



*Marshes
Light*

Marina Condominiums
Public Offering Statement

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**PUBLIC OFFERING STATEMENT
FOR
MARSHES LIGHT MARINA CONDOMINIUMS**

This Public Offering Statement is being offered to contract purchasers of condominium units in the proposed *Marshes Light Marina Condominiums* (the “Condominium”) as required by the North Carolina Condominium Act. It contains a summary of the important features of the proposed Condominium, and must by law be delivered to each purchaser prior to the execution of a purchase contract.

ARTICLE I

NAME AND ADDRESS OF THE DECLARANT AND THE CONDOMINIUM

Name of Declarant: Marshes Light, LLC, a North Carolina
Limited Liability Company

Address of Declarant: Post Office Box 229
Kitty Hawk, North Carolina 27949

Name of Condominium: Marshes Light Marina Condominiums

Address of Condominium: Marshes Light in Historic Manteo on
Roanoke Island, North Carolina 27954

ARTICLE II

GENERAL DESCRIPTION OF THE CONDOMINIUM

Marshes Light Marina Condominiums is one of the Neighborhoods of the Marshes Light development as further described in the Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light (the “Master Declaration”) situated within historic Manteo on Roanoke Island, North Carolina (“Marshes Light”). The Neighborhoods of Marshes Light will be phased with the first phase consisting of single-family residential lots followed by the development of the first phase of Marshes Light Marina Condominiums, which will include Buildings 13 and 14. Additional phases of Marshes Light Marina Condominiums may consist of those buildings identified on the Site Plan as Buildings #15, 16 and 17 approved by the Town of Manteo for which a Conditional Use Permit has been issued, with a total number of 44 Units, subject to the Declarant’s right to redesignate unit types and subject to the right to combine and/or subdivide units. The Declarant’s right to phase in additional buildings is set forth within Section 2.4 of the Declaration of Condominium for Marshes Light Marina Condominiums (the

“Declaration”). The property upon which future buildings may be built is referred to as the “Additional Real Estate.”

Each of the buildings in the first phase of Marshes Light Marina Condominiums shall contain three floors with Units located on the second and third floors. Building 13 shall contain those Units identified as: Villa 1321, Villa 1322, Villa 1323, Villa 1324, and Villa 1325 located on the second floor, and Villa 1331, Villa 1332, Villa 1333, Villa 1334, and Villa 1335 located on the third floor. Each of the Villas shall have its own balconies as a Limited Common Element to the Unit. Building 14 shall contain those Units identified as: Villa 1421, Villa 1422, Villa 1423, Villa 1424, and Villa 1425 located on the second floor, and Villa 1431, Villa 1432, Villa 1433, Villa 1434, and Villa 1435 located on the third floor. Both buildings will be similar in exterior appearances with a brick base and columns for a foundation, plank exterior siding, architectural shingles, and similar elevations. The Villas on the second floor of Building 13 will be of the same approximate size as the Villas located on the second floor of Building 14. The Villas on the third floor of Building 13 will be of the same approximate size as the Villas located on the third floor of Building 14. The Villas will range in size from approximately 1,190 square feet to approximately 1,671 square feet. Balconies will range in size from approximately 152 square feet to approximately 364 square feet. Each of the buildings will have both walkways, stairs, and an elevator for access to each of the floors.

All of the Common Elements within Marshes Light Marina Condominiums will consist of that portion of land upon which the building is situated upon and those Common Elements contained within the building. Properties outside of the footprint of a building within Marshes Light Marina Condominiums including but not limited to: streets, parking, landscaping, signs, lighting, and boardwalks are Common Elements of Marshes Light governed by the Master Declaration and administered by Marshes Light Master Association, Inc. (the “Master Association”).

ARTICLE III

NUMBER OF CONDOMINIUM UNITS

The Condominium will initially consist of Buildings 13 and 14, each with ten (10) units for a total of 20 units, with said units being located on the second and third floors of the buildings as more particularly described on the Plats and Plans attached hereto as Appendix “C.” Declarant reserves the right to change the number of units during the Declarant Control Period, including the right to subdivide the units creating new units.

ARTICLE IV

OWNERSHIP INTERESTS

Unit Owners shall own their units in fee simple. Unit Owners shall also own an undivided interest along with the other Owners in the building in the Common Elements of the buildings. The amount of this undivided interest, called the Common Element Interest, is shown in Exhibit "B" to the Declaration of Condominium.

ARTICLE V

CONDOMINIUM INSTRUMENTS AND OTHER DOCUMENTS

Declaration. A copy of the proposed Declaration of Condominium for Marshes Light Marina Condominiums (the “Declaration”) is attached hereto as Appendix “A”. Attached to the Declaration are the following exhibits: Exhibit “A” – Legal Description of the property for Buildings 13 and 14, Exhibit “A-1” – Legal Description of the Additional Real Estate upon which additional buildings and Condominium Units may be added in subsequent phases, Exhibit “B” - Schedule of Unit Information, Exhibit “C” – Bylaws of the Association, and Exhibit “D” – Articles of Incorporation.

Association Documents. A copy of the proposed Bylaws of Marina Condominiums Owners’ Association, Inc., a North Carolina non-profit corporation (the “Association”) is attached to the Declaration as Exhibit “C.” and a copy of the proposed Articles of Incorporation of the Association is attached as Exhibit “D” to the Declaration.

Other Documents. A copy of the proposed Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light is attached to this Public Offering Statement as Appendix “E” and a copy of the Bylaws of Marshes Light Master Association, Inc. is attached to this Public Offering Statement as Appendix “F.”

Contracts to Be Signed at Closing. There will be no contracts or leases required by Declarant to be signed by the purchaser at closing.

Contracts and Leases Subject to Cancellation by the Association. The Association is not a part of any contracts affecting the Condominium. Declarant anticipates that an elevator maintenance agreement will be entered into prior to the final closing of the sale of units at the Condominium.

ARTICLE VI

MANAGEMENT OF THE CONDOMINIUM ASSOCIATION

The Condominium will be managed by an Association. The Association is generally responsible for the operation, governance, and management of the buildings.

ARTICLE VII

ASSESSMENTS

A. By the Association. Unit Owners are assessed for the costs of operating and maintaining Common Elements of the Condominium and reserves for the replacement of major systems. General Common Expenses are those expenses incurred for services or elements shared by or benefiting all Unit Owners. These expenses are allocated to all Unit Owners according to

the Common Element Interests described in Exhibit "B" of the Declaration. Common Expenses are assessed by the Association. Limited Common Expenses are those expenses incurred for services or elements shared by or benefiting one or more but less than all Unit Owners. These expenses are allocated to those Unit Owners affected according to the percentages described in Exhibit "B" of the Declaration.

B. By the Master Association. Unit Owners are also subject to assessment for the cost of Common Expenses as provided in Article VII of the Master Declaration. These expenses are allocated to all Unit Owners according to the calculation of Assessments described in Section 7.06 of the Master Declaration.

ARTICLE VIII

PROJECTED BUDGET FOR THE ASSOCIATION

The Association has not yet been formed, but will be formed by Declarant prior to the first conveyance of a condominium unit and hence no current balance sheet for the Association exists.

The projected budget for the Association for the first year following the first conveyance of a condominium unit is attached hereto as Appendix "B". The budget includes, as required by the provisions of the North Carolina Condominium Act: (i) an amount included for repair and replacement reserves, (ii) any other reserve amounts, (iii) the projected common expense assessment by category or expenditures for the Association, and (iv) the projected monthly common expense assessment for each unit. Unit Assessments will vary based on their percentage ownership interest in the common areas and the various limited common areas.

The projected budget has been prepared by Declarant, based on good-faith estimates from contractors and subcontractors, and is based on an ownership level of 100% and a collection rate of 100%. Projected budget amounts are not adjusted for inflation.

The projected budget for Marshes Light Master Association, Inc. is attached hereto as Appendix "G".

ARTICLE IX

FUTURE COMMON EXPENSES

Declarant at the present time does not intend to provide any services and does not anticipate paying for any expenses that subsequently would become a common expense of the Association, except for those matters that are reflected in the Association's proposed budget.

ARTICLE X

FEE DUE FROM PURCHASER AT CLOSING

Declarant will collect from each purchaser at closing a capital contribution toward the Capital Improvement Fund of \$300.00. This amount, which is non-refundable, will be paid over by Declarant to the Association to capitalize the operating fund of the Association. Each Unit Owner shall also remit their pro-rata portion of any ad valorem taxes and insurance premiums that have been prepaid by the Declarant.

ARTICLE XI

EXISTING LIENS OR ENCUMBRANCES ON THE CONDOMINIUM

Declarant will finance the acquisition of the property and construction of the Condominium Buildings thereof with the proceeds of a loan from a commercial lender, which loan shall be secured by a first lien Deed of Trust on the Condominium. In the event this lien is not satisfied prior to the closing of your Unit, the Unit and its related interest in the common elements will be released from this lien at the time of closing. Each unit will be conveyed subject to: the lien of the Dare County and Town of Manteo taxes for the year of closing and subsequent years which are not yet due and payable, standard title exceptions for general utility service easements, and the permitted exceptions described on Appendix "D," attached hereto.

ARTICLE XII

DECLARANT'S WARRANTIES

Declarant expressly disclaims any implied warranty of habitability or suitability related to the Condominium and any unit thereof. Declarant further expressly disclaims any implied warranties relating to all electrical wiring, fixtures, all materials comprising or supporting the roof, all other structural components, all appliances, heating and air conditioning systems, elevators, equipment, and other personal property located in the Condominium, but will furnish to the purchaser or to the Association all manufacturers' warranties, if any, with respect to those items. No additional express or implied warranties, unless required by law, are or will be made by Declarant.

ARTICLE XIII

UNIT PURCHASER'S RIGHT TO CANCEL

The purchaser of a unit ("Purchaser") must receive this Public Offering Statement before signing a contract for purchase. No conveyance of title by deed can occur until seven (7)

calendar days following the signing of a contract for such purchase. The Purchaser has the absolute right to cancel the contract to purchase during that seven (7) calendar day period without penalty. Additionally, in the event this Public Offering Statement, or any of the exhibits attached hereto, are materially changed or modified, all Purchasers will be provided notice thereof from Declarant and shall have the absolute right to cancel such contract to purchase during the seven (7) calendar day period immediately following such notice, without penalty. Under the North Carolina Condominium Act, a Purchaser electing to cancel a contract may do so by hand-delivering notice to the Declarant or by mailing notice by prepaid United States mail to Declarant at the address specified above in Article I.

ARTICLE XIV

JUDGMENTS AND PENDING SUITS

There are no known or recorded unsatisfied judgments or pending suits against the Association or the Declarant or pertaining in any way to the Condominium. There are no pending suits material to the Condominium of which the Declarant has actual knowledge.

ARTICLE XV

INSURANCE COVERAGE

The Association has not yet been formed, and currently has no insurance coverage in force. The Declarant will secure a builders risk policy covering the property through the date the Condominium is turned over from Declarant to the Association. The minimum requirements for the insurance coverage that will be maintained by the Association are set forth in Article XI of the Declaration. The Association may elect to obtain more extensive insurance coverage once it is organized. You are urged to consult with your insurance adviser to ensure that you are aware of the extent of insurance coverage to be provided by the Association, and the advisability of purchasing additional insurance to cover your individual exposure, such as the value of your personal property, or individual liability insurance coverage.

ARTICLE XVI

ESCROW DEPOSIT

Any escrow deposit or earnest money payment made by a purchaser in connection with the purchase of a condominium unit will be held in an escrow account with the law firm of Vandeventer Black LLP, in accordance with N.C.G.S. Section 47C-4-108, as required by the North Carolina Condominium Act. The deposit itself shall be held in such account until at least seven (7) days after this Public Offering Statement has been delivered to Purchaser and a Purchase and Sale Agreement has been executed by the Parties. After that date, if Purchaser has not cancelled the Contract, the deposit will be held and disbursed in accordance with the Purchase and Sale Agreement between the Parties.

ARTICLE XVII

RESTRAINTS ON ALIENATION

No unit or any interest in a unit may be subjected to a time-share program, as that term is defined in Chapter 93A, Article 4 of the North Carolina General Statutes.

ARTICLE XVIII

OCCUPANCY AND USE RESTRICTIONS

Each Unit shall be subject to those occupancy and use restrictions set forth in Article VI of the Declaration and use of the Common Elements in Marshes Light shall be subject to the provisions of the Master Declaration including but not limited to the initial restrictions and rules set forth in Section 3.06 of the Master Declaration.

ARTICLE XIX

FEEES FOR USE OF COMMON ELEMENTS

Other than the annual and special assessments for maintenance, operations, and reserves provided for by the Declaration and Bylaws and the Master Declaration and the Master Bylaws, there are no present and no known or anticipated future fees or charges to be paid by Unit Owners for the use of the Common Elements.

ARTICLE XX

ZONING AND LAND USE REQUIREMENT

The land on which the Condominium is situated is zoned by the Town of Manteo as B2. The construction of a Condominium Development as proposed is allowed in this zone. The property is also subject to compliance with the Coastal Area Management Act and the Coastal Area Management Act Regulations, as they may from time to time be amended. A Coastal Area Management Act permit is necessary to perform any land-disturbing activity on the property.

ARTICLE XXI

ALIENATION OF COMMON ELEMENTS

The common elements of the Condominium may be alienated or conveyed in accordance with Section 47C-3-112 of the North Carolina Condominium Act, which allows the Unit

Owners' Association to borrow funds secured by a lien on the common elements of property owned by such Association.

ARTICLE XXII

WARRANTY DEED

The purchaser of a Condominium Unit will be given a general warranty deed with usual covenants of title. Such deed will vest in the owner an undivided fee simple interest in the Unit being conveyed and an undivided interest in the common elements of the Condominium, subject to the terms and provisions of the Declaration and Bylaws of the Association, the Master Declaration, and the Master Association, easements of record in the office of the Dare County Register of Deeds affecting the property, and general utility easements providing service to the property and shall be subject to those Permitted Exceptions set forth in Appendix "D".

ARTICLE XXIII

SPECIAL DECLARANT RIGHTS

Declarant has reserved Special Declarant Rights as allowed by the Act and more particularly set forth in Article VIII of the Declaration, which reserved rights may be exercised at any time during the "Declarant Control Period" as that term is defined in Section 1.16 of the Declaration. These rights include but are not limited to the right to conduct sales activities on the property, appoint any officer or director of the Association, contract with a management agent, and have veto power over the actions of the Association during the Declarant Control Period.

ARTICLE XXIV

EXHIBITS

The following Exhibits are attached to and are an integral part of this Public Offering Statement:

Appendix A	Declaration of Condominium
Appendix B	Projected Budget for Marina Condominiums Owners' Association, Inc.
Appendix C	Plats and Plans
Appendix D	Permitted Exceptions
Appendix E	Master Declaration
Appendix F	Master Bylaws
Appendix G	Projected Budget for Marshes Light Master Association, Inc.
Exhibit "A" to Declaration	Legal Description of the Submitted Property
Exhibit "A-1" to Declaration	Legal Description of the Additional Property

Exhibit "B" to Declaration
Exhibit "C" to Declaration
Exhibit "D" to Declaration

Schedule of Unit Information
Bylaws of the Association
Articles of Incorporation

ARTICLE XXIV

DEVELOPMENTAL RIGHTS

The Declarant has planned the condominium regime of Marshes Light Marina Condominiums to contain a maximum of 44 Condominium Units with Buildings 13 and 14 containing 10 Condominium Units each, and proposed Buildings 15, 16, and 17 each to contain 8 Condominium Units for a total of 5 buildings. Initially, the Declarant will submit Buildings 13 and 14 for a total of 20 units. The Declarant has reserved the right to add Additional Real Estate to the Condominium as defined in Section 1.2 of the Declaration for the purpose of adding those buildings identified as 15, 16, and 17 on the Site Plan approved by the Town of Manteo, which buildings may be added to the condominium regime at a later date. All Units to be built will be a part of the condominium regime for this Condominium and will be restricted to single-family residential use.

In the event that all 44 Units are not built, the percentage interest allocated to each Unit Owner in the Common Elements of the Condominium will increase, which increase shall be one over forty-four minus the number of Units not built. An example of the percentage of undivided interest in the Common Element Expenses is shown on Exhibit "B" Schedule of Unit Ownership, which depicts the percentage of interest based on the initial 20 Units of the Submitted Property as well as the percentages in the event the Additional Real Estate is added, for a total of 44 Units.

The buildings to be added within the Additional Real Estate shall be compatible with the existing buildings of the Submitted Property in terms of architectural style and quality of construction. The proposed size of the buildings will be smaller with each building to contain 8 Units. The Plats and Plans for the Condominium shall be consulted to determine the exact style and location of the Condominium Units should such not be apparent from visual inspections of the Units. No assurances are made with regard to the location of any building or other improvement should the Declarant exercise its Development Rights. In the event all 44 Units are constructed as planned, the type, size, and proportion of Limited Common Elements will be approximately equivalent in relation to each of the buildings to be constructed. No other assurances are given in this regard. Any assurances given herein will not apply in the event that any of the 44 Units planned are not built, but only to the extent of the Units not so built. All other assurances will apply in full as to those Units actually built pursuant to the Development Rights of the Declarant.

DECLARANT:

MARSHES LIGHT, LLC a North Carolina
limited liability company

By: _____
Manager

MARSHES LIGHT MARINA CONDOMINIUMS

**RECEIPT
of
PUBLIC OFFERING STATEMENT**

ACKNOWLEDGEMENT:

The undersigned acknowledges receipt of a **CD-ROM** in a disk sleeve (the "CD") labeled "Marshes Light Marina Condominiums Public Offering Statement" (the "POS"). The CD contains the POS consisting of 10 pages and a copy of all Exhibits set forth in Article XXIV of the POS. Upon written request, Marshes Light, LLC will furnish a paper copy of the POS. The undersigned accepts the CD as the copy of the POS required by NCGS §47C-4-108.

Date: _____

Date: _____

RE: Unit _____
Building _____

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Prepared by & return to:
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P.O. Box 2
Kitty Hawk, NC 27949

**Appendix "A" to Public Offering
Statement**

DECLARATION OF CONDOMINIUM

FOR

MARSHES LIGHT MARINA CONDOMINIUMS

THIS DECLARATION OF CONDOMINIUM for Marshes Light Marina Condominiums (this "Declaration") is made this 27th day of June 2006 by Marshes Light, LLC, a North Carolina Limited Liability Company ("Declarant"), pursuant to the provisions of Chapter 47C of the North Carolina General Statutes, entitled the "North Carolina Condominium Act."

BACKGROUND STATEMENT

Declarant is the developer of that property situated within the historic town of Manteo on Roanoke Island, North Carolina as more particularly described within the Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light (the "Master Declaration") which Master Declaration provides for Marshes Light to be developed in phases of Neighborhoods consisting of residential and commercial uses which may include by way of example and not limitation: individually owned single-family lots and residential condominiums and townhomes, condominiums and

cottages all with mixed retail and residential uses. The Neighborhood of Marshes Light Marina Condominiums shall consist of up to five (5) buildings of residential units, subject to Declarant's right to redesignate such unit types and subject to the right to combine and/or subdivide the units, as hereinafter set forth. The Declarant has deemed it desirable to create an incorporated owners association to be delegated and assigned powers of maintaining and administering the common elements and facilities within the Buildings; of administering and enforcing the covenants and restrictions created in this Declaration; and of levying, collecting, and disbursing the assessments and charges created in this Declaration; of collecting and holding replacement reserves as agent for the Unit Owners; and of taking any steps or performing any acts deemed necessary or appropriate to preserve the values of the Condominium Units and to promote the recreation, health, safety, and welfare of the Owners. In order to accomplish the foregoing, Declarant is entering into this Declaration.

STATEMENT OF DECLARATION

NOW THEREFORE, the Declarant hereby declares that all of the property described in Section 2.1 below (the "Submitted Property") shall be held, transferred, sold, conveyed, occupied, and used subject to the following covenants, conditions, easements, uses, limitations, obligations, and restrictions, all of which are declared and agreed to be in furtherance of a plan for the division of the Submitted Property into Condominium Units, and shall be deemed to run with the land and shall be a burden and benefit to Declarant, its successors, and assigns, and any person or entity acquiring or owning an interest in the Submitted Property, and their grantees, successors, heirs, executors, administrators, devisees, and assigns.

ARTICLE I Definitions

1.1 Definitions. The terms defined in Section 47C-1-103 of the North Carolina Condominium Act shall be deemed to have the meanings therein specified whenever they appear in the Condominium Instruments unless the context otherwise requires and except to the extent, if any, that such definitions are changed below. In addition, the other terms defined below shall be deemed to have the meanings specified whenever they appear in the Condominium Instruments unless the context

otherwise requires. These definitions shall apply whether or not the defined terms are capitalized.

