

THIS DECLARATION, made this the 27 day of August, 1988, by Investors Capital Corp., a Virginia Corporation ("Developer"), pursuant to the North Carolina Condominium Act, Chapter 47C, General Statutes of North Carolina.

WITNESSETH:

WHEREAS, Developer is the owner in fee simple of certain real estate situated in the Town of Kill Devil Hills, County of Dare, State of North Carolina, legally described on Exhibit A, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate; and

WHEREAS, Developer desires to submit all of said property to the Act.

NOW, THEREFORE, Developer, as the owner of said property, hereby declares as follows:

ARTICLE I.

Definitions

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

1.1 Act. The North Carolina Condominium Act, Chapter 47C, General Statutes of the State of North Carolina.

1.2 Association. Crystal Shores Condominium Association, Inc., a Non-Profit Corporation organized under Chapter 55A, General Statutes of the State of North Carolina.

1.3 Board. The Board of Directors of the Association.

1.4 By-Laws. The By-Laws of the Association which are hereby incorporated herein and made a part hereof by this reference.

1.5 Common Elements. All portions of the Condominium except the Units. Limited Common Elements are Common Elements.

1.6 Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

1.7 Condominium. The Condominium created by this Declaration.

1.8 Declarant. Developer and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration to add Additional Real Estate, except Security Holders and except persons whose interest in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declaration Rights pursuant to Section 47C-3-104 of the Act. As used herein, Developer and Declarant are used interchangeably

1.9 Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of (i) the date three (3) years after the date of the first conveyance of a Unit to a Unit Owner other than a Declarant, or (ii) the date upon which Declarant surrenders control of the Condominium, or (iii) the date sixty (60) days after the Declarant has conveyed seventy-five (75%) percent of the Units to Unit Owners other than a Declarant.

1.10 First Mortgage and First Mortgagee. A First Mortgage is 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 Units 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 not as, one First Mortgagee for all purposes under this Declaration and the By-Laws.

1.11 Floor Plans. The floor plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended.

1.12 Limited Common Elements. Those portions of the Common Elements allocated by operation of Section 47C-2-102(2) of the Act for the exclusive use of one but fewer than all of the Units and also limited Common Elements specifically allocated to Units on Exhibit B.

1.13 Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.14 Person. A natural person, corporation, partnership, trust or other entity, or any combination thereof.

1.15 Property. The real estate described in Exhibit A: together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.16 Security for an Obligation. The vendor's interest in a contract for 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. Any person owning a Security for an Obligation in a Unit.

1.18 Special Declarant Rights. The rights reserved herein and in the By-Laws for the benefit of a Declarant, as follows: to complete the improvements indicated on the Floor Plans; to maintain sales offices, management offices, models and signs advertising the Condominium; to use easements through the Common Elements; to elect, appoint or remove members of the Board during the Declarant Control Period. Declarant shall have no right to subdivide or convert Units owned by Declarant.

1.19 Unit. A portion of the Condominium, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit C. Each Unit is designated and delineated on the Floor Plans.

1.20 Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Floor Plans, are the lath, furring, wall board, plaster board, plaster, panelling, tiles, wall paper, paint, finished flooring, and any other materials constituting any part of the finished floor, and any other materials constituting any part of the finished surfaces thereof are a part of the Unit. Said Unit also includes all spaces, interior partitions and other fixtures and improvements within such boundaries and further includes all portions of the heat pump system for that Unit, including but not limiting thereto, its air handler, coils, ducts, condenser, gas lines, and thermostat.

1.21 Unit Owner. 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.

Submission of Property to the Act

2.1 Submission. Developer hereby submits the Property to the Act.

2.2 Name. The Property shall hereafter be known as the Crystal Shores Condominiums.

2.3 Division of Property into Separately Owned Units. Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into fifteen (15) units and does hereby designate all such Units for separate ownership, subject, however, to the provision of Section 2.4 hereof.

2.4 Limited Common Elements. The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit.

2.5 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 allocation of undivided interest in the Common Elements and of the Common Expenses is according to the area of each Unit to the area of all Units. The votes in the Association are equally allocated to all Units.

2.6 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.

2.7 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 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 Section 47C-1-106(d) of the Act for the purpose of providing marketable title to the Units in the Condominium.

