE

Section 1: The affairs of the Association shall be managed by an Executive Board of six (6) members, who shall be entitled to act on behalf of the Association.

Subject to the initial period of Declarant Control as set forth in Article I of the Declaration, nomination for election of the Executive Board shall be made from the floor at the annual meeting. Election shall be by secret written ballot and by a majority of the Unit Owners when a quorum is present. Cumulative voting is not permitted.

Section 2: At the first annual meeting following the termination of Declarant Control, six (6) Executive Board members shall be elected to serve until the following annual meeting.

Section 3: Any Executive Board member, except those appointed by the Declarant, may be removed in accordance with G.S. Chapter 47C-3-103(b). In the event of death, resignation or removal of a director, his successor shall be selected by a majority of the Members voting at a meeting when a quorum is present.

Section 4: No Executive Board members shall receive compensation for any service he may render to the Association. However, with the prior approval of the Executive Board, any Executive Board member may be reimbursed for actual expenses incurred in the performance of his duties.

Section 5: The Executive Board shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all the Executive Board members to the action. Any action so approved shall be filed in the corporate books and records and shall have the same effect as though taken at a meeting of the Executive Board.

ARTICLE III
MEETINGS OF EXECUTIVE BOARD

Section 1: Meetings of the Executive Board shall be held quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the board. Special meetings of the Executive Board may be called by any member of the Executive Board, after not less than five (5) days notice to each Executive Board member.

Section 2: A majority of the Executive Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Executive Board members present at a duly held meeting shall be regarded as the act of the board.

ARTICLE IV
POWERS AND DUTIES OF THE EXECUTIVE BOARD

Section 1: Subject to the provisions contained herein and applicable law, the Executive Board shall have the power and authority to exercise all the rights of the Association, including, but not limited to:

- (a) Adopt rules and regulations governing the use of the Common Elements and facilities, the personal conduct of the Members and their guests thereon, and establish penalties for the infraction thereof;
- (b) Suspend the voting rights and right of use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;
- (c) Declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board;
- (d) Employ a manager, an independent contractor, or other employees as they deem necessary, and prescribe their duties; provided always, any

contract for professional management must contain a clause requiring not more than 90 days termination notice;

- (e) Procure, maintain and pay premiums on an insurance master policy(s) and equitably assess the Owners of the same for their prorata portion of such expense.
- (f) Impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements other than for service provided to Unit Owners; and
- (g) Exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;
- (h) Exercise any other powers necessary and proper for the governance and operation of the Association; and
- (i) Have and to exercise any and all powers, rights and privileges, which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law, may now or hereafter have or exercise.

Section 2: It shall be the duty of the Executive Board to:

- (a) Cause the Common Elements to be maintained, repaired, and replaced as necessary, and to assess the Unit Owners to recover the cost of the upkeep of the Common Elements.
- (b) serve as the architectural committee;
- (c) keep a complete record of all its acts and corporate affairs and present a statement thereof to the Members at the annual meeting, or at any special meeting when such statement is requested in writing by 20% of the Members;
- (d) supervise all officers, agents and employees of the Association, and see that their duties are properly performed;
- (e) fix the amount of the annual assessment at least thirty (30) days in advance of each annual assessment period pursuant to the provisions set forth in the Declaration and G.S. Chapter 47C-3-1-3(c);
- (f) send written notice of each assessment to every Owner at least thirty (30) days in advance of each annual assessment period;

- (g) Foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.
- (h) Issue, or have issued, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (i) Procure and maintain, at all times, adequate hazard insurance on the Property owned by the Association and all property for which the Association has the duty to maintain, and sufficient liability insurance to adequately protect the Association as provided in G.S. Chapter 47C-3-113; and
- (j) Cause all officers or employees, including officers and employees of professional management, having fiscal responsibilities to be bonded, as it may deem appropriate.

ARTICLE V
OFFICERS AND THEIR DUTIES

Section 1: The officers of this Association shall be a president, vice-president, and secretary/treasurer. The officers shall be appointed by the Executive Board from among the members of the Executive Board and shall serve for a term of one year, or until their successors are appointed and take office.

Section 2:

- (a) The president shall preside at all meetings of the Executive Board; see that orders and resolutions of the Executive Board are carried out, sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.
- (b) The vice president shall act in the place of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Executive Board.
- (c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Executive Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Executive Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; prepare, execute, certify, and record amendments to the Declaration on behalf of

the Association; and perform such other duties as required by the Executive Board.

- (d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by the Executive Board; sign all checks and promissory notes (such checks and promissory notes to be co-signed by the president) of the Association; keep property books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its annual meeting, and deliver a copy to each Member.