1.2 "Act" shall mean and refer to the North Carolina Condominium Act, which is Chapter 47C of the North Carolina General Statutes, as amended.

1.3 "Additional Real Estate" shall mean and refer to the following parcels of land on the Marshes Light Site Plan approved by the Town of Manteo for which a Conditional Use Permit has been issued: that parcel of land constituting a footprint of 6,650 square feet identified as Building 15; that parcel of land constituting a footprint of 6,650 square feet identified as Building 16; and that parcel of land constituting a footprint of 6,958 square feet identified as Building 17.

1.4 "Articles of Incorporation" shall mean and refer to the Articles of Incorporation for Marina Condominiums Owners' Association, Inc. filed in the office of the Secretary of State of North Carolina and in the office of the Register of Deeds of Dare County, North Carolina, as the same may be amended from time to time.

1.5 "Assessment" shall mean and refer to the share of the Common Expenses from time to time assessed against a Condominium Unit and its Owner by the Association in the manner herein provided.

1.6 "Association" shall mean and refer to Marina Condominiums Owners' Association, Inc., a North Carolina non-profit association incorporated under Chapter 55A of the General Statutes of North Carolina for the purpose of exercising the powers of the Association under the Act and the Condominium Instruments, a copy of the Articles of Incorporation are attached hereto as Exhibit "D".

1.7 "Board of Directors" or "Board" shall mean and refer to the board of directors of the Association, which is the governing body of the Association.

1.8 "Building" shall mean and refer to a structure in which the Units and a portion of the Common Elements are located on the Submitted Property.

1.9 "Bylaws" shall mean and refer to the Bylaws of the Association, as amended from time to time, a copy of the initial Bylaws being attached hereto as

Exhibit "C", and incorporated herein by reference, and all amendments to such bylaws that may from time to time be adopted.

1.10 "Common Elements" shall mean and refer to the portions of the Submitted Property that are not included in the Units, as more fully set forth in Section 3.6, provided, however, if any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit is a Limited Common Element allocated exclusively to that Unit, and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the Common Elements. The land beneath the footprint of a Building as shown on the Site Plan is the only real estate that is a part of the Common Elements of the Condominium. Property beyond the footprint of the Condominium Building is a part of the property of Marshes Light as more particularly described within the Master Declaration and said property is not a part of the Common Elements of the Condominium.

1.11 "Common Element Interest" shall mean and refer to the percentage assigned to each Unit by this Declaration, which establishes each Unit's: (a) appurtenant undivided ownership interest in the Common Elements; (b) liability for Common Expenses; (c) interest in surplus funds of the Association; and (d) vote in the Association.

1.12 "Common Expenses" shall mean and refer to all sums lawfully assessed against the Unit Owners by the Association; expenses of administration, maintenance, repair, or replacement of the Common Elements (including any Limited Common Elements) together with any allocations to reserves; expenses agreed upon as Common Expenses by the Association, expenses declared common expenses by the provisions of the Act, this Declaration or the Bylaws; and expenses owed to the Marshes Light Master Association.

1.13 "Condominium" shall mean and refer to the Marshes Light Marina Condominiums as established by the submission of the Submitted Property to the terms of the North Carolina Condominium Act.

1.14 "Condominium Instruments" shall mean and refer to this Declaration, the Bylaws, the Plat, and the Plans, including any and all exhibits, schedules, certifications, and amendments thereof, as they may exist from time to time.

1.15 "Condominium Unit" shall mean and have the same definition as "Unit" in Section 1.45 below.

1.16 "Declarant" shall mean and refer initially to Marshes Light, LLC, a North Carolina limited liability company, which is the fee simple owner of the Property submitted to the Act and has executed this Declaration and any successors in interest, or any party to which it assigns its rights as Declarant under this Declaration.

1.17 "Declarant Control Period" shall mean and refer to the period prior to the earliest of: (i) One hundred twenty (120) days after conveyance of seventy-five percent (75%) of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than the Declarant; (ii) two (2) years after the Declarant has ceased to offer Units for sale in the ordinary course of business; (iii) two (2) years after any development right to add new Units was last exercised; or (iv) the date specified by the Declarant in a notice to the Association that the Declarant Control Period is to terminate on that date.

1.18 "Declaration" shall mean and refer to this Declaration of Condominium as it may be amended in the future.

1.19 "Default Assessment" shall mean and refer to the Assessments levied by the Association pursuant to Section 10.6 below.

1.20 "Default Rate" shall mean and refer to an annual rate of interest that is lesser of (i) five percent above the prime rate of interest charged by the Association's bank, or such other rate as shall have been established by the Board of Directors, and (ii) the maximum rate permitted by the Act or other applicable law.

1.21 "Director" shall mean and refer to a member of the Board of Directors of the Association.

1.22 "Dispute" shall mean and refer to Sections 18.2 and 18.3 and any disagreement between two or more parties that involves: (a) the authority of the Board, under any law or under this Declaration, the Articles or Bylaws to: (i) require any Owner to take any action, or not to take any action, involving that Owner's Unit; or (ii) alter or add to a Common Element; or (b) the failure of the Association, when required by law or this Declaration, the Articles or Bylaws to: (i) properly conduct elections; (ii) give adequate notice of meetings or other actions; (iii) properly conduct meetings; or (iv) allow inspection of books and records. "Dispute" shall not include any disagreement that primarily involves title to any Unit or Common Element; the interpretation or enforcement of any warranty; or the levy of a fee or Assessment or the collection of an Assessment levied against a party.

1.23. "First Mortgage" shall mean and refer to the holder, guarantor, and insurer of a Mortgage or a beneficiary under a Deed of Trust.

1.24 "Institutional Mortgage" shall mean and refer to one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds, or business trusts including, but not limited to, real estate investment trusts; any other lender regularly engaged in financing the purchase, construction, or improvement of real estate or any assignee of loans made by such a lender; or any combination of any of the foregoing entities.

1.25 "Limited Common Elements" shall mean and refer to those parts of the Common Elements which are Limited Common Elements within the meaning of the Condominium Act and which are reserved for the exclusive use of one or more, but less than all, of the Units and the Unit Owners. The Limited Common Elements existing at the time of the recordation of this Declaration are shown on the Plans, but shall also consist of any other portions of the Condominium that serve and benefit less than all of the Units.

1.26 "Limited Common Expenses" or "LCE" shall mean and refer to expenses separately assessed against one (1) or more but less than all of the Units. Except where the context requires otherwise, Common Expenses shall include Limited Common Expenses unless specifically noted and any reference within the Condominium Instruments to "LCE" shall refer to all classes of LCE.

1.27 "Majority Vote" shall mean and refer to a simple majority (more than fifty percent (50%) of the votes actually cast in person or by proxy at a duly called and held meeting at which a quorum is present, with the allocations of votes among Owners in accordance with Section 4.3 Any specified percentage vote means that percentage vote with respect to the votes actually cast in person or by proxy at a duly held meeting at which a quorum is present. Any specified percentage vote of the Mortgagees means a vote by the Mortgagees of Units to which such percentage of the total number of votes appertain.

1.28 "Management Agent" shall mean and refer to that person initially employed by the Declarant during the Declarant Control Period and the Association, thereafter to perform obligations, duties, and services relating to the management and maintenance of the Property and the maintenance of reserve funds in compliance with the provisions of this Declaration and the Bylaws.

1.29 "Master Bylaws" shall mean and refer to the Bylaws of Marshes Light Master Association, Inc., a North Carolina non-profit association.

1.30 "Master Declaration" shall mean and refer to the Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light.

1.31 "Management Agreement" shall mean and refer to any contract or arrangement entered into for purposes of discharging the responsibilities of the Board of Directors relative to the operation, maintenance, and management of the Property.

1.32 "Member" shall mean and refer to any Unit Owner.

1.33 "Mortgage" shall mean and refer to a mortgage, deed to secure debt, deed of trust, security agreement, or other instrument conveying a lien upon or security title to a Condominium Unit as security for a debt or for the performance of an obligation.

1.34 "Occupant" shall mean and refer to any person, including, without limitation, any guest, invitee, tenant, lessee, or family member of an Owner, occupying or otherwise using or visiting a Unit.

1.35 "Officer" shall mean and refer to an officer of the Association.

1.36 "Person" shall mean and refer to a natural person, limited liability company, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity or any combination thereof.

1.37 "Plans" shall mean and refer to the plans and specifications of the Condominium Building prepared by Stamps Design Group, Inc. Architects and recorded under the name of the Condominium in the Unit Ownership File in the Office of the Register of Deeds of Dare County, North Carolina.

1.38 "Plat" shall mean and refer to the "Condominium Plat" survey for the Condominium prepared by Quible and Associates that depicts the location of the Buildings and the Units which Condominium Plat is filed with the Plans.

1.39 "Property" shall mean and refer to the real property submitted to the Act by this Declaration as more fully described in attached Exhibit "A" and in the Plats and Plans filed in the Unit Ownership File in the Office of the Register of Deeds of Dare County, North Carolina and including all rights, privileges, easements, and appurtenances belonging to or in any way pertaining to said real estate.

1.40 "Rules of Conduct" shall mean and refer to the Initial Condominium Rules attached to the Bylaws as Appendix "A" and included in the Bylaws by reference as part thereof and those other rules of conduct adopted from time to time by the Board of Directors ("Rules of Conduct"), that are deemed necessary for the enjoyment of the Common Elements and Limited Common Elements, respectively, provided they are not in conflict with this Declaration and the Bylaws and the Master Declaration and Master Bylaws of Marshes Light.

1.41 "Schedule of Unit Information" shall mean and refer to the schedule attached hereto as Exhibit "B", which schedule shows for each Unit its Identifying Number, undivided interest in the Common Elements, number of votes in the Association, and share of liability for Common Expenses.

1.42 "Site Plan" shall mean and refer to Sheets C-3 and C-4 of those plans captioned "Site Plan Historic Manteo a 20.72 Acre Parcel of Land in Manteo" dated March 2005, revised 4/11/05 prepared by Quible & Associates P.C. which Site Plan was approved by the Town of Manteo in connection with the issuance of a Conditional Use Permit and which Site Plan depicts the location of Buildings: 13, 14, 15, 16, and 17 being the Neighborhood of Marshes Light Marina Condominiums.

1.43 "Special Assessment" shall mean and refer to an Assessment levied pursuant to Section 10.5 below on an irregular basis.

1.44 "Special Declarant Rights" shall mean and refer to the rights reserved herein and in the Bylaws for the benefit of the 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 and to enter into a contract for the appointment of the management agent for the Condominium.

1.45 "Submitted Property" means the property lawfully submitted to the provisions of the Act and the Condominium Instruments from time to time by the recordation of Condominium Instruments in accordance with the Act. The Submitted Property is the land described in Exhibit "A" and shown on the Plat, together with all improvements thereon and all rights and easements appurtenant thereto.

1.46 "Successor Declarant" shall mean and refer to any party or entity Declarant and assigns, any or all of its rights, obligations, or interests as Declarant and evidenced by an assignment of record in the Office of the Register of Deeds of Dare County, North Carolina, designating such party as Successor Declarant, assigned by the transferor and the transferee. Upon such recording, Declarant's rights and obligations under the Declaration shall cease and terminate to the extent provided in such document.

1.47 "Unit" and/or "Condominium Unit" shall mean and refer to a portion of the Condominium intended for independent ownership and use, as more fully set forth and shown on the Plat and Plans consisting of enclosed rooms in the Building and bounded by the unfinished perimeter walls, ceilings, floors, doors, and windows

thereof. For the purpose of defining a Unit, the terms set forth below shall be defined as follows:

1.47.1 "Unfinished Wall" shall mean and refer to the sheetrock that constitutes the interior face of a wall of a Unit.

1.47.2 "Unfinished Ceiling" shall mean and refer to the concrete slabs, unfinished sheetrock, or other structural materials that constitute the ceiling of a Unit.

1.47.3 "Unfinished Floor" shall mean and refer to the concrete slab that constitutes the floor of a Unit.

Unit shall include the drywall, wall paneling, wood, tile, paint, paper, carpeting, or any other wall, ceiling, sub-flooring or floor covering, windows and window frames and glass, doorsteps, stoops, and interior doors and door frames. A Unit shall further include fixtures and hardware and all improvements contained within the unfinished perimeter walls, ceilings, and floors. A Unit shall include any heating and refrigerating elements or related equipment, utility lines and outlets, electrical and plumbing fixtures, pipes, and all other related equipment required to provide heating, air-conditioning, hot and cold water, electrical, or other utility services to the Unit and located within the unfinished walls, ceilings and floors provided, however, that a Unit shall not include any of the structural components of the Building or utility or service lines located within the Unit but serving more than one Unit.

1.48 "Unit Owner" shall mean and refer to the same meaning as Owner and means one or more persons, including the Declarant, who own a Condominium Unit. This term does not include a Mortgagee in his capacity as such, but shall include any person, firm, corporation, or entity capable of holding title to real estate in North Carolina.

1.49 "Vote" shall mean and refer to the vote in the Association appertaining to each Condominium Unit.

ARTICLE II
Creation of the Condominium

2.1 Submission to the Act. Declarant hereby submits Buildings 13 and 14 of the Marshes Light Marina Condominiums to the Act as more particularly described on Exhibit “A” (the “Submitted Property”). The Submitted Property includes two (2) buildings with each building containing 10 units. The Property and every interest therein shall, after the recording of this Declaration, be owned, held, transferred, sold, conveyed, used, leased, occupied, mortgaged, and deeded in trust subject to the Act and the Condominium Instruments. Every person acquiring or having any interest in the Property, by acceptance of a deed or other instrument of any kind, whether or not such deed or other instrument is signed by such person or otherwise agreed to in writing, shall take such interest subject to the Act and to the Condominium Instruments and shall be deemed to have agreed thereto.

2.2 Name and Location. The name of the Condominium is “Marshes Light Marina Condominiums.” The Condominium is located in the development of Marshes Light situated within the historic Town of Manteo on Roanoke Island, North Carolina.

2.3 Governing Provisions. The Condominium, the Association, and each Unit Owner shall be governed by the Act, the Condominium Instruments, and any Rules of Conduct adopted by the Association pursuant to the Condominium Instruments and the Master Declaration.

2.4 Declarant’s Right to Add Additional Real Estate. Declarant expressly reserves the right to add Additional Real Estate to the Condominium. All or part of the additional real estate identified and described on Exhibit “A-1” may be added to the Condominium. Declarant shall have no right or obligation of any kind to add any or all of the additional real estate that may be added in phases. The method of adding the Additional Real Estate to the Condominium shall be pursuant to the Declarant recording an amendment to the Declaration pursuant to Section 47C-2-110 of the Act. The maximum number of Additional Units that may be created within the Additional Real Estate is 24 Units for a total of 44 Units. All such Units will be

restricted exclusively to residential use. All restrictions in this Declaration and the Bylaws affecting use, occupancy, and alienation of Units will apply to any and all additional Units that may be created within the Additional Real Estate. In the event Declarant adds the Additional Real Estate, then such election will increase each Unit Owner's prorated share of Common Expenses and assessments to one over the number of Units actually constructed and added to the condominium regime as more particularly described on Exhibit "B".

ARTICLE III

Description of the Condominium

3.1 Submitted Property. The Submitted Property is described on Exhibit "A" and shown on the Plat, and it includes all improvements thereon and all rights and easements appurtenant thereto. The improvements include two (2) buildings with each building containing ten (10) Units. The initial number of Units created in the Condominium is twenty (20) Units. The Condominium may be expanded pursuant to Section 2.4 above governing Additional Real Estate.

3.2 Location of the Buildings. The locations and dimensions of the Buildings in which the Units are contained are shown on the Plat and the Plans.

3.3 Delineation of Unit Boundaries. The boundaries of each Unit are delineated and designated by an identifying number on the Plans and those numbers are set forth in Exhibit "B".

3.4 Condominium Units. There are a total of twenty (20) Units with ten (10) Units in each Building. Each Condominium Unit consists of the Unit together with its undivided interest in the Common Elements. The Schedule of Unit Information attached hereto as Exhibit "B" sets forth for each Condominium Unit: its identifying number and undivided interest in the Common Elements, Vote(s) in the Association, and share of liability for Common Expenses.

Each of the buildings in the first phase of Marshes Light Marina Condominiums shall contain three floors with Units located on the second and third floors. Building 13 shall contain those Units identified as: Villa 1321, Villa 1322, Villa 1323, Villa 1324, and Villa 1325 located on the second floor, and Villa 1331, Villa 1332, Villa 1333, Villa 1334, and Villa 1335 located

on the third floor. Each of the Villas shall have its own balconies as a Limited Common Element to the Unit. Building 14 shall contain those Units identified as: Villa 1421, Villa 1422, Villa 1423, Villa 1424, and Villa 1425 located on the second floor, and Villa 1431, Villa 1432, Villa 1433, Villa 1434, and Villa 1435 located on the third floor. Both buildings will be similar in exterior appearances with a brick base and columns for a foundation, plank exterior siding, architectural shingles, and similar elevations. The Villas on the second floor of Building 13 will be of the same approximate size as the Villas located on the second floor of Building 14. The Villas on the third floor of Building 13 will be of the same approximate size as the Villas located on the third floor of Building 14. The Villas will range in size from approximately 1,190 square feet to approximately 1,671 square feet. Balconies will range in size from approximately 152 square feet to approximately 364 square feet. Each of the buildings will have both walkways, stairs, and an elevator for access to each of the floors.

Each Condominium Unit shall constitute for all purposes a separate parcel of real property which may be owned in fee simple and which, subject to the provisions of the Act and the Condominium Instruments, may be conveyed and encumbered like any other property. The undivided interest in the Common Elements for each Condominium Unit shall not be altered except as expressly provided by the Act and this Declaration. Such undivided interest shall not be separated from the Unit to which it appertains and shall be deemed to be conveyed or encumbered with the Unit even though such interest is not expressly mentioned or described in the conveyance or other instrument. Each Unit Owner shall automatically be a member of the Association, as well as a member of the Master Association, which Memberships shall continue during the period of Ownership of the Condominium Unit by such Unit Owner.

3.5 Unit Boundaries. Each Unit shall include all the space within the boundaries thereof. The parametrical or vertical boundaries of each Unit are the vertical planes of the interior surfaces of the metal framing of the walls of the Unit, whether such walls are exterior walls or walls separating the Unit from other Units or the Common Elements, and the vertical planes of the exterior surfaces of windows and entry doors, including sliding glass doors, if any. The parametrical Unit boundaries include the sheet rock on the Unit side of the walls, with the framing being a part of the Common Elements, and they are extended to their intersection with each other and the upper and lower horizontal boundaries of the Unit. The lower horizontal boundary of each Unit is the plane of the upper surface of the sub-floor of that Unit, and the upper horizontal boundary of each Unit is the lower surface of the ceiling joists of the Unit, with such sub-floor and framing being a part

of the Common Elements. The upper and lower boundaries of each Unit include the wood, dry-wall, plaster or other material forming the ceiling or floor, as may be applicable, on the Unit side of such sub-floor or framing as the case may be and extend to their intersection with the parametrical boundaries of the Units. Window screens and all fixtures, equipment, and appliances located within the boundaries of each Unit, including without limitation, portions of the heating and air-conditioning system and the hot water heater, are deemed to be a part of each Unit. As provided in N.C.G.S. §47C-2102, if any chutes, flues, ducts, conduits, wires, pipes, or any other apparatus lies partially within or partially outside of the designated boundaries of a Unit, any portions thereof that serve only that Unit shall be deemed a Limited Common Element of that Unit, while any portions thereof which serve more than one Unit or any portion of the Common Elements shall be deemed a part of the Common Elements. Further, any fan coil unit mounted above the ceiling of a Unit and the air-conditioning/heating unit located outside the Unit but serving that Unit only shall be deemed to be a part of that Unit. In interpreting the Plans, the existing physical boundaries of a Unit as originally constructed or of a Unit reconstructed in substantial accordance with the original Plans thereof shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in any Plat or Plans, regardless of settling or lateral movement of the Building and regardless of minor variance between the boundaries shown on the Plans or in a deed and those variances between the boundaries shown on the Plans or in a deed and those of the Unit. If an Owner acquires an adjoining Unit, thereby becoming the common owner of adjoining Units, such Owner shall have the right (subject to the prior written approval of the Mortgagees of the Units involved and subject to the Board's approved Rules of Conduct) to remove all or any part of any intervening partition or to create doorways or other apertures therein, notwithstanding the fact that such partition may, in whole or in part, be part of the Common Elements, so long as no portion of any load-bearing wall or column is materially weakened or removed and no portion of any Common Elements, other than that partition and any chutes, flues, ducts, conduits, wires, or other apparatus contained therein which shall be relocated by such Owner if such facilities serve any other part of the Condominium, is damaged, destroyed, or endangered. The alterations permitted by the preceding sentence shall not be deemed an alteration or relocation of boundaries between adjoining Units, nor an alteration of the allocated interest in the Common Elements, vote assigned to each Unit, share of liability for Common Expense assessments, or other appurtenant rights

or interests as such appears on the Schedule of Unit Information attached hereto as Exhibit "B".