2.8 Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights as defined in 11.18 and is further set out in the By-Laws. The land subject to these Special Declarant Rights is all that real property set forth in Exhibit "A". These Special Declarant Rights shall terminate on the date seven (7) years from the date of recodation of this Declaration unless sooner terminated as provided herein or by written notice of termination filed by Declarant in the Dare County Registry of Deeds.

Declarant provides no assurances as to the order in which portions of the property may be subject to the Special Declarant Rights. Exercise of a Special Declarant Right as to a portion of the property does not require the exercise of a Special Declarant Right as to any other portion of the property.

2.9 Partition. Common elements are not subject to partition in purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of an undivided interest in the common elements made without the unit to which that interest is allocated is void.

ARTICLE III.

Easements

3.1 Perpetual Non-Exclusive Easement in Common Areas. The common elements or areas shall be, and the same are hereby declared to be subject to a perpetual non-exclusive easement which easement is hereby created in favor of all of the apartment or unit owners in the condominium for their use and for the use of their immediate families, guests, invitees, and licensees, and for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended. In addition, this easement shall run in favor of the Developer, the condominium associates, and all unit owners, and may be used for ingress and egress for the providing of electric power, telephone, sewer, water, and other utility services and lighting facilities, including but not limited to television transmission facilities, security services, and facilities connected therewith. The Declarant for themselves, their heirs, and assigns, and the Association herein described reserve the right to impose upon the common elements henceforth and purposes as they deemed to be in the best interest of and necessary and proper for, the owners of apartments and units.

3.2 Easement for Construction. There is retained, by the Declarant, and their successors, heirs, and assigns, a construction easement over, upon, and across the common elements or areas and also over, upon, and across those lands set out and described in Exhibit "A" of this Declaration, for the purposes of construction improvements on the properties now owned or hereafter acquired by the Developer, said easement to run in favor of the Developer, their heirs, successors, and assigns, their contractor and subcontractors, laborers, and materialmen. This easement shall expire and become null and void upon the completion of all of the permanent improvements which are to be constructed upon said properties.

3.3 Easement for Utilities, Sewerage, Waste Treatment Facilities. There is conveyed hereby an easement of right of way in and to the lands described in Exhibit "A" of this Declaration for the benefit of the condominium unit owners and the Association, for the construction, operation, and maintenance of all utility lines, and pipes, sewerage lines, septic tanks, waste treatment facilities, pumps, drain lines and facilities related thereto, which said easement shall also inure to the benefit of the Declarant, and all future property owners located or to be located in the Additional Real Estate.

3.4 Easement for Pipes, Wires, Flues, Ducts, Cables, Conduits, Public Utility Lines, and Other Common Elements Located Inside of Units. Each unit ownership will have an easement in common with the owners of all other units to use all pipes, wires, ducts, flues, cables, conduits, public utility lines, and other Common Elements located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, wires, ducts, flues, cables, conduits, public utility lines, and other common elements serving such other units and located in such units. The Board of Directors and their authorized agent of the Associates shall have a right of access to each unit to inspect the same, to remove violations therefrom and to maintain, repair, or replace the common elements contained therein, if any, or elsewhere in the building.

3.5 Encroachments. In the event that, by reason of the construction, reconstruction, 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.

3.6 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.

3.7 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 or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

3.8 Declarant's Easement. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purposes.

3.9 Easements To Run With Land. All easements and rights described in this Article III are appurtenant easements running with the land, and except as otherwise expressly provided in this Article III 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 of any 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 IV, whether or not specifically mentioned in any such conveyance or encumbrance.

3.10 Septic Agreement. Declarant has or will execute a tri-party agreement with the Dare County Health Department concerning the maintenance and upkeep of the septic system.

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 Articles of Incorporation of the Association, and rules and regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, and 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 provision of the Act, this Declaration and the By-Laws.

4.3 Use Restricted; Use by Declarant.

(a) The Units shall be occupied and used by Unit Owners and Occupants for residential purposes only.

(b) No "For Sale" or "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board.

(c) The foregoing provisions of this Section or any other provision of this Declaration or the By-Laws notwithstanding, Declarant may maintain sales offices for sales of Units in the Condominium and models as follows: Units 301 and 302 as models and Unit 303 as a sales office.

Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, until all of the Units have been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed the number set out above, and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(d) Declarant also may maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

(e) The foregoing provisions of this Section or any other provision of this Declaration or the By-Laws notwithstanding, the Association may maintain an office in the Condominium for management of the Condominium.