Section 3:

Indemnification. Any person other than one with whom the corporation has contracted for the management of the condominium project or any portion thereof, who at any time serves or has served as a director, officer, employee or agent of the corporation (Association), or in such capacity at the request of the corporation for any other corporation, partnership, joint venture, LLC, Trust, or other enterprise, shall be indemnified by the corporation to the fullest extent permitted by law against (a) reasonable expenses, including attorney fees, actually and necessarily incurred by him/her in connection with any threatened, pending, or completed action, suit or proceeding, whether criminal, civil, investigative or administrative, and whether or not brought by or on behalf of the corporation, seeking to hold him/her liable by reason of the fact that he is or was acting in such capacity, and (b) reasonable payments made by him/her in satisfaction of any judgment, money decree, fine, penalty, or settlement for which he may become liable in any such action, suit, or proceeding.

The board of directors shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this Bylaw, including without limitation, to the extent needed, making a good-faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him/her, and giving notice to, and obtaining approval by, the Members of the corporation.

Any person who at any time after the adoption of these Bylaws serves or has served in any of the aforesaid capacities for or on behalf of the corporation shall be deemed to be doing, or to have done, so, in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of this Bylaw.

Section 4: Fidelity Bond. The Association may provide blanket fidelity bonds of any one who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. Its own fidelity bond should also cover a management agent that handles funds for the Association. Except for fidelity bonds that a management agent obtains for its personnel, all other such bonds shall name the Association as an obligee and their premiums shall be a Common Expense and paid by the Association. The fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force. In addition, the fidelity bond coverage must at least equal the sum of three (3) months' assessment on all units in the project, plus the Association's reserve funds. The bonds must include a provision that calls for ten (10) days' written notice to the Association, any insurance trustee, or any servicer that services a FNMA-owned mortgage in the Condominium, before the bond can be cancelled or substantially modified for any reason.

ARTICLE VI COMMITTEES

The board of directors shall appoint a nominating committee and such other committees as they may, from time to time, deem appropriate.

ARTICLE VII BOOKS AND RECORDS

Section 1: The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or a mortgagee of any Member. The articles of incorporation and the Declaration and Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

Section 2: Receipts and Expenditures. The board of directors or the manager shall keep detailed accurate records, in chronological order, of the receipts and expenditures affecting the Common Elements and any other expenses incurred. Both books and vouchers accrediting the entries thereupon shall be available for examination by all Unit Owners, their duly authorized agents and attorneys, at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with good and accepted accounting practices.

Section 3: Other Records. The board of directors or the manager shall keep correct and complete books of records of account, minutes of the proceedings, and a record of the names and addresses of the members entitled to vote, which latter records must be kept at the Association's principal office. Any Member, his

agent or attorney may examine these books and records for any proper purpose at any reasonable time.

ARTICLE VIII
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "The Village At Southport Homeowners Association" and the words: "Corporate Seal - 2000" in the center thereof.

ARTICLE IX
AMENDMENTS TO BYLAWS

These bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members.

IN WITNESS WHEREOF, Southport Trading Company/Village, LLC has caused this instrument to be executed in its name by its member/manager, this 17th day of JANUARY, 2007.

agent or attorney may examine these books and records for any proper purpose at any reasonable time.

ARTICLE VIII
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "The Village At Southport Homeowners Association" and the words: "Corporate Seal - 2001" in the center thereof.

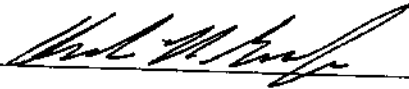
ARTICLE IX
AMENDMENTS TO BYLAWS

These bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members.

IN WITNESS WHEREOF, Southport Trading Company/Village, LLC has caused this instrument to be executed in its name by its member/manager, this 17th day of JANUARY, 2001

SOUTHPORT TRADING COMPANY/VILLAGE, LLC

BY: _____



ACKNOWLEDGEMENT

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

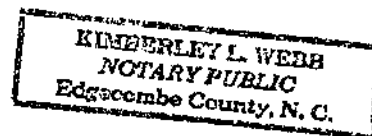
I, a notary public of the county and state aforesaid, certify that

Charles N. Garrett, Jr.

member/manager of Southport Trading Company/Village, LLC personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal this 17 day of JANUARY, 2001.

My commission expires: 6 6, 2003 Notary Public

Kimberly R. Webb



STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of KIMBERLY L. WEBB

Notary(ies) Public is (are) Certified to be Correct.

This Instrument was filed for Registration on this 22nd Day of January, 2001
in the Book and Page shown on the First Page hereof.