3.6 Common Elements. The Common Elements consist of all portions of the Condominium other than Units. Certain portions of the Common Elements are Limited Common Elements, as set out in Section 3.7. The Association and the Owners agree that said Common Elements shall not be subject to partition or division except as set out as follows:

3.6.1 Notwithstanding any provisions herein to the contrary, it is expressly provided that the Association may convey to the Declarant any portion of the Common Elements theretofore conveyed to the Association in exchange for other portions of the properties conveyed by the Declarant to the Association provided that all conveyances are approved by appropriate governmental authority or in their failure to act timely by the Board of Directors of the Association. Upon such conveyance, the area thus conveyed to the Declarant shall cease to be Common Element and shall cease to be subject to the provisions of these covenants relating to the Common Elements, but the area thus conveyed to the Association shall become Common Elements and subject to the provisions of this Declaration relating to Common Elements.

3.7 Limited Common Elements. The Limited Common Elements are those portions of the Common Elements that are reserved for the exclusive use of those persons who are entitled to the use of one or more (but less than all) of the Units. Limited Common Elements are not separate and apart from the Common Elements in general, but are limited only with respect to the exclusive use thereof by the Unit or Units to which they are assigned. Limited Common Elements are assigned as follows and not otherwise:

3.7.1 The exterior stairways, steps, breezeways, walkways, parking areas underneath buildings, landings, railings, and beams associated therewith that serve a building, which are appurtenant to each Unit having any of the foregoing, shall be Limited Common Elements assigned to the Unit or Units having direct access thereto or direct use thereof. If a walkway, steps, or other means of access to the door of a Unit are assigned to serve one or more (but less than all) of the Units, then it shall be a Limited Common Element appurtenant to the Unit or Units so served.

Each Unit shall be assigned one parking space underneath the Building as a Limited Common Element.

3.7.2 All portions of the Common Elements on which there is located any portion of the heating and air-conditioning system exclusively serving a particular Unit or Units shall be a Limited Common Element assigned to that Unit or Units.

3.7.3 The Board of Directors of the Association shall have the ultimate power and responsibility for determining whether Limited Common Areas in need of repair are to be the obligation of the entire Association or the obligation of the Owners of the Units those Limited Common Elements serve. The Board may, by majority vote, determine the amount and levy any special assessments for repairs of Limited Common Elements consistent with its determination pursuant to this paragraph.

3.8 Undivided Interest of Owners in the Common Elements. The percentage interest in the Common Elements (the "Common Elements") allocated to each Unit is proportionate to that Unit's percentage of square footage to the total square footage within the Building and is set forth in Exhibit "B" attached hereto. The percentages of undivided interest in the Common Elements allocated to each Unit shall not be changed except with: (i) the unanimous written consent of the Owners of the Units whose undivided interest in the Common Elements are changed, together with the consent of the Mortgagees of such Units; and (ii) the consent of the holders of sixty-seven percent (67%) of the votes in the Association, and the consent of fifty-one percent (51%) of the Mortgagees, unless such change affects less than all Units, is approved by the Owners and Mortgagees of such Units, and is specifically authorized elsewhere in this Declaration or in the Bylaws.

3.9 Restraint Upon Separation and Partition of Common Elements.

3.9.1 The Allocated Interests in the Common Elements appurtenant to a Unit shall not be separated therefrom and shall pass with the title to the Unit, whether or not separately described.

3.9.2 The Allocated Interests in the Common Elements appurtenant to a Unit cannot be conveyed or encumbered except together with the Unit.

3.9.3 The Allocated Interest in the Common Elements appurtenant to Units shall remain undivided, and no action for partition of the Common Elements shall lie.

3.9.4 Any actual or attempted conveyance, encumbrance, partition, or separation affecting the Common Elements or a Unit shall be subject to the terms of this Declaration.

3.10 Marshes Light Master Association, Inc. The Submitted Property is part of a larger community and development known as Marshes Light, which community is governed by a property owners' association known as Marshes Light Master Association, Inc. (hereinafter "MLMA") to which each Unit Owner shall be a member and assessed for expenses. The duties of MLMA include the duty to provide for the preservation of value and the amenities of Marshes Light and to ensure that all improvements within Marshes Light are in conformance with the architectural guidelines as administered by the Architectural Review Board and to ensure and maintain the overall integrity of the development and to own, maintain, repair, and replace streets, boardwalks, utility facilities, landscaping, and signage, which facilities are not part of the Common Elements of Marshes Light Marina Condominiums. All Unit Owners of Marshes Light Marina Condominiums are also members of MLMA. Each Unit is hereby allotted one vote in MLMA and such vote will be as a Class A member as such is defined in Section 6.03 of the Master Declaration for Marshes Light.

MLMA shall have the right and power to maintain and improve all the facilities of Marshes Light including streets and parking areas and to charge each member a pro rata share of the cost of such maintenance and improvements.

In the case of all costs, expenses, and charges that are hereby made payable by the Unit Owners to the MLMA, the amount to be borne by each Unit Owner shall be equal to the Unit Owner's percentage interest in the Common Elements of the Condominium. The amounts of all such charges, costs, and expenses that will be

charged by the MLMA to the Unit Owners shall be determined by the calculation of Assessments set forth in Section 7.06 of the Master Declaration.

The MLMA shall not be deemed a Master Association as that term is defined in Section 47C-2-120 of the Act. The MLMA shall have, in addition to those powers, duties, and obligations herein specifically enumerated, all the powers enumerated in the Bylaws of the MLMA, which may be invoked to the extent the MLMA deems it necessary to act on its own behalf or on behalf of the Unit Owners. In the event of any conflict between this Declaration and the By-Laws of the MLMA, the By-Laws of the MLMA shall prevail.

The MLMA is hereby granted the absolute right to appoint, designate, and hire the managing entity that will provide management services for all Neighborhoods (as defined in Section 1.33 of the Master Declaration) in Marshes Light.

ARTICLE IV The Association

4.1 Organization of Association. A North Carolina non-profit corporation known and designated as Marina Condominiums Owners' Association, Inc. (the "Association") has been organized to provide for the administration of the Property, and the Association shall administer the operation and maintenance of the Property and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation, the Bylaws, and the North Carolina Condominium Act.

4.2 Membership. Every Owner shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Condominium Unit. No owner, whether one or more persons, will have more than one membership per Condominium Unit owned, but all of the persons owning each Condominium Unit will be entitled to rights of membership and use and enjoyment appurtenant to such ownership.

4.3 Voting Rights. The total number of votes in the Association shall be allocated to the Units and Members in accordance with the formula of that percentage

assigned to each Unit that establishes the Unit's pertinent undivided ownership interest in the Common Elements and liability for Common Expenses.

4.4 Association Management Duties. Subject to the rights and obligations of Declarant and other Owners as set forth in this Declaration and the Act, the Association shall be responsible for the administration and operation of the Property and for the exclusive management, control, maintenance, repair, replacement, and improvement of the Common Elements (including facilities, furnishings, and equipment related thereto) and any Limited Common Elements, and shall keep the same in good, clean, attractive, and sanitary condition, order, and repair. The expenses, costs, and fees of such management operation, maintenance, and repair by the Association shall be part of the Assessments, and prior approval of the Owners shall not be required in order for the Association to pay any such expenses, costs, and fees. The Board of Directors will exercise for the Association all powers, duties, and authority vested in or obligated to be taken by the Association and not reserved to Declarant or the other Members by this Declaration, the other Condominium Instruments, the Act, or the Master Declaration of MLMA.

4.5 Owner's Negligence. In the event that the need for maintenance, repair, or replacement of all or any portion of the Common Elements is caused through or by the negligent or willful act or omission of an Owner, or by any member of an Owner's family, or by an Owner's guests, invitees, licensees, or tenants, then the expenses incurred by the Association for such maintenance, repair, or replacement shall be a personal obligation of such Owner. If the Owner fails to repay the expenses incurred by the Association within 30 days after the notice to the Owner of the amount owed, then the failure so to repay shall be a default by the owner under the provisions of this Section, and such expenses shall automatically become a Default Assessment enforceable in accordance with Section 11.6 below.

4.6 Powers; Lien for Assessment. In the administration of the operation and management of the Property, the Association shall have and it is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and collect assessments in the manner provided in the Bylaws, to file liens for unpaid assessments, and to adopt, promulgate, and enforce such rules of conduct governing the use of the Units and Common Elements as the Board of Directors may deem to be in the best interest of the Association in accordance with the Bylaws. In the

administration of the operation and management of the Condominium, the Association, subject to the provisions of N.C.G.S. §47C-3-105 and §47C-3-112, shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and to collect assessments in the manner hereinafter provided, to adopt, promulgate, and enforce such rules of conduct governing the use of the Common Elements as the Board of Directors of said Association may deem to be in the best interests of the Association and to exercise such other powers as set forth in N.C.G.S. §47C-3-102, including the right to assign future assessments, assessment rights, and income of the Association.

4.7 Notice of Membership. Any person, on becoming a Member, will furnish the Secretary of the Association with a photocopy or certified copy of the recorded deed, vesting the person with the interest required to make him a Member. At the same time, the Member will provide the Association with the single name and address to which the Association will send any notices given pursuant to the Condominium Instruments. In the event of any change in the facts reported in the original written notice, including any change of ownership, the member will give a new written notice to the Association containing all of the information required to be covered in the original notice. The Association will keep and preserve the most recent written notice received by the Association with respect to each Member.

4.8 Owner's and Association's Addresses for Notices. All Owners of each Condominium Unit shall have one and the same registered mailing address to be used by the Association or other Owners for notices, demands, and all other communications regarding Association matters. The Owner or Owners of a Condominium Unit shall furnish such registered address to the Secretary of the Association within five days after transfer of title to the Condominium Unit to such Owner or Owners. Such registration shall be in written form and signed by all of the Owners of the Condominium Unit or by such persons as are authorized by law to represent the interests of all Owners of the Condominium Unit.

4.9 Rules of Conduct.

4.9.1 Board's Power. From time to time and subject to the provisions of the Condominium Instruments, the Board of Directors may adopt, amend, and repeal Rules of Conduct governing among other things and without limitation, the use

and rental of the Condominium Units and the use of the Common Elements. A copy of the Rules of Conduct in effect will be distributed to each Member, and any changes in the Rules of Conduct will also be distributed within a reasonable time following the effective date of change.

4.9.2 Enforcement. The Board of Directors will provide for enforcement of the Association rules as set forth in the Bylaws. Without limiting the generality of the foregoing, the Board may suspend the voting rights of a Member after notice and hearing as provided in the Bylaws for an infraction of the rules.

4.10 Delegation by Association Board.

4.10.1 Delegation to Manager. The Association, acting through the Board, may employ or contract for the services of a Manager to act for the Association and the Board and the officers according to the powers and duties delegated to the Manager pursuant to the Bylaws or resolution of the Board. Neither the Board nor any officer of the Association will be liable for any omission or improper exercise by a Manager of any such duty, power, or function so delegated by written instrument executed by or on behalf of the Board.

4.10.2 Committees. The Association, acting through the Board, may delegate any of its rights, duties, or responsibilities to any committee or other entity that the Board may choose to form.

4.10.3 Limitation. Any delegation by the Board under this Article V is subject to compliance with the Act and the Bylaws and the requirement that the Board, when so delegating, will not be relieved of its responsibilities under the Condominium Instruments and the Act.

4.11 Acquiring and Disposing of Personal Property. The Association may acquire, own, and hold for the use and benefit of all Owners tangible and intangible personal property, and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be deemed to be owned by the Owners in the same undivided proportion as their respective undivided interests in the Common Elements. Such interests shall not be transferable except with the transfer of a Condominium Unit. A conveyance of a Condominium Unit shall transfer

ownership of the transferor's beneficial interest in such personal property without any reference thereto. Each Owner may use such personal property in accordance with the purposes for which it is intended, without hindering or encroaching upon the lawful rights of other Owners.

4.12 Capital Improvement Fund. The Association will establish and maintain an adequate reserve fund from Annual Assessments levied pursuant to Section 7.4 below for maintenance, repair, or replacement of the Common Elements that must be replaced on a periodic basis and for any other facilities made available to the Association that must be replaced on a periodic basis with contribution from the Association.

4.13 Working Capital Account. The Association will also administer a working capital account funded as provided in Section 10.4.

4.14 Implied Rights and Obligations. The Association will perform all of the duties and obligations imposed on it expressly by the Condominium Instruments, together with every other duty or obligation reasonably to be implied from the express provisions of the Documents or reasonably necessary to satisfy any such duty or obligation. The Association may exercise any other right or privilege (i) given to it expressly by the Condominium Instruments, (ii) reasonably to be implied from the existence of another right or privilege given expressly by the Condominium Instruments, or (iii) reasonably necessary to effectuate any such right or privilege.

4.15 Appointment of Officers and Directors by Declarant. Until the expiration of the Declarant Control Period and subject to the limitations of the Act, Declarant will retain the exclusive powers to appoint and remove Directors and Officers of the Association. Notwithstanding the foregoing, Declarant may voluntarily surrender the right to appoint and remove Directors and Officers of the Association before the end of the Declarant Control Period by providing a notice to that effect to the Association and otherwise complying with the procedures for termination of this Special Declarant Right, as set forth in the Bylaws. However, upon voluntarily terminating this Special Declarant Right in advance of the expiration of the Declarant Control Period, Declarant may require throughout the period of the Declarant Control Period (had it not been voluntarily terminated) that specified actions of the Association or the Board, as described in an instrument executed and

recorded by Declarant in the Office of the Register of Deeds of Dare County, North Carolina, be approved by Declarant before those actions become effective. After the Declarant Control Period, the Directors and the officers of the Association will be elected as provided in the Bylaws.

ARTICLE V

Easements

5.1 Preamble. In addition to the easements created by the Act, the easements described in this Article V from each Owner to each other Owner, to the Association and to the Declarant are hereby granted, reserved, and established, subject to and in accordance with the following terms and conditions:

5.2 Use and Enjoyment of Common Elements. Subject to the Special Declarant Rights reserved to Declarant in this Declaration and the provisions of N.C.G.S. §47C-3-112, all of the Common Elements, except the Limited Common Elements, shall be and the same are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all tenants, guests, invitees, and customers, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended for the use and enjoyment of the Condominium Units, subject to the following provisions and limitations:

5.2.1 The right of Owners to the exclusive use of the Limited Common Elements appurtenant to their respective Units.

5.3 Structural Support. Every portion of a Unit or the Common Elements that contributes to the structural support of another Unit or the Common Elements shall be burdened with an easement of structural support. No Owner shall be permitted to demolish his Unit except to the extent that such demolition may be required to repair or rebuild the Unit when the same has been partially or totally destroyed.

5.4 Utilities. To the extent that any utility line, pipe, wire, or conduit serving any Unit or the Common Elements shall lie wholly or partially within the boundaries of another Unit or the Common Elements, such other Unit or the Common

Elements shall be burdened with an easement for the use, maintenance, repair, and replacement of such utility line, pipe, wire, or conduit, such easement to be in favor of the Unit or Common Elements served by the same and the Association.

5.5 Encroachments. If any portion of the Common Elements encroaches upon any Unit, or if any Unit encroaches upon any other Unit or upon any portion of the Common Elements, as a result of the construction, reconstruction, repair, renovation, restoration, shifting, settlement, or movement of any portion of the Condominium, an easement for the encroachment and for the maintenance, repair, and replacement thereof shall exist so long as the encroachment exists. In the event that the Building, any Unit, any adjoining Unit, or any adjoining portion of the Common Elements shall be partially or totally damaged or destroyed as a result of fire or other casualty or as a result of condemnation proceedings, and then be repaired or reconstructed, encroachments of portions of the Common Elements upon any Unit, or of any Unit upon any other Unit or upon any portion of the Common Elements, due to such repair or reconstruction, shall be permitted, and easements for such encroachments and the maintenance, repair, and replacement thereof shall exist. This easement is intended to apply only to the extent necessary and does not deprive another of a substantial property right of use.

5.6 Encroachment Easements. Whenever building lines or private plantings encroach upon the Common Elements, the Owner of the affected Unit is hereby granted a perpetual easement for the use of that portion of the Common Elements burdened with the encroachment.

5.7 Maintenance and Repair. There shall be an easement in favor of the Declarant, the Association, and the Unit Owners through the Units and the Common Elements as may be reasonably necessary for the installation, maintenance, repair, and replacement of Units and the Common Elements. Use of this easement shall be only upon prior notice during normal business hours, except that access may be had at any time in case of emergency.

5.8 Rights of Association. There shall be a general easement to the Association, its Directors, Officers, contractors, agency, and employees (including, but not limited to any manager employed by the Association) to enter upon the Property or any portion thereof and to enter or take access through the Units and the Common

Elements as may be reasonably necessary for the installation, maintenance, repair, and replacement thereof, for making emergency repairs and for other work for the proper maintenance and operation of the Condominium and for the performance of their respective duties. Each Owner shall afford to other Owners and to the Association, their respective contractors, agents, representatives, and employees, such access through such Owner's Unit as may be reasonably necessary to enable them to perform such work and to exercise and discharge their respective powers and responsibilities. Except in the event of emergencies, however, such easements are to be exercised only during normal business hours and upon advance notice to and with the permission of the Owner or Occupant of a Unit directly affected thereby. The Association shall have the power to grant and accept permits, licenses and easements on, over, across, and through the Common Elements for the installation, maintenance, repair, and replacement of utilities, roads, and for other purposes reasonably necessary or useful for the proper maintenance or operation of the Condominium.

5.9 Declarant's Easements. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, which easements shall exist as long as reasonably necessary for such purpose.

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

5.11 Sales Activity. For as long as there are any Units owned by the Declarant, the Declarant, its designees, successors, and assigns, shall have the right to use any such Units and parts of the Common Elements or Association property for guest accommodations, model apartments and sales, to show model Units in the Common Elements to prospective purchasers and tenants of Units, and to erect on the Property

signs and other promotional material to advertise or otherwise market the Units, and/or any facilities built or to be constructed upon any portion of the Condominium.

5.12 Association Rights. The Association, the Board, and the Managing Agent shall have a non-exclusive right and easement to make such use of and to enter into or upon the Common Elements, the Limited Common Elements, and the Units as may be necessary or appropriate to the performance of their duties and functions for which they are obligated or permitted to perform under this Declaration.

5.13 Emergency Easement. A non-exclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons now or hereafter servicing the Condominium in the performance of their official duties, including any property manager of the Condominium.

5.14 Agreement to Grant Additional Easements. If additional easements between portions of the Condominium are reasonably necessary to effectuate the purposes of this Declaration, provided said proposed additional easements will not unreasonably interfere with the use and occupancy of any portion of the Condominium burdened by the proposed additional easements, unreasonably affect access to, or the operation of, any portion of the Condominium burdened by the proposed additional easements, or unreasonably increase the operating cost of, or create any other additional expense for, the portion of the Condominium burdened by the proposed additional easements, each Owner, and its applicable Mortgagee, hereby agrees to use its best efforts to agree upon, determine, and grant such additional easements. No abandonment of any of the easements created by this Declaration shall be deemed to exist in the absence of a written agreement by the Owners whose property is benefited by the easement being abandoned, provided, however, that each Owner agrees to execute such a written agreement promptly upon demand of the other Owners at such time as any such easements created by this Declaration are no longer needed and not reasonably anticipated to be needed in the future in connection with construction, reconstruction, or restoration as permitted by this Declaration. There shall be no merger of the easements created by this Declaration and fee title to any portion of the Condominium in the absence of a written agreement executed by the holders of all such interests.

5.15 Easements Appurtenant. Easements, uses, and rights created herein for an Owner shall be appurtenant to its Unit, and all conveyances of and any other instruments affecting title to a Unit will be deemed to grant and reserve the easements, rights, and uses provided for herein, even though no specific reference to such easements, uses, and rights appears in any such instrument. Each Owner whose Unit is subject to an easement created by this Declaration may use the Easements granted herein for the purposes permitted in this Declaration not inconsistent with such easement and shall also have the right to temporarily interrupt the use of such easements as may be necessary in order to perform repair work to the Units, provided that the temporary interruption does not materially interfere with the use and occupancy of another Unit.