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, 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. No pet shall be allowed in the Condominium, except as may be provided by the rules and regulations promulgated from time to time by the Board or the Association or in the By-Laws.

4.7 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 therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the By-Laws.

4.8 Restrictions, Conditions and Covenants To Run With 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 Assessment Liens. The Board has the power to levy assessments against the Unit for Common Expenses. Any assessments 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 Court in Dare County, North Carolina. The Association's lien may be foreclosed in a like manner as a mortgage upon real estate under Power of Sale under Article 2A of Chapter 45 of the General Statutes of the State of North Carolina. All fees, charges, late charges, fines, and interest charged pursuant to this Declaration and pursuant to Chapter 47C are enforceable as Assessments under this Section. The Lien under this Section is prior to all other liens and encumbrances on a Unit except (a) liens and encumbrances (specifically including, but not limiting to, a mortgage or deed of trust on the Unit) recorded before the docketing of the lien in the Office of the Clerk of Superior Court of Dare County, and (b) liens for real estate taxes and other governmental assessments or charges against the Unit.

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

(a) The personal obligation of assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit as a personal obligation unless said delinquent assessments are expressly assumed as a personal obligation by said transferee. However, any lien rights against the Unit shall remain in full force and effect.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to Section 8.10 of the By-Laws, 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 the holder of a first mortgage or first deed of trust of record, or other purchaser of a Unit, obtains title to the unit as a result of foreclosure of a first mortgage or first deed of trust or by assignment, in lieu of foreclosure, obtains title to such Unit, such purchaser, and its heirs, successors and assigns, shall not be liable for the assessments against such Unit which became due prior to the acquisition of title to such Unit by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all Unit Owners, including such purchaser, and its heirs, successors and assigns.

ARTICLE VI.

Management, Maintenance, Repairs
Replacements, Alterations and Improvements6.1 Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provision 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 Element done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense.

(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 any Occupant of his Unit. Such payment shall be made upon demand made by the Association.

6.2 Common Expenses Association with Limited Common Elements or Benefitting Less Than All Units.

(a) Any Common Expenses associated with the maintenance, repair, or replacement of a Limited Common Element 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.

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

6.3 Units. Each Unit Owner shall maintain his Unit at all times in a good and clean condition, and repair and replace, at his expense, all portions of his Unit; shall perform his responsibilities in such manner as not to unreasonably disturb other Occupants; 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 reasons 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 Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

6.4 Waiver of Claims. Except only as provided in Section 6.5 (a) and (b), the Association agrees that it shall make no claim against a Unit Owner or Occupant, and each Unit Owner and Occupant agrees that he shall make no claim against the Association, the members of the Board, officers of the Association, or employees or agents of any thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, or other Unit Owners or Occupants, for any loss or damage to any of the Property, or to a Unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons and all such claims are hereby waived and released; provided, that this waiver shall not apply to any such loss or damage due to intentional acts.

6.5 Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may 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, 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 Section 6.4, the Association shall be responsible for the repair of 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.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Units 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 of, 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 Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous conditions or situation, such right of entry shall be immediate. Notwithstanding 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.

ARTICLE VII.

Insurance

7.1 Authority to Purchase; Notice.

(a) Except as otherwise provided in Section 12.5, all insurance policies relating to the property shall be purchased by the Board of Directors prior to the conveyance of the Condominium Unit to any party other than Declarant. The Board of Directors shall not be liable for failure to obtain coverages required by this Article XII or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are available only at a demonstrably unreasonable cost. The Board of Directors shall promptly furnish to each Unit Owner written notice of the procurement of, subsequent changes, or termination of, insurance coverages obtained on behalf of the Association.

(b) Each such policy shall provide that:

(i) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Board of Directors, the Managing Agent or the Unit Owners, and their respective agents, employees guests and, in the case of the Unit Owners, the members of their households

(ii) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any Unit Owner (including his invitees, agents or employees) or of any member, officer or employee of the Board of Directors or the Managing Agent without a prior demand in writing that the Board of Directors or the Managing Agent cure the defect and neither shall have so cured such defect within sixty (60) days after such demand;

(iii) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least sixty (60) days prior written notice to the Board of Directors and the Managing Agent, and in the case of physical damage insurance, to all Mortgagees.

(c) All policies of insurance shall be written by reputable companies licensed to do business in the State of North Carolina. Physical damage policies shall be in form and substance and with carriers acceptable to Mortgagees holding a majority of the Mortgages (based upon one vote for each Mortgage owned).