Robert J. Robinson
ROBERT J. ROBINSON, Register of Deeds

Legal Description, Phase One, The Village at Southport, A Condominium

Beginning at a point, said point being an exiting rebar located in the northern right of way line of Brown Street in Southport NC and the southwest corner of the Gilbert Haight property as recorded in Deed Book 802 Page 519 and Deed Book 968, Page 556 of the Brunswick County Registry; running thence South 76 degrees, 47 minutes, 37 seconds west 24.84 feet to an existing rebar; thence South 03 degrees, 15 minutes, 46 seconds East 50.37 feet to an existing iron pipe, said pipe being in the centerline of Brown Street; thence South 87 degrees, 04 minutes 49 seconds West 56.23 feet to a newly set rebar; thence South 03 degrees 06 minutes 37 seconds East 43.79 feet to an iron pipe; thence North 77 degrees, 24 minutes, 13 seconds West 33.62 feet to an existing rebar; thence North 13 degrees, 05 minutes, 02 seconds 235.79 feet to an existing rebar; thence North 76 degrees 54 minutes 58 seconds East 19.39 feet to an existing rebar; thence North 86 degrees, 09 minutes, 12 seconds East 54.58 feet to an existing rebar; thence North 86 degrees, 12 minutes, 55 seconds East 54.27 feet to an existing rebar; thence South 04 degrees, 19 minutes, 39 seconds East 50.58 feet to an existing stone monument; thence North 76 degrees, 51 minutes, 00 seconds East 7.54 feet to an existing rebar; thence South 13 degrees, 04 minutes, 53 seconds East 100 feet to the point and place of beginning. This phase of the project contains .59 acres.

Legal Description for Balance of Tract Labeled "For Future Development"

Beginning at a point, said point being an existing rebar and futher identified as Grid Coordinate Y: 63976.628, X: 2295281.602 and located in the northern right of way of St. George Extension, a 99 foot wide reputed right of way; running thence South 02 degrees, 11 minutes 15 seconds East 100.87 feet to an existing iron pipe; thence South 02 degrees, 21 minutes, 27 seconds East 165.02 feet to an existing rebar; thence North 76 degrees, 54 minutes, 58 seconds East 102. 31 feet to an existing rebar; thence South 13 degrees, 05 minutes, 02 seconds East 235.79 feet to an existing rebar, said line and distance also being the western boundary of Phase One, The Village at Southport, A Condominium; thence North 77 degrees, 24 minutes, 13 seconds West 59. 58 feet to an existing rebar; thence North 77 degrees, 19 minutes, 56 seconds West 123.59 feet to an iron pipe; thence North 77 degrees, 18 minutes, 40 seconds West 199.66 feet to an existing rebar; thence North 77 degrees, 27 minutes, 33 seconds West 73.36 feet to a granite monument; thence North 77 degrees, 26 minutes, 21 seconds West 47.42 feet to an existing rebar; thence North 77 degrees, 11 minutes, 30 seconds West 73.89 feet to a cinder block; thence North 03 degrees, 56 minutes, 37 seconds East 169.22 feet to a newly set rebar; thence North 76 degrees, 55 minutes, 34 seconds East 99.88 feet to a newly set rebar, thence North 02 degrees, 28 minutes, 21 seconds West 100.72 to a newly set rebar; thence South 76 degrees, 55 minutes, 34 seconds West 88.10 feet to a newly set rebar; thence North 03 degrees, 56 minutes, 37 seconds East 282. 82 feet to an existing rebar; thence North 88 degrees, 09 minutes, 13 seconds East 80. 37 feet to an iron pipe; thence North 89 degrees, 18 minutes, 25 seconds West 239.87 feet to an iron pipe; thence South 02 degrees, 22 minutes, 56 seconds East 206. 95 feet to the point and place of beginning. The "For Future Development" phase contains 5. 22 acres.

EXHIBIT D

TABLE OF ALLOCATED INTERESTS

UNIT	ALLOCATED INTEREST
606-A	One-twelfth
606-B	One-twelfth
606-C	One-twelfth
606-D	One-twelfth
606-E	One-twelfth
606-F	One-twelfth
606-G	One-twelfth
606-H	One-twelfth
606-I	One-twelfth
606-J	One-twelfth
606-K	One-twelfth
606-L	One-twelfth

STATE OF NORTH CAROLINA

AMENDMENT TO DECLARATION

COUNTY OF BRUNSWICK

KNOW ALL MEN BY THESE PRESENTS that Southport Trading Company/Village, LLC, a North Carolina limited liability company (hereinafter referred to as "Declarant"), heretofore executed and caused to be recorded in Book 1429 at Page 1265 *et. seq.* in the office of the Register of Deeds of Brunswick County, North Carolina (the "Registry"), a Declaration of Condominium with respect to Phase I of the Village at Southport - A Condominium (the "Declaration") and all units being referred to as the "Condominium"; and

WHEREAS, pursuant to the Declaration and Chapter 47C of the North Carolina General Statutes the Declarant deems it expedient to amend the Declaration as hereafter stated.

NOW, THEREFORE, in consideration of the premises and pursuant to the authority contained in the Declaration and Chapter 47C of the North Carolina General Statutes, the Declaration is hereby amended to add and complete exhibits as follows:

1. Add to Exhibit C a copy of the plans for Phase I with the appropriate certifications.
2. Include a copy of Exhibit E.

IN WITNESS WHEREOF, the Declarant has executed this Amendment through its duly authorized Manager in such manner as made and provided by law this 31 day of January, 2001.

SOUTHPORT TRADING COMPANY/VILLAGE, LLC

BY: [Signature]
MEMBER/MANAGER

PE. Pete Avery
TOTAL 24

STATE OF NORTH CAROLINA