ARTICLE VI

Occupancy and Use Restrictions

6.1 Occupancy. Each Unit shall be used solely for residential purposes and no trade or business of any kind may be carried on therein (the lease or the rental of any Unit for transient residential purposes shall not be considered to be carrying on a trade or business).

6.2 Nuisances. No nuisances (as defined by the Association) shall be allowed on the Property, nor shall any use be allowed which is a source of annoyance to occupants of Units or which interferes with the peaceful possession or proper use of the Property by its residents, occupants, or guests. No activity specifically permitted by this Declaration shall be deemed a nuisance.

6.3 No Improper Uses. No improper, offensive, hazardous, or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereover shall be observed. Violations of laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereover, relating to any portion of the Property, shall be corrected by, and at the sole expense of, the party obligated to maintain or repair such portion of the Property, as elsewhere herein set forth. Notwithstanding the foregoing and any provisions of the Condominium Instruments,

the Association shall not be liable to any person(s) for its failure to enforce the provisions of this Section. No activity specifically permitted by this Declaration shall be deemed to be a violation of this Section.

6.4 Antennae Satellite Dish. No Owner shall install any receiving or transmitting device that requires any exterior protrusion whatsoever, nor shall any antennae, satellite dish, or other receiving or transmitting device be located on any terrace or decks that are visible from the exterior of the Building.

6.5 Balconies. All balconies and decks that are Limited Common Elements shall be maintained in a neat and orderly appearance by the Owner of the Unit for which it is intended. Balconies and decks shall not be used for storage. The foregoing shall not prevent, however, placing and using patio-type furniture, planters, and other items in such areas of same that are normally and customarily used for a residential balcony area. Grills or other cooking units are strictly prohibited on all balconies. There shall be no exterior protrusions from the Unit onto the balconies and no flags or pennants of any kind shall be allowed to be attached to the balconies.

6.6 Odors. Neither Unit Owner shall permit any offensive odors originating from its Unit to permeate any portion of the Condominium owned by the other Unit Owner provided, however, that both Unit Owners recognize that it is difficult to control odors within the certain food preparation and garbage storage areas due to the nature of the use of those areas and, although reasonable steps to minimize odors from those areas will be taken, the provisions of this section shall be interpreted to give due consideration to the difficulty in controlling odors in these areas.

6.7 Increased Insurance Costs. No Unit Owner shall use its portion of the Condominium in a manner that will increase the cost of insurance for the other Unit Owner unless the Unit Owner making such use reimburses the other Unit Owner for the increased insurance costs.

6.8 Prohibited Uses. No Unit Owner shall use its Unit for any matter emitting obnoxious noise or sound levels that would disturb guests of the Condominium, and each Unit Owner will conduct its use in a manner that does not unreasonably interfere with other Unit Owners.

6.9 Hazardous Materials. Unit Owner agrees that it will not generate, use, store, or dispose of any hazardous materials or substances on or from any portion of the Condominium except in full compliance with all legal requirements and each Unit Owner shall indemnify and hold the other Unit Owner, its officers, directors, Mortgagees, agents, employees, and representatives harmless from and against all claims, losses, damages, expenses, and liabilities (including reasonable attorneys' fees at all tribunal levels and in connection with all proceedings, whether or not suit is instituted) arising from or in connection with the breach by the indemnifying Unit Owner of the foregoing agreement.

6.10 Occupants Bound. All provisions of the Declaration and of any use restrictions and Rules of Conduct promulgated pursuant thereto that govern the conduct of Owners and that provide for sanctions against Owners shall also apply to all occupants of any Unit.

6.11 Use of Common Elements. There shall be no obstruction of the Common Elements, nor shall anything be kept or stored on any part of the Common Elements by any Owner without the prior written approval of the Association. Nothing shall be altered on, constructed in, or removed from the Common Elements by any Owner without the prior written approval of the Association.

6.12 Signs. No signs of any kind shall be displayed to the public view on or from any portion of any Residential Unit except, (i) during the Declarant Control Period, signs of Declarant or its affiliates or assigns and (ii) signs required by law. The size, number, design, and location of which shall be approved by the Board.

6.13 Animals and Pets. No animals of any kind shall be kept, raised, or bred on any portion of the Property, except not more than one dog or cat may be kept by an Owner. The Rules of Conduct may regulate, permit, or prohibit the kind and number of such pets from time to time.

6.13.1 Containment. Pets must be contained in a Unit or on the balcony that is assigned to a Unit as a Limited Common Element. Such pets may not be permitted to run at large at any time.

6.13.2 Leashes. Pedestrians within Marshes Light who are accompanied by pets permitted under this Declaration must have the pets under the pedestrians' direct control by use of a leash not to exceed 10 feet in length.

6.13.3 Noise. Owners of pets within Marshes Light will be required to take all steps necessary to control excessive barking or other disturbances caused by their pets.

6.13.4 Feces. Owners of pets shall be responsible for the clean-up and sanitary disposal of their pet's waste.

6.14 Rules of Conduct. In order to assure the peaceful and orderly use and enjoyment of the Units and Common Elements of the Association, the Unit Owners may from time to time adopt, modify, and revoke in whole or in part by a vote of the Members present in person or represented by proxy whose aggregate interest in the Common Elements constitutes fifty-one (51 %) percent of the total interest, at any meeting duly called for the purpose, such reasonable rules of conduct, to be called Rules of Conduct, governing the conduct of persons on said property of the Association as it may deem necessary. Such Rules of Conduct, upon adoption, and every Amendment, modification, and revocation thereof, shall be delivered promptly to each Owner by posting same with postage prepaid addresses to the Owner at the last registered address of the Owner and shall be binding upon all Unit Owners and the occupants of Units in the Condominium. Until expiration of the Declarant Control Period, the Declarant shall establish the Rules of Conduct. The following shall constitute the initial Rules of Conduct for the Condominium:

6.14.1 Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.

6.14.2 No Unit Owner shall:

(a) Post any advertisements or posters of any kind in or on the Condominium except as authorized by the Association;

(b) Hang garments, towels, rugs, or similar objects from the windows or balconies or from any of the facades of the Condominium;

(c) Clean dust mops, rugs, or similar objects from the windows or terraces by beating on the exterior part of the Condominium;

(d) Throw trash or garbage outside the disposal installation provided for such purpose in the service areas;

(e) Act so as to interfere reasonably with the peace and enjoyment of the residents of the other Units in the Condominium;

(f) Maintain any pets that cause distress to Unit Owners through barking, biting, scratching, or damaging of property. No more than one (1) pet may be maintained in any one Unit. Aggressive breeds as determined by the Board are prohibited. No pet weighing more than fifty (50) pounds shall be permitted.

(g) Operate or utilize any charcoal or gas grills, either permanent or portable, on the balcony or in the close proximity of the Units.

(h) Operate, park, or store on the Condominium any recreational vehicles homes, trucks, commercial vans, or boats.

6.14.3 The maximum number of vehicles maintained on the Common Elements of Marshes Light for each Unit is two (2) vehicles.

6.14.4 No maintenance or repair of a vehicle is permitted within the Condominium that includes oil changes, washing, waxing, and similar related vehicular services.

6.14.5 Each Unit Owner shall be responsible financially and otherwise for the actions or inaction of said Unit Owners' tenants or guests to include violation of the Condominium Instruments and Rules of Conduct.

6.14.6 No Unit Owner, resident, or lessee shall install wiring for electrical or telephone installations, televisions or radio antenna, air conditioning

fixtures, or similar objects outside of his or her Unit or which protrudes through the walls or the roof of his or her Unit.

6.14.7 During the Declarant Control Period, the Declarant may amend, delete, or add to the Rules of Conduct at its sole discretion and said amendments or additions shall be effective upon distribution in writing to the Owners.

6.15 Enforcement. The Association, or the Board acting on behalf of the Association, may take such action as it deems advisable to enforce these Occupancy and Use Restrictions as provided in this Declaration. In addition, the Association and the Board shall have a right of entry on any part of a Unit or the Common Elements for the purposes of enforcing this Article, and any costs incurred by the Association or the Board in connection with such enforcement which remain unpaid 30 days after the Association has given notice of the cost to the Owner and otherwise complied with the Act shall be subject to interest at the Default Rate from the date of the levy by the Association or the Board through the date of payment in full by the Owner, and shall be treated as a Default Assessment enforceable as provided in Section 11.6 below.

ARTICLE VII

Property Rights Of Owners

7.1 Owner's Easements of Access and Enjoyment. Every Owner has a perpetual, non-exclusive easement for use and enjoyment of the General Common Elements, which easement is appurtenant to and shall pass with the title to every Condominium Unit, subject to the following provisions:

7.2 Delegation of Use. Any Owner may delegate his right of enjoyment of the Common Elements to the members of his family, his tenants, guests, licensees, and invitees, but only in accordance with the applicable Rules of Conduct of the Association and the other Condominium Instruments.

7.3 Easements for Encroachments. The Condominium, and all portions of it, are subject to easements hereby created for encroachments (so long as such

encroachments exist) between Condominium Units and the Common Elements as follows:

7.3.1 In favor of all Owners so that they shall have no legal liability when any part of the Common Elements encroaches upon a Unit;

7.3.2 In favor of each Owner of each Unit so that the Owner shall have no legal liability when any part of his or her Unit encroaches upon the Common Elements or upon another Unit;

7.3.3 In favor of all Owners, the Association, and the Owner of any encroaching Unit for the maintenance and repair of such encroachments. Encroachments referred to in this Section 7.3 include, but are not limited to, encroachments caused by error or variance from the original plans in the construction of any Building, by error in the Condominium Plat, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of any part of the Condominium. Such encroachments shall not be considered to be encumbrances upon any part of the Condominium.

7.4 Easements of Access for Repair, Maintenance, and Emergencies. Some of the Common Elements are or may be located within the Units or may be conveniently accessible only through the Units. The Owners of other Units and the Association shall have the irrevocable right, to be exercised by the Association as the Owners' agent, to have access to each Unit and to all Common Elements from time to time during such reasonable hours as may be necessary for the maintenance, repair, removal, or replacement of any of the Common Elements herein or accessible therefrom or for making emergency repairs therein necessary to prevent damage to the Common Elements or to any Unit. Subject to the provisions of Section 4.5 above, damage to the interior of any part of a Unit resulting from the maintenance, repair, emergency repair, removal, or replacement of any of the Common Elements or as a result of emergency repair within another Unit at the instance of the Association or of Owners shall be a Common Expense.

7.5 Combination of Units. The Owner of a Unit may acquire title to the adjacent Unit and combine the two Units into one Unit, subject to the requirements of the Association, the Act, and the Zoning Ordinance of the Town of Manteo.

Every agreement and recorded instrument for the combination of Units will make adequate provision for the preservation of easements previously established with respect to the Units. Further, the voting rights and liability for payment of Assessments related to such Units will not be adjusted or reallocated.

ARTICLE VIII

Special Declarant Rights and Additional Reserved Rights

8.1 General Provisions. Until the expiration of the Declarant Control Period, Declarant will have the following Special Declarant Rights with respect to all of the Property:

8.1.1 Construction and Completion of the Condominium. The right to construct and complete each Building and the Units contained therein the Condominium including those Buildings which may be added on the Additional Real Estate;

8.1.2 Sales Activities. The right to maintain a sales office, signs advertising the Condominium, and up to one model Condominium Unit in each Building. The offices, model Unit, and signs will be of sizes and styles determined by Declarant, and may be relocated by Declarant from time to time. At all times, the offices, model Unit, and signs will remain the property of Declarant and may be removed from the Condominium by Declarant at any time during or promptly after the expiration of the Declarant Control Period.

8.1.3 Association Directors and Officers. The right to appoint any officer or director of the Association, as provided in this Declaration or the Bylaws, but subject to the limitations of the Act.

8.1.4 Contract with a Management Agent. The right to enter into a Contract with either an affiliate of Declarant or a third party for the purposes of discharging the responsibilities of the Board of Directors relative to the operation, maintenance, and management of the Condominium.

8.1.5 Rules of Conduct. The right to promulgate and amend any Rules of Conduct.

8.2 Supplemental Provisions Regarding Declarant's Rights. Declarant reserves the right to amend this Declaration in connection with the exercise of any development rights or any other Special Declarant Rights to the extent permitted by the Act, and Declarant also reserves the additional rights retained for the benefit of Declarant in this Article and in any other provisions of this Declaration.

8.3 Limitation on Special Declarant Rights. The Special Declarant Rights reserved by Declarant shall terminate no later than the earlier of: (i) one hundred twenty (120) days after the conveyance of seventy-five percent (75%) of the Units, including Units which may be created pursuant to the Special Declarant Rights and the Declarant's right to add Additional Real Estate, to Owners other than a Declarant, (ii) two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after the Development Right to add new Units was last exercised.

8.4 Declarant's Personal Property. Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction, and maintenance of the improvements within the Condominium that has not been represented as property of the Association. Declarant reserves the right to remove from the Condominium any and all goods and improvements used in development, marketing, and construction, regardless of whether they have become fixtures.

8.5 Interference with Special Declarant Rights.

8.5.1 Neither the Association nor any Unit Owner may take any action or adopt any Rules of Conduct that will interfere with or diminish any Special Declarant Right without the prior written consent of Declarant.

8.5.2 In relation to Declarant's exercise of any Special Declarant Right, the provisions of the Declaration that prohibit or require approval of construction of or additions or alterations to any improvements shall not be applicable.

8.6 Assignment of Declarant's Rights and Duties. Any and/or all of the rights, powers, and reservations of Declarant herein contained may be assigned by Declarant

to any person that will assume any and/or all of the duties of Declarant hereunder, and upon any such person, corporation, or association's evidencing its consent in writing to accept such assignment, said assignee shall, to the extent of such assignment, assume Declarant's duties hereunder, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by Declarant herein. Upon such assignment and to the extent thereof, Declarant shall be relieved from all liabilities, obligations, and duties hereunder. Declarant may limit and restrict the rights and powers that are assigned to any person, corporation, or association in the instrument which assigns such rights. The term "Declarant" as used herein includes all such assignees and their successors and assigns, subject to such restrictions or limitations as may be imposed in the instrument assigning such rights.

8.7 Easements. All rights of easements set forth in Article V above.

ARTICLE IX

Maintenance Responsibility

9.1 Owner's Rights and Duties with Respect to Interiors. Each Owner shall have the exclusive right and duty to maintain and repair the interior surfaces of the walls, floors, ceilings, and doors forming the boundaries of such Owner's Unit and all walls, floors, ceilings, and doors within such boundaries, including without limitation painting of interior surfaces. The Unit Owner shall not cause any structural modifications or alterations without first obtaining the written consent of the Association, which consent may be withheld in the sole discretion of the Board of Directors.

9.2 Responsibility of the Owner. The Owner at the Owner's expense shall maintain and keep in repair the interior of the Condominium Unit, including the fixtures and utilities located in the Condominium Unit to the extent current repair shall be necessary in order to avoid damaging other Condominium Units or the Common Elements. All fixtures, equipment, and utilities installed and included in a Unit commencing at a point where the fixtures, equipment, and utilities enter the Unit shall be maintained and kept in repair by the Owner of that Unit. An Owner shall not allow any action or work that will impair the structural soundness of the improvements, impair the proper functioning of the utilities, heating, ventilation, or plumbing systems or integrity of the Building, or impair any easement or

hereditament. An Owner shall not be responsible for repair occasioned by casualty occurring outside a Unit, unless such casualty is due to the act or negligence of the Owner, or guests, invitees, or tenants of such Owner, as provided in Section 4.5 above. An Owner is responsible for all repair resulting from a casualty occurring within, or affecting the Unit. No Owner shall alter any Common Elements without the prior written consent of the Association.

9.3 Responsibility of the Association. The Association, without the requirement of approval of the Owners, shall maintain and keep in good repair, replace, and improve as a Common Expense all the Property not required in this Declaration to be maintained and kept in good repair by an Owner or by Declarant.

ARTICLE X

Assessments

10.1 Creation of Lien and Personal Obligation for Assessments. Declarant, by creating the Condominium Units pursuant to this Declaration, hereby covenants, and each Owner of any Condominium Unit, by accepting a deed for a Condominium Unit, whether or not it shall be so expressed in such deed or other instrument of transfer, is deemed to covenant to pay to the Association: (1) Annual Assessments imposed by the Board of Directors as necessary to meet the Common Expenses of maintenance, operation, and management of the Common Elements, to fund the Capital Improvement Fund contemplated under Section 10.4 below and to generally carry out the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration; and (3) Default Assessments that may be assessed against a Condominium Unit for the Owner's failure to perform an obligation under the Condominium Instruments or because the Association has incurred an expense on behalf of the Owner under the Condominium Instruments.

All Assessments, together with fines, interest, costs, reasonable attorneys' fees, and other charges allowed under the Act, shall be a charge on the Unit and shall be a continuing lien upon the Condominium Unit until paid subject to the provisions of Section 47C-3-116 of the Act.

Each such Assessment, together with fines, interest, costs, and reasonable attorneys' fees and other charges allowed under the Act, shall also be the personal and individual obligation of the Owner of such Condominium Unit as of the time the Assessment falls due, and two or more Owners of a Condominium Unit shall be jointly and severally liable for such obligations. No Owner may exempt himself from liability for any Assessments by abandonment or leasing of his Condominium Unit or by waiver of the use or enjoyment of the Common Elements. Suit to recover a money judgment for unpaid Assessments and related charges as listed above may be maintained without foreclosing or waiving the Assessment liens provided in this Declaration.

10.2 Purpose of Assessments. The Assessments shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and occupants of the Condominium, and for the improvement and maintenance of the Condominium and of the services and facilities located on the Condominium. Proper uses of the Assessments shall include, but are not limited to, the following:

10.2.1 Repairing, replacing, renovating, and maintaining any of the Common Elements not made the responsibility of the Owners by Section 4.4, Section 4.5, and Section 9.2 above, or other provisions of this Declaration;

10.2.2 Installing, maintaining, and repairing underground utilities upon, across, over, and under any part of the Condominium that are not conveyed to and accepted by utility companies including phone, cable, and wi-fi services;

10.2.3 Furnishing garbage, trash pickup, gas, water, and wastewater services to the Condominium;

10.2.4 Obtaining and maintaining insurance in accordance with the provisions of Article XI below;

10.2.5 Establishing and maintaining reserves for repairs, replacement, maintenance, taxes, capital improvements, and other purposes;

10.2.6 Carrying out all other powers, rights, and duties of the Association specified in the Condominium Instruments; and

10.2.7 Generally, addressing any other expenses necessary to meet the primary purposes of the Association.

10.3 Annual Assessments.

10.3.1 Association Budget. The Board of Directors shall prepare a budget and prepare Annual Assessments before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act. Annual Assessments for Common Expenses shall be based upon the estimated net cash flow requirements of the Association to cover items including, without limitation, the cost of routine maintenance and operation of the Common Elements; expenses of management; premiums for insurance coverage as deemed desirable or necessary by the Association; landscaping, care of grounds, common lighting within the Common Elements; routine renovations within the Common Elements; wages; common water and utility charges for the Common Elements; legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any deficit remaining from a previous Assessment period; and the supplementing of the Capital Improvement Fund for general, routine maintenance, repairs, and replacement of the Common Elements on a periodic basis, as contemplated under Section 10.2. Within thirty (30) days after adoption of any proposed Budget, the Board of Directors shall set a date for a meeting of the Unit Owners to consider ratification of the Annual Budget, which date shall be not less than fourteen (14) nor more than thirty (30) days after the mailing of copies of such Annual Budget or summary thereof to the Unit Owners. There shall be no requirement that a quorum be present at the meeting. The Annual Budget is ratified unless at that meeting a majority of all the Unit Owners reject the Annual Budget. In the event the proposed Annual Budget is rejected, the periodic budget last ratified shall be continued until such time as the Unit Owners ratify (i.e. fail to reject by a majority of all Unit Owners) a subsequent budget proposed by the Board of Directors.

10.3.2 Apportionment of Annual Assessments. Generally, each Owner shall be responsible for that Owner's share of the Common Expenses, which, except as specifically provided in this Declaration, shall be assessed to the Condominium Units in proportion to the respective undivided interests in the

Common Elements appurtenant to the Units, as shown on the Schedule of Unit Information attached as Exhibit "B", subject to the following provisions. 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 that Limited Common Element is assigned, equally, or in any proportion the Board of Directors reasonably determines. Any Common Expense or portion thereof benefiting fewer than all of the Units shall be assessed exclusively against the Units benefited. The total Annual Assessments of the Association shall be apportioned among all Condominium Units as provided in this Section 10.3 and shall not be apportioned between Common Elements and Limited Common Elements.