(d) The deductible, if any, on any insurance policy purchased by the Board of Directors shall be a Common Expense, except where the claim is for components of a Unit.

7.2 Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, vandalism, malicious mischief, windstorm, debris removal, cost of demolition and water damage endorsements, insuring the entire property including fixtures and appliances initially installed by the Declarant but not including furniture, wall coverings, furnishings or other personal property supplied or installed by Unit Owners, and covering the interest of the Association, the Board of Directors and all Unit Owners and their Mortgagees, as their interest may appear, (subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors as Insurance Trustee contained in Section 7.6), in an amount not less than eighty (80%) percent of the replacement cost of the insured property (exclusive of the land, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Board of Directors with the assistance of the insurance company affording such coverage). The liability insurance is to cover liability which might arise out of the use, ownership, or maintenance of the Common Elements.

(b) Such policy shall also provide:

(i) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to these By-laws not to do so;

(ii) The following endorsements (or equivalent): (a) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or Unit Owner or their agents when such act or neglect is not within the control of the insured, or the Unit Owners collectively; nor by any failure of the insured, or the Unit Owners collectively, to comply with any warranty or condition with regard to any portion of the Condominium over which the insured, or the Unit Owners collectively, have no control). (b) "contingent liability from operation of building laws or codes"; (c) "increased cost of construction" or "condominium replacement cost"; and (d) "agreed amount" or elimination of co-insurance clause; and

(iii) That any "no other insurance" clause expressly exclude individual Unit Owners' policies from its operation so that the physical damage policy purchased by the Board of Directors shall be deemed primary coverage and any individual Unit Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees, unless otherwise required by law.

(c) A duplicate original of the policy of physical damage insurance and all renewals thereof, and any sub-policies or certificates and endorsements issued hereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least thirty (30) days prior to expiration of the then current policy. Prior to obtaining any policy of physical damage insurance or any renewal thereof the Board of Directors shall obtain an appraisal from any insurance company, or such other source as the Board of Directors may determine, of the then current replacement cost of the property (exclusive of the land, excavations, foundation and other items normally excluded from such coverage), without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this Section 7.2. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to the Common Elements in excess of one (1%) percent of the then current replacement cost of the property. The Mortgagee of a Unit shall be notified promptly of any event giving rise to a claim under such policy arising from damage to such Unit.

7.3 Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general liability (including libel, slander, false arrest and invasion of privacy coverage and errors and omissions coverage for directors) and property damage insurance in such limits as the Board of Directors may from time to time determine, insuring any member of the Board of Directors, the

Managing Agent, each Unit Owner and the Declarant against any liability to the public or to the Unit Owner (and their invitees, agents and employees) arising out of, or incident to the Ownership and/or use of the Common Elements. Such insurance shall be issued on a comprehensive liability basis and contain:

- (a) a cross liability endorsement under which the rights of a name insured under the policy shall not be prejudiced with respect to his action against another named insured;
- (b) hired and non-owner vehicle coverage;
- (c) deletion of the normal products exclusion with respect to events sponsored by the Association; and
- (d) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Association or of another Unit Owner. The Board of Directors shall review such limits once a year, but in no event shall such insurance be less than One Million Dollars (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than Three Million Dollars (\$3,000,000.00).

7.4 Other Insurance. The Board of Directors shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle, or are responsible for handling, funds of the Association, including the Managing Agent. Such fidelity bonds shall:

- (i) name the Association as an obligee;
- (ii) be written in an amount not less than one-half (1/2) of the total annual Condominium Assessments for the year or the amount required by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greatest; and
- (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) if required by any governmental or quasi-governmental agency, including without limitation the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, flood insurance in accordance with the then applicable regulation of such agency;

(c) workmen's compensation insurance if and to the extent necessary to meet the requirements of law;

(d) such other insurance as the Board of Directors may determine or as may be requested from time to time by a Majority of the Unit Owners.

7.5 Separate Insurance. Each Unit Owner shall have the right at his own expense, to obtain insurance on his own Unit and for his own benefit and to obtain insurance coverage upon his personal property and for his personal liability as well as upon any improvements made by him to his Unit under coverage normally called "improvement and betterments coverage"; provided, however, that no Unit Owner shall be entitled to exercise his right to acquire or maintain such insurance coverage so as to decrease the amount which the Board of Directors, on behalf of all Unit Owners, may realize under any insurance policy maintained by the Board of Directors or to cause any insurance coverage maintained by the Board of Directors to be brought into contribution with insurance coverage obtained by a Unit Owner. All such policies shall contain waivers of subrogation. No Unit Owner shall obtain separate insurance policies on the Condominium except as provided in this Section 7.5.