10.3.3 Collection. Annual Assessments shall be collected in periodic installments as the Board may determine from time to time, but until the Board directs otherwise, they shall be payable monthly in advance on the first day of each calendar month. The Association shall have the right, but not the obligation, to make pro rata refunds of any Annual Assessments in excess of the actual expenses incurred in any fiscal year, however specifically excluding herefrom any amounts deposited in the Capital Improvement Fund of the Association. Any such excess funds not refunded will be applied to the next installment(s) of Annual Assessments due.

10.3.4 Date of Commencement of Annual Assessments. The Annual Assessments shall commence as to all Condominium Units no later than 60 days after the date of the first conveyance by Declarant of a Condominium Unit to an Owner. The first Annual Assessment shall be prorated according to the number of months remaining in the calendar year.

10.4 Capital Improvement Fund. The Board in establishing the Annual Budget for operation, management, and maintenance of the Condominium, shall designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Elements, which capital improvement and replacement fund (the "Capital Improvement Fund") shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Elements, as well as the replacement of personal property which may constitute a portion of the Common Elements held for the joint use and benefit of the Owners of the Condominium Units. The amount to be allocated to the Capital Improvement Fund may be established by the Board so as

to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Elements. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common Elements. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Board, be expended for current operation and maintenance.

10.5 Special Assessments.

10.5.1 Determination by Board. Subject to the budget procedures required by the Act, the Board of Directors may levy in any fiscal year one or more Special Assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a described capital improvement within the Property or any facilities located in the Property, including the necessary fixtures and personal property related to it, or to make up any shortfall in the current year's budget.

10.5.2 Apportionment and Collection of Special Assessments. The Board will apportion Special Assessments among the Condominium Units and collect payment according to the same guidelines as set forth for Annual Assessments in Section 10.3.2.

10.5.3 Notice. Notice of the amount and due dates for such Special Assessments must be sent to each Owner at least 30 days prior to the due date.

10.5.4 Member Approval. If any Special Assessment levied is to be used for the construction of facilities (as opposed to repair and reconstruction of existing facilities in the Property), and if the total amount of the Special Assessments levied for such construction exceeds 10% of the gross annual budget for the Association for that year, then the use of Special Assessments for that construction will require the approval of Owners representing at least 67% of the votes in the Association. The use of Special Assessments pursuant to this Section for constructing any Common Elements shall not apply to the construction of any Common Elements to be completed by Declarant in development of the Property.

10.6 Default Assessments. All monetary fines, penalties, interest, or other charges or fees levied against an Owner pursuant to the Condominium Instruments, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Condominium Instruments, and any expense (including without limitation reasonable attorneys' fees) incurred by the Association as a result of the failure of an Owner to abide by the Condominium Instruments, constitutes a Default Assessment, enforceable as provided in this Declaration below and in accordance with the Act.

10.7 General Remedies of Association for Nonpayment of Assessment. Any installment of an Annual Assessment or a Special Assessment which is not paid within the time period established from time to time by the Board shall be delinquent. If such an Assessment installment becomes delinquent, or if any Default Assessment is levied, the Association, in its sole discretion, may take any or all of the following actions:

10.7.1 Assess a late charge for each delinquency at uniform rates set by the Board of Directors from time to time;

10.7.2 Charge interest from the date of delinquency at the Default Rate;

10.7.3 Suspend the voting rights of the Owner during any period of delinquency;

10.7.4 Accelerate all remaining Assessment installments for the fiscal year in question so that unpaid Assessments for the remainder of the fiscal year shall be due and payable at once;

10.7.5 Bring an action at law against any Owner personally obligated to pay the delinquent Assessment charges;

10.7.6 File a statement of lien with respect to the Condominium Unit and foreclose as set forth in more detail below.

The remedies provided under this Declaration shall not be exclusive, and the Association may enforce any other remedies to collect delinquent Assessments as may be provided by law.

10.8 Priority of Lien. The lien for Assessments, once perfected, shall be prior to all other liens and encumbrances except (a) the lien for real estate taxes on that Condominium Unit, and (b) the lien of a mortgage securing sums unpaid to a First Mortgagee or other lien or encumbrance recorded prior to the perfection of said lien for Assessments. Except as provided in Section 10.9 hereof and Section §7C-3-116 of the Act, the sale or transfer of any Condominium Unit shall not affect the Assessment lien.

10.9 Deed in Lieu of Foreclosure. Notwithstanding anything contained in this Declaration or the Act that may be construed to the contrary, in the event any First Mortgagee that is an Institutional Mortgagee shall acquire title to any Condominium Unit by virtue of any deed in lieu of Foreclosure of a First Mortgage, such a First Mortgagee shall not be liable for, nor shall such Condominium Unit be subject to a lien for, any Assessment chargeable to such Condominium Unit on account of any period prior to the time such First Mortgagee shall so acquire title to such Condominium Unit, provided, however, that Common Expenses collectible thereafter from all Owners, including such First Mortgagee, shall be paid as set forth in this Declaration. The provisions of this Section 10.9 are in addition to, and not in lieu of, the provisions of Section 47C-3-116(f) of the Act.

10.10 Statement of Assessment Status. Whenever any Condominium Unit may be leased, sold, or mortgaged by the Owner thereof, the Association, upon written request of the Unit Owner, shall furnish to the proposed lessee, purchaser, or mortgagee, a statement verifying the status of payment of any assessment that shall be due and payable to the Association for such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser, or mortgagee may rely upon such statement in concluding the proposed lease, purchase, or mortgage transaction, and the Association shall be bound by such statement.

10.11 Initial Contribution to Working Capital Fund. Upon the sale and closing of the purchase of each Unit by the Declarant to a person other than Declarant, the purchaser of each Unit shall pay a non-refundable contribution to the working capital of

the Association in an amount of \$300.00 to be assessed against such Unit for the first year of operation of the Condominium. The contribution to working capital may be utilized to reimburse the Declarant the costs of premiums for insurance purchased by the Declarant for the benefit of the Condominium and the Association.

10.12 Failure to Assess. The omission or failure of the Board to fix the Assessment amounts or rates or to deliver or mail to each Owner an Assessment notice will not be deemed a waiver, modification, or release of any Owner from the obligation to pay Assessments. In such event, each Owner will continue to pay Annual Assessments on the same basis as for the last year for which an Assessment was made until a new Assessment is made, at which time any shortfalls in collections may be assessed retroactively by the Association in accordance with any budget procedures as may be required by the Act.

ARTICLE XI

Insurance

11.1 Authority to Purchase. Except as provided in Section 11.12 below, all insurance policies relating to the Condominium shall be purchased by the Board of Directors or its duly authorized agent. The Board of Directors, the Managing Agent, and Declarant shall not be liable for failure to obtain any coverage required by this Article or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage is available only at demonstrably unreasonable cost.

11.2 Notice to Owners. The Board of Directors shall promptly furnish to each Owner written notice of materially adverse changes in, cancellation or termination of, insurance obtained on behalf of the Association under this Article, such notice to be delivered to all Owners by such methods as required by the Act. The notice (which may be issued in the form of a subpolicy relating to a master policy, if the Board of Directors obtains a master policy), shall specify the insurance coverage in effect on the Owner's Condominium Unit.

11.3 General Insurance Provisions. All such insurance coverage obtained in accordance with this Article shall conform to any minimum requirements of the Act, and, to the extent not inconsistent with the Act, the following provisions:

11.3.1 As long as Declarant owns any Condominium Unit, Declarant shall be protected by all such policies in the same manner as any Owner. The coverage provided to Declarant under the insurance policies obtained in compliance with this Article shall not be deemed to protect or be for the benefit of any general contractor engaged by Declarant, nor shall such coverage be deemed to protect Declarant for (or waive any rights with respect to) warranty claims against Declarant as the developer of the Condominium.

11.3.2 Depending on the area within the Condominium (whether Common Elements or one or more Condominium Units) damaged or destroyed and covered by an insurance claim submitted on behalf of the Association, the deductible amount, if any, on any insurance policy purchased by the Board of Directors may be treated as a Common Expense payable from Annual Assessments or Special Assessments allocable to all of the Condominium Units or to only some of the Condominium Units, if the claims or damages arise from the negligence of particular Owners, or if the repairs benefit only particular Owners, or as an item to be paid from working Capital Improvement Fund established by the Board of Directors. The Association may enforce payment of any amount due from an individual Owner toward the deductible as a Default Assessment in accordance with Sections 10.6 above.

11.3.3 Except as otherwise provided in this Declaration, insurance premiums for the insurance coverage obtained by the Board of Directors pursuant to this Article shall be a Common Expense to be paid by regular Annual Assessments. In accordance with Section 11.3.2 above, the Board of Directors shall make appropriate allocations of the cost of any insurance carried by the Association for the benefit of a particular Owner.

11.4 Property Damage Insurance. The Association shall obtain and maintain in full force and effect property damage insurance on all insurable improvements located on or constituting part of the Condominium (including, without limitation, the Common Elements and the Units, together with, unless the Board of Directors directs otherwise, the fixtures, equipment, and other personal property initially installed in the Units and replacements thereof up to the value of

those initially installed by Declarant, but not including furniture, wall coverings, improvements, additions, or other personal property supplied or installed by Owners), together with all fixtures, building service equipment, and common personal property supplies of the Association, and heating equipment and other service machinery contained therein and covering the interests of the Owners and their Mortgagees, as their interests may appear. The insurance shall be carried in an amount equal to full replacement value (i.e., 100% of the current replacement cost exclusive of land, foundation, excavation, depreciation on personal property, and other items normally excluded from coverage), and shall include a replacement cost endorsement and an agreed amount endorsement waiving the requirement of coinsurance. Such insurance shall afford protection against at least the following:

11.4.1 Loss or damage caused by fire and other hazards covered by the standard extended coverage endorsement with the standard "all-risk" endorsement including but not limited to sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage;

11.4.2 Such other risks as shall customarily be covered with respect to projects similar in construction, location, and use to the Condominium. The Board shall obtain property damage insurance covering all personal property owned by the Association.

11.5 Provisions Common to Property Damage Insurance. In contracting for the policy or policies of insurance obtained pursuant to Section 11.4 above, the Board of Directors which shall make reasonable efforts to secure coverage, if the Board deems such coverage advisable, provides the following endorsements (or equivalent): (a) cost of demolition; (b) contingent liability from operation of building (building ordinance or law endorsement); (c) increased cost of construction; (d) agreed amount or elimination of co-insurance clause; and (e) inflation guard (if available).

Prior to obtaining any policy of property damage insurance or any renewal thereof, and at such other intervals as the Board of Directors may deem advisable (but in any event, at least once every other year), the Board of Directors shall obtain an appraisal from a general contractor or such other source as the Board may determine, of the then current replacement cost of the property (exclusive of the land, excavations, foundations, and other items normally excluded from such coverage)

subject to insurance carried by the Association, without deduction for depreciation, for the purpose of determining the amount of property damage insurance to be secured pursuant to this Article XI.

A certificate evidencing coverage under the policy of property damage insurance, together with proof of payment of premiums and any notice issued under Section 11.2 above, shall be delivered by the insurer to the Association and upon request, to any Owner or Mortgagee. The Mortgagee of a Condominium Unit shall also be entitled to receive upon request a certificate confirming the renewal of any existing property damage insurance at least 10 days before the expiration of the then current policy, and to receive notice promptly of any event giving rise to a claim under such policy arising from damage to such Condominium Unit.

11.6 Liability Insurance. The Association shall obtain and maintain in full force and effect commercial general liability insurance (including bodily injury, libel, slander, false arrest, and invasion of privacy coverage) and property damage insurance with such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Association, the Manager, and the employees and agents of the Association and the Manager against any liability to the public or the owners (and their guests, invitees, tenants, agents, and employees) arising out of or incident to the ownership, existence, operation, management, maintenance, or use of the Common Elements and any other areas under the control of the Association. Declarant shall be included as an additional insured in Declarant's capacity as an Owner or Director. The Owners shall be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.

Such comprehensive policy of public liability insurance shall include the following:

11.6.1 Coverage for contractual liability, liability for non-owned and hired automobiles, and, if applicable, bailee's liability, garagekeeper's liability, host liquor liability, employer's liability, and such other risks as shall customarily be covered with respect to projects similar to the Property in construction, location, and use.

11.6.2 A cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another insured.

11.6.3 A “severability of interest” endorsement which shall preclude the insurer from denying liability coverage to an Owner because of the negligent acts of the Association or another Owner.

The Board of Directors shall review the coverage limits at least once every two years, but, generally, the Board shall carry such amounts of insurance usually required by private institutional mortgage lenders on projects similar to the Condominium and in no event shall such coverage be less than \$1,000,000 for 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 \$2,000,000.

At the election of the Board of Directors, the Board may also contract for commercial general liability insurance covering each Owner with respect to the ownership and use of the Condominium Units, as necessary or convenient to allow the Board, the Managing Agent, and the Association to perform their respective duties in connection with the Common Elements. Notice of such coverage shall be given to the Owners as necessary to keep the Owners currently informed.

11.7 Fidelity Insurance. Fidelity insurance shall be maintained by the Association to protect against dishonest acts on the part of its officers, directors, trustees, and employees and on the part of all others who handle or are responsible for handling the funds belonging to or administered by the Association, regardless of whether such person receives compensation for services. Such insurance shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. In addition, if responsibility for handling funds is delegated to a Managing Agent, such insurance shall be obtained by the Managing Agent for the Managing Agent and its officers, employees, and agents, as applicable, and shall contain the same coverages that are provided under the fidelity insurance obtained by the Association.

11.8 Flood Insurance. The Association shall maintain flood insurance on the Building and all improvements upon the Land, the Common Elements, and all personal property of the Condominium (except personal property of the Condominium Unit Owners).

11.9 Provisions Common to Property Damage Insurance, Liability Insurance, Fidelity Insurance, and Flood Insurance. Any insurance coverage obtained by the Association under the provisions of this Article above shall be subject to the following provisions and limitations:

11.9.1 The named insured under any such policies shall include Declarant, until all the Condominium Units have been conveyed, and the Association, as attorney-in-fact for the use and benefit of the Owners, or the authorized representative of the Association (including any trustee with whom the Association may enter into an insurance trust agreement, or any successor trustee, each of which is sometimes referred to in this Declaration as the "Insurance Trustee" and such Insurance Trustee will be recognized by an insurer providing insurance pursuant to this Article XI who shall have exclusive authority to negotiate losses and receive payments under such policies, and the "loss payable" clause should designate the Association or the Insurance Trustee, if any, who will act as trustee for each Owner and the holder of each Unit's Mortgage.

11.9.2 Each Owner shall be an insured person with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

11.9.3 In no event shall the insurance coverage obtained and maintained pursuant to this Article be brought into contribution with insurance purchased by the Owners or their Mortgagees.

11.9.4 The policies shall provide that coverage shall not be prejudiced by: (i) any act or neglect of any Owner (including an Owner's family, tenants, servants, agents, invitees, and guests) when such act or neglect is not within the control of the Association; or (ii) any act or neglect or failure of the Association to comply with any warranty or condition with regard to any portion of the Property over which the Association has no control; or (iii) conduct of any kind on the part of an Owner

(including the Owner's family, tenants, servants, agents, invitees, and guests) or any Director, officer, employee, or Managing Agent of the Association, without prior demand to the Association and a reasonable opportunity to cure the matter.

11.9.5 The policies shall contain the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Property is located, and provide that coverage may not be cancelled in the middle or at the end of any policy year or other period of coverage or substantially modified or reduced (including cancellation for nonpayment of premiums) without at least 30 days' prior written notice mailed to the Association and to each Owner and First Mortgagee to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

11.9.6 The policies shall contain a waiver of subrogation by the insurer as to any and all claims against Declarant, the Board of Directors, the Association, the Managing Agent, and any Owner or their respective agents, employees, or tenants, and in the case of Owners, members of their households, and of any defenses based upon co-insurance.

11.9.7 The policies described in this Article shall provide that any "no other insurance" clause shall expressly exclude individual Owners' policies from its operation so that the physical damage policy or policies purchased by the Board shall be deemed primary coverage, and any individual Owners' policies shall be deemed excess coverage.

11.10 Personal Liability Insurance of Officers and Directors. To the extent obtainable at a reasonable cost, appropriate officers' and directors' personal liability insurance shall be maintained by the Association to protect the officers and Directors from personal liability in relation to their duties and responsibilities in acting as such officers and Directors on behalf of the Association.

11.11 Other Insurance. The Association may obtain insurance against such other insurable risks of a similar or dissimilar nature as it deems appropriate with respect to the Association's responsibilities and duties.

11.12 Insurance Obtained by Owners. It shall be the responsibility of each Owner, at such Owner's expense, to maintain property damage insurance on such Owner's personal property and furnishings and public liability insurance covering such Owner's Unit. In addition, an Owner may obtain such other and additional insurance coverage on and in relation to the Owner's Condominium Unit as the Owner, in the Owner's sole discretion, shall conclude to be desirable. However, no such insurance coverage obtained by the Owner shall operate to decrease the amount that the Board of Directors, on behalf of all Owners, may realize under any policy maintained by the Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that insurance coverage. An Owner shall be liable to the Association for the amount of any such diminution of insurance proceeds to the Association resulting from insurance coverage maintained by the Owner, and the Association shall be entitled to collect the amount of the diminution from the owner as if the amount were a Default Assessment, with the understanding that the Association may impose and foreclose a lien for the payment due. Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners (including Declarant, should Declarant be the Owner of any Condominium Unit).

The Board of Directors may require an Owner who purchases additional insurance coverage for the Owner's Condominium Unit (other than coverage for the Owner's personal property) to file copies of such policies with the Association within 30 days after purchase of the coverage to eliminate potential conflicts with any master policy carried by the Association.

ARTICLE XII

Casualty Damage

12.1 The Role of the Board of Directors. Except as provided in Section 12.6 in the event of damage to or destruction of all or part of any Condominium Unit, Common Elements, or other property covered by insurance written in the name of the Association under Article XI , the Board of Directors shall arrange for and supervise the prompt repair and restoration of the damaged areas of the Condominium, including, without limitation, the floor coverings, fixtures, and appliances initially installed therein by Declarant, and replacement thereof installed by

the Owners up to the value of those initially installed by Declarant, but not including any furniture, furnishings, fixtures, equipment, or other personal property supplied or installed by the Owners in the Condominium Units unless covered by insurance obtained by the Association.

12.2 Estimate of Damage or Destruction. As soon as practicable after an event causing damage to or destruction of any part of the Condominium, unless such damage or destruction shall be minor, the Board of Directors shall obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction of that part of the Condominium damaged or destroyed. "Repair and reconstruction" as used in this Article shall mean restoring the damaged or destroyed part of the Condominium to substantially the same condition in which it existed immediately prior to the damage or destruction, with each Unit and the Common Elements having substantially the same vertical and horizontal boundaries as before.

12.3 Repair and Reconstruction. As soon as practical after the damage occurs and any required estimates have been obtained, the Association shall diligently pursue to completion the repair and reconstruction of that part of the Property damaged or destroyed. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

12.4 Funds for Repair and Reconstruction. Subject to the provisions of Section 12.6 below, the proceeds received by the Association from any hazard insurance carried by Association shall be used for the purpose of repair and reconstruction. If the proceeds of the Association's insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Association may, pursuant to Section 10.5 above, levy, assess, and collect in advance from the Owners a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. The cost of repair and reconstruction in excess of insurance proceeds and reserves is a Common Expense.

12.5 Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special

Assessments provided for above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. Such fund shall be applied by the Association as attorney-in-fact for such reconstruction, and the improvements shall be promptly repaired and reconstructed. The Association shall have full authority, right, and power as attorney-in-fact to cause the repair and restoration of the improvements. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as Special Assessments, or if no Special Assessments were made, then in proportionate shares on the basis of the allocation to the Owners of Common Expenses under Section 10.3.2 above, first to the Mortgagees and then to the Owners, as their interests appear.

12.6 Decision Not to Rebuild. Any portion of the Condominium for which insurance is required pursuant to the provisions of this Declaration or the Act which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

(i) The Condominium is terminated pursuant to Article XIX below and the Act;

(ii) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;

(iii) Owners representing at least 80% of votes in the Association, including the vote of every Owner of a Condominium Unit or assigned Limited Common Element that will not be rebuilt and including, during the Declarant Control Period, the vote of Declarant, the vote of at least 51% of First Mortgage Holders (based on one vote for each mortgage owned), and any other votes required by the Act, vote not to repair and reconstruct the Condominium;

(iv) Prior to the conveyance of a Unit to a person other than the Declarant, the holder of a deed of trust or mortgage on the damaged portion of the Condominium rightfully demands all or a substantial part of the insurance proceeds.

If the entire Condominium is not repaired or replaced, the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Condominium, and, except to the extent that other persons will be distributees, the insurance proceeds attributable to Units and Limited Common Elements that are not rebuilt must be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear, and the remainder of the proceeds must be distributed to all the Unit Owners or lienholders, as their interests may appear, in proportion to the Common Element interests of all the Units, as set forth on Exhibit "B". If Unit Owners vote not to rebuild any Unit, that Unit's allocated interests automatically shall be reallocated upon the vote as if the Unit had been condemned pursuant to N.C. Gen. Stat. §47C-1-107(a), and the Association promptly shall prepare, execute, and record an amendment to this Declaration reflecting the reallocation. Unless otherwise prohibited, any such reconstruction or repair shall be substantially in accordance with the plans and specifications contained herein.

12.7 Priority of Repair. When the damage is to Common Elements, Limited Common Elements, and Condominium Units, the insurance proceeds will be applied first to the costs of repairing the Common Elements, secondly to the cost of repairing the Condominium Units, and thirdly to the cost of repairing the Limited Common Elements.

12.8 Notice of Damage or Destruction to First Mortgagees. In the event that any portion of the Property encompassing more than one Unit is substantially damaged or destroyed by fire or other casualty, then written notice of the damage or destruction shall be given by the Association to each Owner and First Mortgagee of the affected Units within a reasonable time following the event of casualty damage.

ARTICLE XIII

Association as Attorney-In-Fact

13.1 Appointment. Each Owner hereby irrevocably appoints the Association as the Owner's true and lawful attorney-in-fact in such Owner's name, place, and stead for purposes of dealing with the Property upon its damage or destruction as provided in Article XII, or a complete or partial taking as provided in

Article XIV below. In addition, the Association, or any insurance trustee or substitute insurance trustee designated by the Association, is hereby appointed as attorney-in-fact under this Declaration for the purpose of purchasing and maintaining insurance under Article XI above and to represent the Owners in any condemnation proceeding under Article XIV below including: the collection and appropriate disposition of the proceeds of such insurance or any condemnation award; the negotiation of losses and the execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. The Association, or any insurance trustee, shall hold or otherwise properly dispose of any insurance proceeds in trust for the Owners and their Mortgagees, as their interests may appear. Acceptance by a grantee of a deed or other instrument of conveyance from Declarant or any other Owner conveying any portion of the Property shall constitute appointment of the Association as the grantee's attorney-in-fact, and the Association shall have full authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner that may be necessary to exercise the powers granted to the Association as attorney-in-fact.

ARTICLE XIV Condemnation

14.1 Consequences of Condemnation. In the event of a taking by eminent domain, or by a conveyance in lieu thereof, of all or any part of the Condominium, the same shall be repaired or restored, and/or the awards paid on account thereof shall be used and applied in accordance with N.C. Gen. Stat. §47C-1-107.

14.2 Reorganization. In the event a partial taking results in the taking of a Unit, the Owners thereof shall automatically cease to be members of the Association, and their ownership interests in the Common Elements shall terminate and vest in the Owners of the remaining Condominium Units. Thereafter, subject to the provisions of the Act, the Association shall reallocate the ownership and assessment ratios determined in accordance with this Declaration and the Act, according to the same principles employed in this Declaration at its inception and as required under the Act and the Board of Directors of the Association shall amend this Declaration accordingly.

14.3 Repair and Reconstruction. Any repair and reconstruction necessitated by condemnation shall be governed by the procedures contained in Article XII.

14.4 Notice of Condemnation. In the event that any portion of the Condominium shall be made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then timely written notice of such condemnation shall be given by the Association to each Owner and First Mortgagee.

ARTICLE XV

Rights Reserved To First Mortgagees

15.1 Rights of First Mortgagees to Examine Books and Records. Any First Mortgagee, and any insurer or guarantor of loan secured by a mortgage, shall have the right to examine, during normal business hours and upon reasonable notice, the books and records of the Association, including copies of the Condominium Instruments, as amended, and the financial statements of the Association, and to be furnished, upon written request, at least one copy of annual financial statement and report of the Association, such annual statement and report to be furnished within ninety (90) days following the end of each fiscal year. If any First Mortgagee requests, and agrees to pay the cost of the audit, the financial statement shall be audited by an independent certified public accountant.

15.2 First Mortgagee's Rights to Notice. If any First Mortgagee, or any guarantor or insurer of a loan secured by a First Mortgage, has served written notice of its desire to receive notices upon the Association by certified mail, return receipt requested, addressed to the Association and sent to its address stated herein, identifying the Mortgage that it holds, guarantees, or insures, which notice designates the place to which notices are to be given by the Association to such party, then such party shall have the right to receive from the Association prompt written notice of the following:

15.2.1 Default under any of the terms and provisions of the Condominium Instruments by any Owner owning a Unit encumbered by a First Mortgage held, insured, or guaranteed by such party.

15.2.2 Any loss or damage to or condemnation or taking of the Common Elements or any loss or damage to or condemnation or taking of a Unit encumbered by a First Mortgage held, insured, or guaranteed by such mortgagee.

15.2.3 Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

15.2.4 Any proposed action by the Association, the Board of Directors, or the Owners, which under the terms of the Condominium Instruments requires the consent of all or any portion of the First Mortgagees.

The failure of any First Mortgagee to respond within thirty (30) days to any written request of the Association, sent by registered or certified mail, return receipt requested, for approval of an addition or amendment to the Condominium Instruments wherever First Mortgagee approval is required shall constitute an approval by that mortgagee of the proposed addition or amendment.

15.3. First Mortgagees' Rights.

15.3.1 Rights of First Mortgagee to Insurance Proceeds or Condemnation Awards. With respect to first mortgages held by or for the benefit of First Mortgagees, no provision of this Declaration or the Bylaws shall be deemed to give a Unit Owner, or any other party, priority over any rights of a First Mortgagee pursuant to its first mortgage on said Unit Owner's Unit, in the case of a distribution to said Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

15.3.2 Payment of Taxes and Insurance. First Mortgagees, jointly or singly, may pay taxes or other charges that are in default and that may or have become a charge against any of the Common Elements, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for the Common Elements. First Mortgagees making such payments shall be owed reasonably prompt reimbursement from the Association.

15.3.3 Payment of Assessments. First Mortgagees shall be entitled to cure any delinquency of the Owner of the Condominium Unit encumbered by the

First Mortgagee in the payment of assessments of which the First Mortgagee has received notice under Section 15.2 above. In that event, the First Mortgagee shall be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

15.4 Title Taken by First Mortgagee. Any First Mortgagee who obtains title to a Condominium Unit pursuant to the remedies provided in the First Mortgage, including foreclosure of the First Mortgage, shall be liable for all Assessments due and payable as of the date title to the Condominium Unit vests in the First Mortgagee under the statutes of North Carolina governing foreclosures. Except as provided in the Act, such First Mortgagee shall not be liable for any unpaid dues and charges attributable to the Condominium Unit that accrue prior to the date such title vests in the First Mortgagee.

15.5 Enforcement. The provisions of this Article are for the benefit of all First Mortgagees and their successors, and may be enforced by any of them by any available means.

ARTICLE XVI Ad Valorem Taxes

16.1 Ad Valorem Taxes. Pursuant to the provisions of N.C. Gen. Stat. §47C-1-105, each Unit and its appurtenant undivided interest in the Common Elements shall be deemed to be a parcel and shall be separately assessed and taxed by each assessing unit and special district for all types of taxes authorized by law, including but not limited to special ad valorem levies and special assessments. Each Unit Owner shall be liable solely for the amount of taxes against his individual Unit and shall not be affected by the consequences resulting from the tax delinquency of other Unit Owners. No part of the Condominium nor any of the Common Elements shall be deemed to be a parcel for separate tax listing purposes.

ARTICLE XVII Enforcement of Covenants

17.1 Violations Deemed a Nuisance. A violation of this Declaration or any other of the Condominium Instruments is deemed to be a nuisance and is subject to

all the remedies provided for the abatement or correction of the violation. In addition, all public and private remedies allowed at law or equity against anyone in violation of these covenants will be available.

17.2 Compliance Each Owner or other occupant of any part of the Condominium will comply with the provisions of the Condominium Instruments as the same may be amended from time to time.

17.3 Failure to Comply. Failure to comply with the Condominium Instruments will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Reasonable notice and an opportunity for a hearing as provided in the Bylaws will be given to the delinquent party prior to commencing any legal proceedings.

17.4 Who May Enforce. Any action to enforce the Condominium Instruments may be brought by Declarant, the Board, or the Managing Agent in the name of the Association on behalf of the Owners, or any aggrieved Owners. Such an action may be brought against the Declarant, the Board, the Managing Agent, the Association, or any Owner.

17.5 Cumulative Remedies for Default-Self-Help. All rights, remedies, and privileges granted to the Association or the Owner or Owners of a Condominium Unit pursuant to any terms, provisions, covenants, or conditions of the Condominium Instruments, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies, or privileges as may be available to such party at law or in equity.

In addition to other rights set forth in the Condominium Instruments, the Board shall have the right: (i) to enter a Unit or Limited Common Element appurtenant thereto, on which or as to which such violation or breach exists and summarily to abet and remove, at the expense of the defaulting Owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions of the Condominium Instruments, and the Board shall not thereby be deemed guilty in any manner of trespass, (ii) to use self-help to remove or cure any violation of the Condominium Instruments (including, without limitation, the towing

of vehicles); or (iii) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach, provided, however, that before any construction or improvements may be altered or demolished, except in emergencies, judicial proceedings shall be instituted by the Association against such defaulting Owner or its tenant.

17.6 Nonexclusive Remedies. All the remedies set forth herein are cumulative and not exclusive.

17.7 No Waiver. The failure of the Board of Directors, Declarant, the Managing Agent, or any aggrieved Owner to enforce the Condominium Instruments will not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any other part of the Condominium Instruments at any future time.

17.8 No Liability. No member of the Board of Directors, the Declarant, the Manager, or any Owner will be liable to any other Owner for the failure to enforce any of the Condominium Instruments at any time.

17.9 Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Condominium Instruments, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Condominium Instruments or the restraint of violations of the Condominium Instruments, the prevailing party will be entitled to recover all costs incurred by it in such action, including reasonable attorneys' fees as may be incurred and allowed by N.C.G.S. §47C-3-116(e)

ARTICLE XVIII

Enforcement, Mediation, Arbitration

18.1 Actions by Owners. If the Association, Board of Directors, or any Owner shall fail to perform any obligation imposed upon them by the Condominium Instruments, and such failure shall cause an immediate risk of substantial economic loss to any Owner, or shall significantly jeopardize the physical condition of the Property, or any part thereof, then any Owner shall have the right to perform such obligation and to exercise any authority otherwise delegated to the Board, or any other

Owner, necessary to perform such obligation. If an obligation so performed was the obligation of an Owner, the reasonable cost of performing such obligation shall be immediately due and payable from the Owner who has failed to perform the obligation to the Owner who performed it. If an obligation so performed was the obligation of the Association or the Board of Directors, the reasonable cost of performing such obligation shall be a Common Expense.

18.2 Mediation. Each Owner, by accepting a deed to a Unit, agrees that any Owner or the Association may require that any Dispute among the Owners or before the Board of Directors or before the Association be submitted to non-binding mediation, prior to pursuing any other remedies. The fees and expenses of mediation shall be paid by the participants and shall not be a Common Expense unless all Owners so agree in writing.

18.3 Arbitration. Each Owner, by accepting a deed to a Unit, agrees that any Owner or Association may require that any Dispute between the Owners or before the Board of Directors or before the Association be submitted to binding arbitration pursuant to the Uniform Arbitration Act set forth in N.C.G.S. §1-567.1 et seq. as the same shall be amended from time to time. The fees and expenses of arbitration shall be paid as set forth in the award and shall not be a Common Expense unless all Owners so agree in writing.

18.4 Civil Suit. Any Owner may also bring a civil action against any other Owner, or against the Association, or against the Board of Directors, or any one of more of them to enforce any obligation imposed hereunder.

ARTICLE XIX

Termination

19.1 Amendments Proposed by Association. An amendment or amendments to this Declaration may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the Directors, or by the members of the Association owning a majority of the Condominium Units, whether meeting as members or by instrument in writing signed by them. Upon any amendment or amendments to this Declaration being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the

President of the Association, or other officer of the Association in the absence of the President who shall either:

(a) call a Special Meeting of the members of the Association for a date not later than sixty (60) days from receipt by him of the proposed amendment or amendments. It shall be the duty of the Secretary to give to each member written notice of such Special Meeting, stating the time and place thereof, and reciting the proposed amendment or amendments in reasonably detailed form, which notice shall be mailed not less than fourteen (14) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United State Mail addressed to the member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the amendment or amendments proposed must be approved by an affirmative vote of at least sixty-seven percent (67%) of the votes in the Association which are allocated to Unit Owners in the Condominium in order for such amendment or amendments of this Declaration to be adopted. Any such amendment or amendments as adopted shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such amendment or amendments, so certified and executed with the same formalities as a deeds hall be recorded in the Register of Deeds Office of Dare County, North Carolina, such amendment or amendments to specifically refer to the recording data identifying this Declaration. Thereafter, a copy of said amendment or amendments in the form in which the same were placed of record by the officers of the Association shall be delivered to the Owners of all Condominium Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such amendment or amendments. At any meeting held to consider such amendment or amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting; or

(b) as an alternative to holding a meeting of the members to consider an

amendment of this Declaration, a written agreement may be circulated among the members. To be effective, the written agreement must be executed by Unit Owners of Units to which at least sixty-seven percent (67%) of the votes of the Association are allocated. Once approved, the amendment or amendments shall be transcribed, executed, recorded, and a copy sent to all Owners as specified above.

19.2 Amendments by Declarant. A Declarant may amend the Declaration as set forth herein and in the Act without the consent of any other person or the Association to exercise Development Rights.

19.3 Amendments Requiring Declarant Consent. During the Declarant Control Period reserved by the Declarant to exercise Development Rights, this Declaration may not be amended without the prior written consent of the Declarant. Except to the extent expressly permitted by the Act or other provisions of this Declaration (in compliance with the Act), no amendment may create or increase Special Declarant Rights, create or increase Development Rights, increase the number of Units, change the boundaries of any Unit, change the allocated interest of any Unit, or change the uses to which any Unit is restricted in the absence of unanimous consent of the Unit Owners.

ARTICLE XV

Miscellaneous Provisions

20.1 Severability. This Declaration, to the extent possible, will be construed or reformed so as to give validity to all of its provisions. Any provision of this Declaration found to be prohibited by law or unenforceable will be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

20.2 Captions. The headings are included only for purposes of convenient reference, and they will not affect the meaning or interpretation of this Declaration.

20.3 Waiver. No failure on the part of the Association or the Board to give notice of default or to exercise or to delay in exercising any right or remedy will operate as a waiver, except as specifically provided above in the event the Board fails

to respond to certain requests. No waiver will be effective unless it is in writing and signed by the President or Vice President of the Board on behalf of the Association.

20.4 Limitation of Liability. Neither the Association nor any officer or member of the Board will be liable to any party for any action or for any failure to act with respect to any matter arising by, through, or under the Condominium Instruments if the action or failure to act was made in good faith. The Association will indemnify all of the officers and Board members with respect to any act taken in their official capacity to the extent provided in this Declaration and by law and in the Articles of Incorporation and Bylaws.

20.5 Conflicts Between Documents. In case of conflict between this Declaration and the Articles of Incorporation or the Bylaws, this Declaration will control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation will control.

20.6 Law Controlling. This Declaration and the Condominium Instruments shall be construed and controlled by and under the laws of the State of North Carolina.

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

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year below subscribed.

MARSHES LIGHT, LLC, a North
Carolina limited liability company

By: _____
Doug Anderson, Manager

STATE OF NORTH CAROLINA
COUNTY OF DARE

I, the undersigned, a Notary Public of the County and State aforesaid, certify that Doug Anderson personally came before me this day and acknowledged that he is Member and Manager of Marshes Light, LLC, A North Carolina Limited Liability Company, and that by authority duly given and as the act and deed of the Limited Liability Company, the foregoing instrument was signed and sealed in its name by its Member and Manager.

Witness my hand and official stamp or seal, this ____ Day of _____, 2006.

My commission expires:

Notary Public

[SEAL/STAMP]

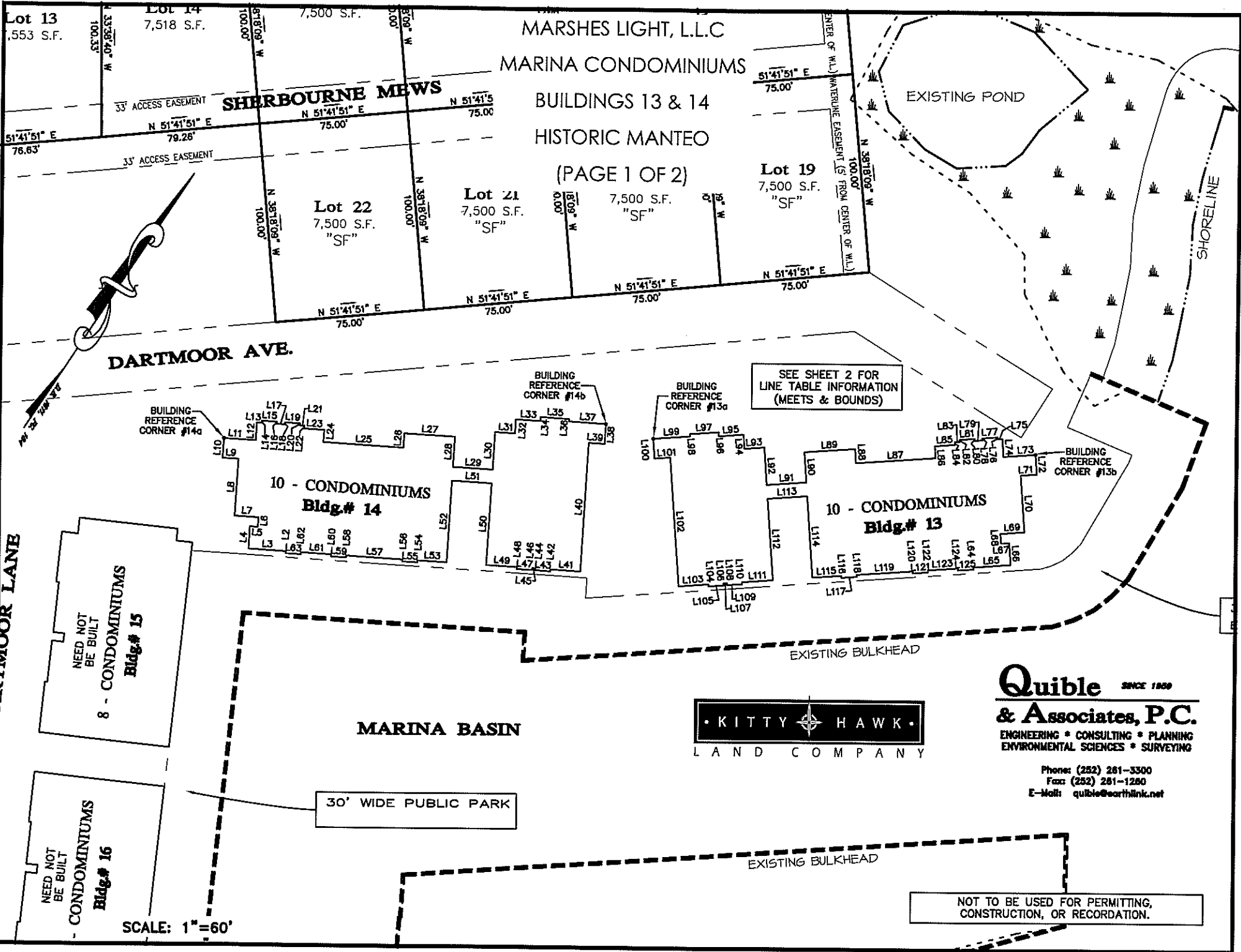
EXHIBIT "A"