7.6 Insurance Trustee.

(a) All physical damage insurance policies purchased by the Board of Directors shall be for the benefit of the Association, the Unit Owners, their Mortgagees and the Declarant, as their interests may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Board of Directors as "Insurance Trustee" to be applied pursuant to the terms of Articles XII.

(b) The Board of Directors as "Insurance Trustee" shall receive such proceeds as are paid to it and shall hold the same in trust for the purposes elsewhere stated. The Board of Directors of the Association, acting on behalf of the Apartment Unit Owners is hereby irrevocably appointed agent for each Owner to adjust all claims arising under insurance policies purchased by the Association, and to authorize the officers of the Association to execute and deliver releases upon payment of claims.

7.7 Unavailability of Insurance. In the event any required insurance is not available, the Board of Directors must deliver notice of the fact to all of the Owners.

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 proceeds of insurance shall be used and applied in accordance with the provision of Section 47C-3-113(e) and (h) of the Act.

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 Section 47C-1-107 of the Act.

ARTICLE X.

Termination

The Condominium may be terminated only in strict compliance with Section 47C-2-118 of the Act.

ARTICLE XI.

Amendment

This Declaration may be amended only in strict compliance with the Act, including, without limitation Sections 47C-2-107 and 47C-2-117 of the Act, except that no amendment altering or impairing Special Declarant Rights may be made without the written consent of Declarant.

ARTICLE XII.

Rights of First Mortgagees; VA, FNMA and FHLMC Provisions

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

12.1 Amendments during Declarant Control Period. If at least one Unit is subject to financing or loan guarantees by the Veteran's Administration or Federal Housing Administration then any amendments to this Declaration or to the By-Laws during the Declarant Control Period shall be subject to the prior approval of the Federal Housing Administration or Veterans Administration provided, however, that, if said Administrator fails to respond to a written

request for approval within thirty (30) days of said request, approval shall be deemed to have been given.

12.2 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 Owner; 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 statement of the Association. The Association shall provide a financial statement for the preceding fiscal year is 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).

12.3 Successors' 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.

12.4 Rights of Action. The Association and any aggrieved Unit Owner shall have a right of action against Unit Owners and any aggrieved Unit Owner shall have a right of action against the Association for failure to comply with the provision 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.

12.5 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 developer, sponsor, builder or Declarant shall be terminable by either party thereto without cause and without payment of a termination fee upon not more 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.

12.6 Right of First Refusal. The right of a Unit Owner to sell, transfer, mortgage or otherwise convey his interest in his Unit shall not be subject to any right of first refusal.

12.7 Consent of First Mortgagees. This Section 13.7 shall be effective only if, at the time this Section would apply, at least one Unit is subject to FNMA 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 Eligible Mortgage Holders, as defined in Section 13.9 hereof, representing at least 67% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirements specified by the Act. Any amendment to the Declaration or By-Laws which changes any of the following shall require the prior written consent of Unit Owners holding at least 67% of the total votes in the Association and of Eligible Mortgage Holders representing at least 51% of the votes allocated to Units subject to First Mortgages held by Eligible Mortgage Holders, or such greater requirements specified by the Act or hereunder:

- (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) reallocation of interest 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 an Eligible Mortgage 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.

12.8 Consent of First Mortgagees or Unit Owners. This Section 12.8 shall be effective only if, at the time this Section would apply, at least one Unit is subject to FHLMC Financing. Unless First Mortgagees holding at least 66 2/3% of the votes allocated to First Mortgagees (except First Mortgagees having one vote per Unit financed), or such higher percentage as is required by law, of the First Mortgagees (based upon one vote for each First Mortgage owned) and Unit Owners (other than a Declarant) holding at least 66 2/3% of the total votes in the Association have given their prior written approval, or such greater requirements specified in the Act or hereunder have been satisfied, 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:
 - (i) levying assessment or charges or allocating distributions of hazard insurance proceeds or condemnation awards or
 - (ii) determining the pro rata share of ownership of each Unit in the Common Elements;
- (c) partition or subdivide any Unit;
- (d) except in the case of any addition of the Additional Real Estate pursuant to the provision hereof, 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.

12.9 Notice. Each First Mortgagee and each insurer or guarantor of a First Mortgage, upon written request stating its name and address and describing the Unit encumbered by the First Mortgage, hold, insured or guarantee, 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 his 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 required the consent of a specified percentage of Eligible Mortgage Holders shall be considered an "Eligible Mortgage Holder". With respect only to non-material amendments (which excludes items (a) to (o) of Section 12.7), 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 30 days shall be deemed to have approved such request.

12.10 Assessments. Assessments shall be due and payable in monthly installments. As provided in Article VIII of the By-Laws and as legally required by 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 a 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.

12.11 Rights of First Mortgagee; Insurance Proceeds of Condemnation Awards. With respect to First Mortgages held by or for the benefit of Federal Housing Administration or Veterans Administration, no provision of this Declaration or the By-Laws shall be deemed to give a Unit Owner, or any other party, priority over any right 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.

General Provisions

13.1 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, provisions, paragraph or clause of this Declaration, or for 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 effect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstances.

13.2 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.

13.3 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.

13.4 Exhibits. Exhibits A, B, C and D attached hereto are hereby made a part hereof.

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

INVESTORS CAPITAL CORP., A VA Corporation

By: [Signature] President

ATTEST [Signature] Secretary



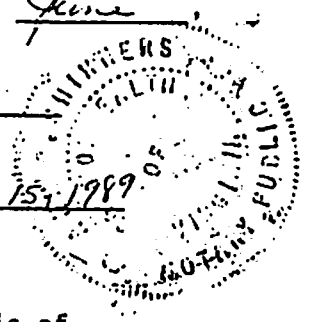
STATE OF Virginia
CITY/COUNTY OF Charlottesville

I, a Notary Public of the County and State aforesaid, certify that John S. Cole personally came before me this day and acknowledged that he is Secretary of Investors Capital Corp., a Virginia Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by Kevin as its Secretary.

Witness my hand and official stamp or seal, this 13th day of June, 1987.

Ann G. Shinnars
Notary Public

My Commission Expires: Jan. 15, 1989



NORTH CAROLINA, DARE COUNTY

The foregoing Certificate(s) of Ann G. Shinnars a Notary Public of Commonwealth of Va.

 is/are certified to be correct

This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

Dorris A. Fry
REGISTER OF DEEDS

BY: Deane Dean Ward
ASSISTANT REGISTER OF DEEDS

EXHIBIT "A" TO
CRYSTAL SHORES CONDOMINIUM
MASTER DECLARATION

All that real property located in the Town of Kill Devil Hills, Atlantic Township, Dare County, North Carolina, more particularly described as follows:

Parcel 1: Beginning at a point on the East side of North Carolina Highway No. 34 at a point where the Northwest corner of the property of Basnight (formerly Mary C. Meekins) contacts said highway; thence Northerly along the East side of said highway a distance of 100 feet; thence Easterly paralleling the Northern boundary of the said Basnight property to the Atlantic Ocean; thence Southerly along the Atlantic Ocean a distance of 100 feet to the Northeast corner of the Basnight property; thence Westerly along the Northern boundary of the said Basnight property to the point of beginning, being all of Lots No. 16 and 17, in Block B, of that map of "Croatan Shores", as surveyed and drawn by J. L. Murphy, Dare County, Surveyor, as recorded in Map Book 1, Page 173, Dare County Public Registry.

Parcel 2: All those certain lots of land lying and being in Atlantic Township, Dare County, North Carolina, in the subdivision known as "Croatan Shores" and bounded as follows: Beginning at a point on the East side of North Carolina Highway now known as U. S. Highway No. 158, and also known as Virginia Dare Trail, where same contacts the Northwest boundary of First Street in the subdivision known as "Croatan Shores", thence running Northerly along the Eastern boundary of said Highway 100 feet; thence Easterly a line parallel with the Northern boundary of said First Street to the Atlantic Ocean; thence Southerly along the Atlantic Ocean a distance of 100 feet to the Northeast boundary of Said First Avenue or Street; thence Westerly along the Northern boundary of said First Street to the point of beginning. Same being Lots No. 18 and 19, in Block B, Section 1 of the map of "Croatan Shores" as surveyed and drawn by J. L. Murphy, Registered Engineer, recorded in Map Book 1, Page 173, Dare County Registry.