to

MARSHES LIGHT MARINA CONDOMINIUMS DECLARATION

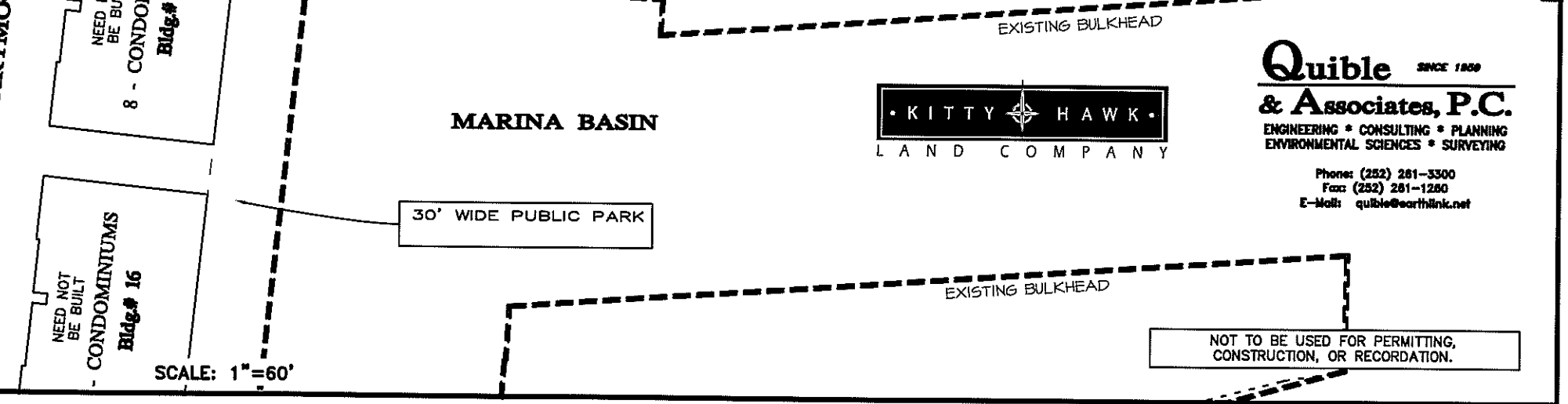
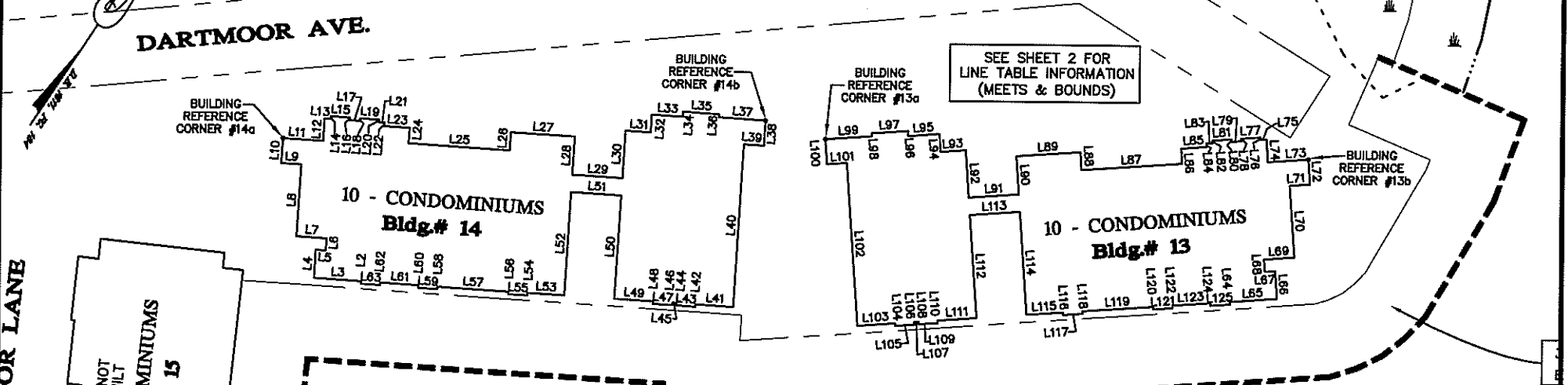
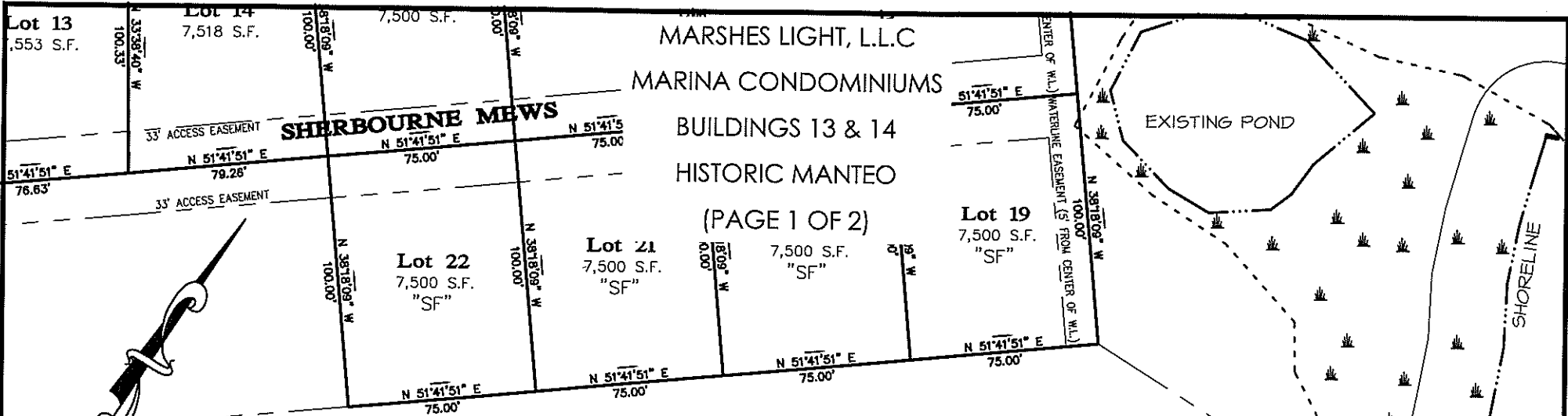
SUBMITTED PROPERTY

That parcel of land situated in the development of Marshes Light and more particularly identified on that plat prepared by Quible & Associates showing a footprint for Building 13 consisting of 9, 929 square feet and showing a footprint for Building 14 consisting of 9, 929 square feet, said plat being the "Condominium Plat" to be filed in the Unit Ownership File in the Office of the Register of Deeds of Dare County, North Carolina under the name of Marshes Light Marina Condominiums, a copy of a reduced plat prepared by Quible & Associates, P.C. which depicts the location of Buildings 13 and 14 is attached hereto as Exhibit "A" Pages 2 and 3.



MARSHES LIGHT, L.L.C.
 MARINA CONDOMINIUMS
 BUILDINGS 13 & 14
 HISTORIC MANTEO

(PAGE 1 OF 2)



SCALE: 1" = 60'

NOT TO BE USED FOR PERMITTING,
 CONSTRUCTION, OR RECORDATION.



Quible SINCE 1899
& Associates, P.C.
 ENGINEERING * CONSULTING * PLANNING
 ENVIRONMENTAL SCIENCES * SURVEYING

Phone: (252) 281-3300
 Fax: (252) 281-1280
 E-Mail: quible@earthlink.net

TIE LINE TABLE (BUILDING 13)			
TIE LINE	LENGTH	BEARING	
CONTROL CORNER "A" TO BUILDING REFERENCE CORNER "13a"	623.63	S89°52'28"E	
CONTROL CORNER "B" TO BUILDING REFERENCE CORNER "13b"	566.21	S35°57'45"W	

TIE LINE TABLE (BUILDING 14)			
TIE LINE	LENGTH	BEARING	
CONTROL CORNER "A" TO BUILDING REFERENCE CORNER "14a"	524.92	S50°30'08"E	
CONTROL CORNER "B" TO BUILDING REFERENCE CORNER "14b"	573.27	S1°33'16"E	

LINE TABLE (BUILDING 13)			
LINE	LENGTH	BEARING	
L64	1.00	N37°04'51"W	
L65	18.79	N52°55'10"E	
L66	11.08	N37°04'51"W	
L67	4.00	S52°55'09"W	
L68	4.87	N37°04'51"W	
L69	12.00	N52°55'09"E	
L70	28.50	N37°04'51"W	
L71	8.00	N52°55'09"E	
L72	10.00	N37°04'51"W	
L73	18.00	S52°55'09"W	
L74	9.04	N37°04'51"W	
L75	2.33	S52°55'09"W	
L76	1.00	N37°04'51"W	
L77	7.67	S52°55'09"W	
L78	1.00	S37°04'51"E	
L79	4.00	S52°55'09"W	
L80	1.00	N37°04'51"W	
L81	7.67	S52°55'09"W	
L82	1.00	S37°04'51"E	
L83	2.33	S52°55'09"W	
L84	1.42	S37°04'51"E	
L85	10.13	S52°55'09"W	
L86	6.08	S37°04'51"E	
L87	40.29	S52°55'09"W	
L88	7.17	N37°04'51"W	
L89	25.58	S52°55'09"W	
L90	15.21	S37°04'51"E	
L91	20.00	S52°55'09"W	
L92	18.88	N37°04'51"W	
L93	10.00	S52°55'09"W	
L94	7.17	N37°04'51"W	
L95	12.42	S52°55'07"W	
L96	2.00	N37°04'51"W	
L97	14.42	S52°55'09"W	
L98	1.17	S37°04'51"E	
L99	18.67	S52°55'09"W	
L100	10.00	S37°04'51"E	
L101	8.00	N52°55'09"E	
L102	64.83	S37°04'51"E	
L103	15.00	N52°55'07"E	
L104	1.00	S37°04'51"E	
L105	7.67	N52°55'09"E	
L106	1.00	N37°04'51"W	
L107	1.67	N52°55'20"E	
L108	1.00	S37°04'51"E	
L109	7.67	N52°55'09"E	
L110	1.00	N37°04'51"W	
L111	15.50	N52°55'09"E	
L112	41.04	N37°04'51"W	
L113	20.00	N52°55'09"E	
L114	41.04	S37°04'51"E	
L115	14.67	N52°55'07"E	
L116	1.00	S37°04'51"E	
L117	7.67	N52°55'09"E	
L118	1.00	N37°04'51"W	
L119	28.33	N52°55'09"E	
L120	1.00	S37°04'51"E	
L121	7.67	N52°55'09"E	
L122	1.00	N37°04'51"W	
L123	15.21	N52°55'09"E	
L124	1.00	S37°04'51"E	
L125	7.67	N52°55'09"E	

LINE TABLE (BUILDING 14)			
LINE	LENGTH	BEARING	
L2	1.00	N29°33'40"W	
L3	18.79	S60°26'19"W	
L4	11.08	N29°33'40"W	
L5	4.00	N60°26'20"E	
L6	4.87	N29°33'40"W	
L7	12.00	S60°26'20"W	
L8	28.50	N29°33'40"W	
L9	8.00	S60°26'20"W	
L10	10.00	N29°33'40"W	
L11	16.00	N60°26'20"E	
L12	9.04	N29°33'40"W	
L13	2.33	N60°26'20"E	
L14	1.00	N29°33'40"W	
L15	7.67	N60°26'20"E	
L16	1.00	S29°33'40"E	
L17	4.00	N60°26'20"E	
L18	1.00	N29°33'40"W	
L19	7.67	N60°26'20"E	
L20	1.00	S29°33'40"E	
L21	2.33	N60°26'20"E	
L22	1.42	S29°33'40"E	
L23	10.13	N60°26'20"E	
L24	6.08	S29°33'40"E	
L25	40.29	N60°26'20"E	
L26	7.17	N29°33'40"W	
L27	25.58	N60°26'20"E	
L28	15.21	S29°33'40"E	
L29	20.00	N60°26'20"E	
L30	18.88	N29°33'40"W	
L31	10.00	N60°26'20"E	
L32	7.17	N29°33'40"W	
L33	12.42	N60°26'22"E	
L34	2.00	N29°33'40"W	
L35	14.42	N60°26'20"E	
L36	1.17	S29°33'40"E	
L37	18.67	N60°26'20"E	
L38	10.00	S29°33'40"E	
L39	8.00	S60°26'20"W	
L40	64.83	S29°33'40"E	
L41	15.00	S60°26'22"W	
L42	1.00	S29°33'40"E	
L43	7.67	S60°26'20"W	
L44	1.00	N29°33'40"W	
L45	1.67	S60°26'08"W	
L46	1.00	S29°33'40"E	
L47	7.67	S60°26'20"W	
L48	1.00	N29°33'40"W	
L49	15.50	S60°26'20"W	
L50	41.04	N29°33'40"W	
L51	20.00	S60°26'20"W	
L52	41.04	S29°33'40"E	
L53	14.87	S60°26'22"W	
L54	1.00	S29°33'40"E	
L55	7.67	S60°26'20"W	
L56	1.00	N29°33'40"W	
L57	28.33	S60°26'20"W	
L58	1.00	S29°33'40"E	
L59	7.67	S60°26'20"W	
L60	1.00	N29°33'40"W	
L61	15.21	S60°26'20"W	
L62	1.00	S29°33'40"E	
L63	7.67	S60°26'20"W	

MARSHES LIGHT
MARINA CONDOMINIUMS
LINE TABLES FOR
BUILDINGS 13 & 14
(PAGE 2 OF 2)



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Quible SINCE 1909
& Associates, P.C.
ENGINEERING • CONSULTING • PLANNING
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E-Mail: quible@earthlink.net

EXHIBIT "A-1"

to

MARSHES LIGHT MARINA CONDOMINIUMS DECLARATION

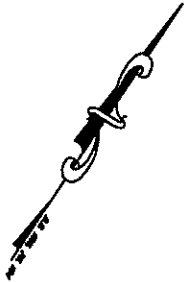
ADDITIONAL REAL ESTATE

Those parcels of land as depicted on the Marshes Light Site Plan approved by the Town of Manteo for which a Conditional Use Permit has been issued and being that parcel of land constituting a footprint of 6,650 square feet identified as Building 15, that parcel of land constituting a footprint of 6,650 square feet identified as Building 16, and that parcel of land constituting a footprint of 6,958 square feet identified as Building 17, said Site Plan being more specifically referred to as Sheets C-3 and C-4 of those plans captioned "Site Plan Historic Manteo, a 20.72 Acre Parcel of Land in Manteo" dated March 2005, revised 4/11/05 prepared by Quible & Associates, P.C. which Site Plan is approved by the Town of Manteo in connection with the issuance of a Conditional Use Permit which Site Plan depicts the location of Buildings 13, 14, 15, 16 and 17 being the Neighborhood of Marshes Light Marina Condominiums, a copy of a reduced plat prepared by Quible & Associates, P.C. which depicts the location of Buildings 15, 16 and 17 is attached hereto as Exhibit "A-1" Pages 2 and 3.

MARSHES LIGHT, L.L.C
 MARINA CONDOMINIUMS
 BUILDINGS 15, 16, & 17
 HISTORIC MANTEO
 (PAGE 1 OF 2)

SEE SHEET 2 FOR
 LINE TABLE INFORMATION
 (MEETS & BOUNDS)

DARE COUNTY BOARD OF EDUCATION
 (MANTEO MIDDLE SCHOOL)
 ZONE B-2
 (PG E, SL 511)
 (DB 81, PG 147)



KITTY HAWK
 LAND COMPANY

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 & Associates, P.C.
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 Fax: (252) 261-1260
 E-Mail: quible@earthlink.net

SCALE: 1"=60'

UPPOWOC STREET
 (36' R/W)

N 22°30'48" W
 150.79'

C4

DARTMOOR LANE

BUILDING
 REFERENCE
 CORNER #15a

8 - CONDOMINIUMS
 Bldg.# 15

NEED NOT
 BE BUILT
 10 - CONDOMINIUMS
 Bldg.# 14

BUILDING
 REFERENCE
 CORNER #15c

MARINA BASIN

30' WIDE PUBLIC PARK

BUILDING
 REFERENCE
 CORNER #16a

8 - CONDOMINIUMS
 Bldg.# 16

BUILDING
 REFERENCE
 CORNER #16c

BUILDING
 REFERENCE
 CORNER #17a

8 - CONDOMINIUMS
 Bldg.# 17

BUILDING
 REFERENCE
 CORNER #17c

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TIE LINE TABLE (BUILDING 15)		
TIE LINE	LENGTH	BEARING
CONTROL CORNER "A" TO BUILDING REFERENCE CORNER "15a"	547.92'	S42°01'14"E
CONTROL CORNER "C" TO BUILDING REFERENCE CORNER "15c"	885.22'	N55°01'42"W

LINE TABLE (BUILDING 15)		
LINE	LENGTH	BEARING
L126	65.42	S63°05'33"W
L127	25.42	N26°54'27"W
L128	1.15	N63°05'33"E
L129	21.08	N26°54'27"W
L130	5.69	N63°05'33"E
L131	4.25	N26°54'27"W
L132	5.54	S63°05'33"W
L133	25.25	N26°54'27"W
L134	1.29	S63°05'33"W
L135	25.42	N26°54'27"W
L136	8.00	N63°05'33"E
L137	8.00	N26°54'27"W
L138	49.42	N63°05'33"E
L139	6.00	S26°54'27"E
L140	8.00	N63°05'33"E
L141	103.42	S26°54'27"E

TIE LINE TABLE (BUILDING 16)		
TIE LINE	LENGTH	BEARING
CONTROL CORNER "A" TO BUILDING REFERENCE CORNER "16a"	672.05'	S38°28'59"E
CONTROL CORNER "C" TO BUILDING REFERENCE CORNER "16c"	579.30'	N60°47'29"W

LINE TABLE (BUILDING 16)		
LINE	LENGTH	BEARING
L142	65.42	S63°05'33"W
L143	25.42	S26°54'27"E
L144	1.15	N63°05'33"E
L145	21.08	S26°54'27"E
L146	5.69	N63°05'33"E
L147	4.25	S26°54'27"E
L148	5.54	S63°05'33"W
L149	25.25	S26°54'27"E
L150	1.29	S63°05'33"W
L151	25.42	S26°54'27"E
L152	8.00	N63°05'33"E
L153	8.00	S26°54'27"E
L154	49.42	N63°05'33"E
L155	6.00	N26°54'27"W
L156	8.00	N63°05'33"E
L157	103.42	N26°54'27"W

TIE LINE TABLE (BUILDING 17)		
TIE LINE	LENGTH	BEARING
CONTROL CORNER "A" TO BUILDING REFERENCE CORNER "17a"	806.48'	S35°22'14"E
CONTROL CORNER "C" TO BUILDING REFERENCE CORNER "17c"	538.22'	N67°27'57"W

LINE TABLE (BUILDING 17)		
LINE	LENGTH	BEARING
L158	103.42	N08°19'45"E
L159	6.00	N81°40'15"W
L160	6.00	N08°19'45"E
L161	49.42	N81°40'15"W
L162	8.00	S08°19'45"W
L163	8.00	N81°40'15"W
L164	25.42	S08°19'45"W
L165	1.29	S81°40'15"E
L166	25.25	S08°19'45"W
L167	5.54	S81°40'15"E
L168	4.25	S08°19'45"W
L169	5.69	N81°40'15"W
L170	21.08	S08°19'45"W
L171	1.15	N81°40'15"W
L172	25.42	S08°19'45"W
L173	8.00	S81°40'15"E
L174	8.00	S08°19'45"W
L175	49.42	S81°40'15"E
L176	8.00	N08°19'45"E
L177	8.00	S81°40'15"E

MARSHES LIGHT
MARINA CONDOMINIUMS
LINE TABLES FOR
BUILDINGS 15, 16, & 17
(PAGE 2 OF 2)



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EXHIBIT "B"

to

MARSHES LIGHT MARINA CONDOMINIUMS DECLARATION

**SCHEDULE OF UNIT INFORMATION
FOR SUBMITTED PROPERTY**

<u>Unit Number</u>	<u>Percentage (%) of Undivided Interest in Common Elements and of Common Expenses</u>	<u>Number of Votes</u>
Villa 1321	5%	1
Villa 1322	5%	1
Villa 1323	5%	1
Villa 1324	5%	1
Villa 1325	5%	1
Villa 1331	5%	1
Villa 1332	5%	1
Villa 1333	5%	1
Villa 1334	5%	1
Villa 1335	5%	1
Villa 1421	5%	1
Villa 1422	5%	1
Villa 1423	5%	1
Villa 1424	5%	1
Villa 1425	5%	1
Villa 1431	5%	1
Villa 1432	5%	1
Villa 1433	5%	1
Villa 1434	5%	1
Villa 1435	<u>5%</u>	<u>1</u>
TOTAL :	100%	20

In the event the Additional Real Estate is added, the allocations to each Unit of a percentage of undivided interest in the Common Elements, the percentage of Common Expenses, and of votes in the Association is hereinafter set forth:

<u>Unit Number</u>	<u>Percentage (%) of Undivided Interest in Common Elements and of Common Expenses</u>	<u>Number of Votes</u>
Villa 1321	2.63%	1
Villa 1322	2.63%	1
Villa 1323	2.63%	1
Villa 1324	2.63%	1
Villa 1325	2.63%	1
Villa 1331	2.63%	1
Villa 1332	2.63%	1
Villa 1333	2.63%	1
Villa 1334	2.63%	1
Villa 1335	2.63%	1
Villa 1421	2.63%	1
Villa 1422	2.63%	1
Villa 1423	2.63%	1
Villa 1424	2.63%	1
Villa 1425	2.63%	1
Villa 1431	2.63%	1
Villa 1432	2.63%	1
Villa 1433	2.63%	1
Villa 1434	2.63%	1
Villa 1435	2.63%	1
Villa 1521	2.63%	1
Villa 1522	2.63%	1
Villa 1523	2.63%	1
Villa 1531	2.63%	1
Villa 1532	2.63%	1
Villa 1533	2.63%	1
Villa 1621	2.63%	1
Villa 1622	2.63%	1
Villa 1623	2.63%	1
Villa 1631	2.63%	1
Villa 1632	2.63%	1
Villa 1633	2.63%	1
Villa 1721	2.63%	1
Villa 1722	2.63%	1
Villa 1723	2.63%	1
Villa 1731	2.63%	1
Villa 1732	2.63%	1
Villa 1733	<u>2.63%</u>	<u>1</u>
TOTAL	100%	38

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BY - LAWS
OF
MARINA CONDOMINIUMS OWNERS' ASSOCIATION, INC.

ARTICLE I
NAME, PURPOSE , APPLICABILITY AND ASSENT

1.1 Name. The name of this non-profit, non-stock membership corporation shall be Marina Condominiums Owners' Association, Inc., hereinafter referred to as "the Association."

1.2 Purpose. The purpose of the Association shall be to administer and manage the affairs of Marshes Light Marina Condominium, a Condominium established pursuant to the terms of that Declaration of Condominium for Marshes Light Marina Condominiums filed in the Public Registry of Dare County, North Carolina as amended, supplemented or restated (the "Declaration") in accordance with the Unit Ownership Act, the Non-profit Corporation Act of North Carolina, this Declaration, and the Articles of Incorporation and these By-Laws, as may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of the condominium property and the Unit Owners' responsibility with respect to the same.

1.3 Applicability. These By-Laws are applicable to the property known as Marshes Light Marina Condominiums, as such property is described in Exhibit "A" attached to the Declaration.

1.4 Assent. These By-Laws are binding on all present and future Owners, tenants, guests, residents, or other persons occupying or using the facilities of such condominium property. The mere acquisition, rental, or act of occupancy of any part of the condominium property will signify that these By-Laws are accepted, ratified, and will be complied with. The provisions of the Declaration, regarding the governing and administration of the Association are incorporated herein by reference. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a Unit shall constitute an agreement that these Bylaws (and any Rules of Conduct made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE II DEFINITIONS

2.1 Definitions The definition of words contained in the Declaration, Article I shall apply to those words and terms as used in these By-Laws.

ARTICLE III OFFICES, REGISTERED AGENT, FISCAL YEAR, POWERS

3.1 Principal Office, Registered Office. The principal office of the Association shall be located at 3628 North Croatan Highway, Kitty Hawk, North Carolina or such other places as the Board of Directors may designate from time to time.

3.2 Registered Agent. The initial Registered Agent for the Unit Owners for matters incident to the condominium property and the initial Registered Agent for the Association is Daniel D. Khoury, whose address is Post Office Box 2, Kitty Hawk, North Carolina 27949. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the Association.

3.3 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31.

3.4 Powers. The Association shall have all the common law and statutory powers of non-profit corporations. The Association shall also have all the powers necessary to implement the purposes of the Association and to provide for the general health and welfare of its membership.

ARTICLE IV MEMBERSHIP

4.1 Qualification. Membership in the Association shall be confined to and consist of the Unit Owners. Membership shall be appurtenant to and inseparable from unit ownership. No Unit Owners shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall inure automatically to Unit Owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more Units. The date of registration of the conveyance in the Dare County Registry of the Unit in question shall govern the date of ownership of each particular Unit and with the date that membership in the Association shall begin for the Owner. However, in the case of death, the transfer of ownership shall occur on the date of death in the case of intestacy, or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.2 Annual Meeting. There shall be a regular annual meeting of the Unit Owners held each year during the same month of each succeeding year, for the purpose of electing members of the Board and for the transaction of such other business as may be properly brought before the meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting. The first meeting of the membership, whether a regular or Special Meeting shall be held within ninety (90) days after the expiration of one year from the date of recordation of the Declaration in the Public Registry of Dare County, North Carolina and shall be set by the Declarant.

4.3 Place of Meetings. Meetings of the Association shall be held at Marshes Light Marina Condominiums in Marshes Light in the Town of Manteo, North Carolina, or such other place as determined by the Board.

4.4 Special Meetings. Special meetings of the Association may be called at any time by the President of the Association, or by a majority of the Board of Directors, by the Declarant during the Declarant Control Period, or upon written request of Members who are collectively entitled to vote at least 20% of all the votes in the Association. The Notice of any Special Meeting shall state the date, time and place of such meeting and the purpose thereof. No business shall be transacted at a Special Meeting except as stated in the Notice.

4.5 Notice of Meetings. Written notice stating the place, day and hour of the meeting and the agenda for the meeting will be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, personally or by mail, or sent via electronic mail to those Unit Owners and authorized recipients who have given consent for electronic transmission or otherwise as permitted by the Act, by or at the direction of the President, or the Secretary, or the persons calling the meeting as provided in these Bylaws, to the registered mailing address for notice of each Member entitled to vote at such meeting.

4.6 Quorum. A quorum is deemed present throughout any meeting of the Association if Members entitled to cast (or proxies entitled to cast) 20% of the votes of the Association are present at the beginning of the meeting. If, however, such quorum is not present or represented at the meeting, the Members entitled to vote at the meeting will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented by proxy.

4.7 Majority of Owners. As used in these Bylaws, the term "majority" will mean those votes, Owners, or other groups as the context may indicate totaling more than 50% of the total number.

4.8 Voting by Mail. Voting by mail is permitted for election of the Board of Directors, amendment of the Articles, adoption of a proposed plan of merger, consolidation or dissolution pursuant to the provisions of the Act and the North Carolina Nonprofit Corporation Act, each as amended from time to time, or other questions that come before the Association. In the case of a vote by mail, the Secretary of the Association will give written notice to all Members, which notice will include a proposed written resolution setting forth a description of the proposed action, a statement that the Members are entitled to vote by mail for or against such proposal, a statement of a date not less than 20 days after the date such notice will have been given by which all votes must be received, and the specified address of the office to which all votes must be sent. Votes received after that date will not be effective. Delivery of a vote in writing to the designated office will be equivalent to receipt of a vote by mail at such address for the purpose of this section.

4.9 Proxies. Any Member may cast such Member's vote in person or by proxy executed in writing by the Member. A proxy executed as a part of a Rental Management Agreement and Proxy (the "Rental Proxy") shall remain valid and in full force and effect during the term of the related Rental Management Agreement and Proxy unless otherwise terminated by written notice. A proxy that is not a Rental Proxy will be Non-Rental Proxy. No Non-Rental Proxy will be valid if it is not dated or if it purports to be revocable without notice. Further, no Non-Rental Proxy will be valid after eleven months from the stated date of its execution unless otherwise provided in the Non-Rental Proxy or unless voluntarily revoked upon notice, amended, or sooner terminated by operation of law. Finally, no proxy will be valid unless filed with the Secretary of the Association at or before the appointed time of the meeting at which the proxy will be voted.

4.10 Actions Binding on Members. A majority of votes intended to be cast by Members constituting a quorum in person or by proxy will be sufficient to make decisions binding on all Owners, unless a different number or method of voting is expressly required by statute or by the Declaration, the Articles or these Bylaws.

4.11 Designation of Voting Representative by Non-Individual Owners – Requirement for Proxy. If title to a Condominium Unit is held in whole or in part by a firm, corporation, partnership, association, limited liability company or other legal entity, the voting privilege appurtenant to that ownership may be exercised only by a proxy executed on behalf of such party or parties, filed with the Secretary of the Association, and appointing and authorizing one person or alternate persons to attend all annual and special meetings of the Members and to cast the vote allocated to that Condominium Unit at the meeting.

4.12 Designation of Voting Representative by Multiple Owners – Use of Proxy. If more than one Owner holds title to a Condominium Unit, each Owner may vote or register protest to the casting of votes by the other Owners of the Condominium Unit through a duly

executed proxy, and if a majority of the Owners for a Condominium Unit cannot agree, then the Owners of such Condominium Unit will not be entitled to vote. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association.

4.13 Waiver of Notice. Waiver of notice of a meeting of the Members will be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, will be deemed waiver by such Member of notice of the time, date and place of the meeting unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting will also be deemed waiver of notice of all business transacted at the meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

4.14 Action Without a Meeting. Any action that may be taken by the vote of the Members at a regular or special meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the members.

4.15 Conduct of Meetings. The President shall preside over all meetings and the Secretary shall keep minutes of the meeting in a record in a minute book with all resolutions adopted at a meeting, as well as a record of all transactions occurring thereat.

ARTICLE V BOARD OF DIRECTORS, SELECTION, TERM OF OFFICE

5.1 Number, Qualification and Initial Board. The affairs of the Association will be managed by a Board of not less than three and no more than five Directors. Except as provided below regarding Directors appointed by Declarant during the Declarant Control Period, the Directors will be Members of the Association or the delegates of Members appointed by proxy under Article IV above. The number of the Board of Directors will be established from time to time by amendment to these Bylaws.

The initial number of members of the Board of Directors will be three. The names and addresses of the three persons who are to serve on the initial Board of Directors until their successors are appointed are as follows:

Charles J. Hayes, Jr.	P.O. Box 229 Kitty Hawk, North Carolina 27949
Bobby Howsare	P.O. Box 229 Kitty Hawk, North Carolina 27949
Lee Whitley	P.O. Box 229 Kitty Hawk, North Carolina 27949

5.2 Directors During Declarant Control Period. During the Declarant Control Period the Board of Directors will be selected by Declarant and will serve at the sole discretion of Declarant, subject, however, to the provisions of the Act. The Directors selected by Declarant need not be Members of the Association.

5.3 Election of Directors After Declarant Control Period. Upon termination of the Declarant Control Period in accordance with the Declaration, a special meeting of the Association will be called, at which Declarant will turn control of the Association over to the other Members as provided in the Act. The Members will elect a new Board of Directors, and any terms of Directors appointed by Declarant that have not expired will terminate at that time. Subsequently, Directors will be elected by the Members at each annual meeting of the Members.

5.4 Term of Office of Directors After Declarant Control Period. The term of office for the initial full slate of Directors elected by the Members will be fixed at the time of their election as they themselves will determine in order to establish a system of three-year terms in which at least one-third of the Board is elected each year, and the Board will identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the initial Board is set at three pursuant to Section 5.1 above, one Director will serve for a one-year term, one Director will serve for a two-year term, and one Director will serve for a three-year term. At the expiration of the initial term of office of each respective Director, a successor will be elected to serve three years. Each Director will hold office until such Director's successor is elected by the Members and qualified to take over the office.

5.5 Removal of Directors. Any Director other than one appointed by Declarant may be removed, with or without cause, at any regular or special meeting of the Members by 67% of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is proposed by the Members will be given notice of the proposed removal at least 10 days prior to the date of such meeting and will be given an opportunity to be heard at such meeting.

5.6 Vacancies.

(a) During Declarant Control Period. During the Declarant Control Period, if a Director appointed by Declarant dies, becomes disabled or resigns, Declarant will appoint a new Director to serve the balance of the term of the resigning, disabled, or deceased Director; if a Director elected by the Members dies, becomes disabled, or resigns, the remaining Directors will appoint a new Director from among the Members other than Declarant to serve the remainder of the term of the resigning, disabled or deceased Director representing Members other than Declarant.

(b) Following Declarant Control Period. After the expiration or termination of the Declarant Control Period, any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. The term of the Director so elected will be coincident with the term of the replaced Director.

5.7 Compensation. No Director will receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties as a Director.

ARTICLE VI MEETING OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Board of Directors will be held at such regular times as set by the Board of Directors, at such place and hour as may be fixed from time to time by resolution of the Board, but such meetings will be held no less frequently than annually. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting will be held at the same time on the next day that is not a legal holiday.

6.2 Special Meetings. Special meetings of the Board of Directors will be held when called by the President of the Association, or by any two Directors, after not less than three days' notice to each Director.

6.3 Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast 50% of the votes on the Board are present at the beginning of the meeting.

6.4 Actions Binding on Directors. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board.

6.5 Waiver of Notice. Attendance of a Director at any meeting will constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Before, at, or after any meeting of the Board of Directors, any member of the Board may waive in writing notice of such meeting, and such waiver will be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the waiver of notice of such meeting.

6.6 Action Taken Without a Meeting. The Directors will have the right to take any action that they could take at a meeting in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved will have the same effect as though taken at a meeting of the Directors.

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 General. The Board of Directors will have the powers and duties necessary for the administration of the affairs of the Association. Except as provided by these Bylaws, the Declaration or the Act, the Board of Directors may do all such acts and things which are not specifically required to be done by the Members and may otherwise act in all instances on behalf of the Association.

7.2 Specific Powers and Duties. Without limiting the generality of powers and duties set forth in Section 7.1 above, the Board of Directors will have the following powers and duties, in each case subject only to applicable requirements of the Act:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.

(b) To establish, make, amend from time to time and enforce compliance with such reasonable Rules of Conduct be necessary for the operation, use, and occupancy of the Project, subject to the provisions of the Declaration. A copy of such Rules of Conduct will be delivered or mailed to each Member promptly after adoption.

(c) To keep in good order, condition and repair all the Common Elements and all items of personal property, if any, used in the enjoyment of the Common Elements. No approval of the Members is required for expenditures for these purposes, except as otherwise required by the Declaration or these Bylaws.

(d) To fix, determine, levy, and collect the prorated Annual Assessments to be paid by each of the Members towards the gross expenses of the Property, and to adjust, decrease or increase the amount of the Assessments, and to credit any excess of Assessments over expenses and cash reserves to the Members against the next succeeding Assessment period.

(e) To levy and collect Special Assessments per Section 10.5 of the Declaration whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of

emergencies. All Special Assessments will be in statement form and will set forth in detail the various expenses for which the Special Assessments are being made.

(f) To levy and collect Default Assessments per Section 11.6 of the Declaration for violation of the Condominium Instruments or because the Association has incurred an expense on behalf of a Member under the Condominium Instruments.

(g) To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these Bylaws; and to exercise other remedies for delinquent Assessments as set forth in the Declaration.

(h) To fix, determine, levy and collect the working capital funds to be paid by each of the Members towards the Capital Improvement Fund of the Association, and to adjust, decrease or increase the amount of working capital funds collected from each Member as provided in the Declaration.

(i) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, the Bylaws, or Rules of Conduct established by the Association, all in accordance with Section 7.5 below and Sections 47C-3-107 and 47C-3-107A of the Act.

(j) To enter into contracts within the scope of their duties and powers.

(k) To establish a bank account for the operating account of the Association and for all separate funds as required or deemed advisable by the Board of Directors.

(l) To cause to be kept and maintained full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof by Members or their Mortgagees during convenient weekday business hours.

(m) To cause to be maintained the insurance coverages (including without limitation fidelity insurance, or in its place, a bond covering the Manager, the Board, the officers and any other persons charged with handling Association funds) as may be necessary to comply with the requirements of the Declaration, these Bylaws and the Act.

(n) To delegate to the Manager or any other person or entity such of the Association's duties or responsibilities as may be more conveniently or efficiently performed by someone other than by the Association, and to agree to assess to the Members a reasonable fee for such services, except that the duties set forth in subparagraphs (c), (f), (g), (h) and (i) of this Section 7.2 and duties reserved to the Board by law will not be so delegated.

(o) To prepare a budget before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act.

7.3 Manager. The Board of Directors may employ for the Condominium Association a professional management agent or agents as Manager for compensation established by the Board of Directors to perform such duties and services as authorized by the Board of Directors. During the Declarant Control Period, the Manager may be an affiliate of the Declarant. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (f), (g), (h), and (i) of Section 7.2 of this Article and duties reserved to the Board by law. Declarant, or an affiliate or employ of Declarant, may be employed as Manager, subject to the limitations of the Act. The Manager or its designated agents shall have the authority to enter into rental management agreement and proxy contracts with Unit Owners. If the Board delegates powers of the Board or officers of the Association relating to collection, deposit, transfer or disbursement of Association funds to the Manager (other than Declarant):

(a) The Manager will maintain fidelity insurance coverage or a bond as required by the Declaration;

(b) The Manager will maintain all funds and accounts of the Association separate from the funds and accounts of other Associations managed by the Manager and will maintain all reserve accounts of each Association so managed separate from operational accounts of the Association, each with appropriate access controls, and the bank where the accounts are located must send copies of monthly bank statements directly to the Association, and the Manager will not have authority to draw checks on, or to transfer funds from, the Association's reserve account; and

(c) An annual accounting for Association funds and a financial statement will be prepared and presented to the Association by any one of the following: the Manager, a public accountant, or a certified public accountant.

If a professional manager is employed, the management agreement must be for a specified term (not to exceed three years) and must contain specific termination provisions. Such termination provisions may not require the payment of any penalty for termination or require advance notice of termination in excess of 90 days. Declarant may enter into a management agreement before the expiration of the Declarant Control Period, but the management agreement must provide that the Association has the right to terminate the management agreement without cause and such right may be exercised by the Association at any time after the expiration of the Declarant Control Period.

7.4 Abatement and Enjoinment of Violations by Unit Owners. The violation of any Rule of Conduct adopted by the Board or the breach of any bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which, or as to which, such violation or breach exists, and to make any repairs, and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition which may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass, or, (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Unit Owner; (c) in any case of flagrant or repeated violation by a Unit Owner, to require such Unit Owner to give sufficient sureties for his future compliance with such Condominium documents; or (d) after notice and an opportunity to be heard (as provided in Section 7.5 below), to levy reasonable assessments and fines in accordance with Sections 47C-3-107 and 47C-3-107A of the Act for such violations, and further in accord with the hearing procedures of Section 7.5 below. The failure of the Board to so act with respect to any such violation or breach shall not be deemed a waiver of the Board's right to act with respect to the same or any other breach or violation.

7.5 Hearing Procedure. The Board will not impose a fine, suspend voting, or suspend any rights of a Member or other occupant of the Property for violations of Rules of Conduct or of the provisions of the Condominium Instruments unless and until the procedure below is followed:

(a) Demand. Written demand to cease and desist from the alleged violation will be served upon the alleged violator specifying:

- (i) the alleged violation;
- (ii) the action required to abate the violation; and

(iii) A time period of not less than 10 days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

(b) Notice. At any time within 12 months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate will serve the violator with written notice of a hearing to be held by the Board. The notice will contain the following:

- (i) The nature of the alleged violation;

(ii) The time and place of the hearing, which time will be not less than 10 days from the giving of the notice;

(iii) An invitation to attend the hearing and produce any statement, evidence and witness on the Member's behalf; and

(iv) the proposed sanction to be imposed.

(c) Hearing. The hearing will be held pursuant to the notice, affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction under these Bylaws, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director or agent who delivered such notice. The notice requirement will be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed. Written and oral evidence may be presented. The presenting party will provide copies of any written evidence to the other party or parties. The decision of the Board will be final.

(d) Appeal. The Board may in its discretion appoint a Hearing Committee to hear the matter. In such event the above procedure will apply except that either party may appeal the decision of the Hearing Committee to the Board by written notice to the Hearing Committee, the other party and the Board. The Board will consider the minutes of the hearing and report the decision of the Board within a reasonable period of time not exceeding 60 days after receipt of the notice. The decision of the Board will be final.

The foregoing procedures will not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent Assessment.

7.6 Remedies Cumulative. All rights, remedies and privileges granted to the Association or the Owner or Owners of a Unit pursuant to any terms, provisions, covenants or condition of the Declaration or other above-mentioned documents, shall be cumulative, and the exercise of any one or more shall not constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other additional rights, remedies or privileges as may be available to such party at law or in equity.

7.7 Nonwaiver of Remedies.

(a) The failure of the Association or any Unit Owner to enforce any right,

provision, covenant or condition which may be granted by the Declaration or the other above-mentioned documents shall not constitute a waiver of the right of the Association or the Unit Owner to enforce such right, provision, covenant or condition in the future.

(b) The failure of a First Mortgagee to enforce any right, provision, privilege, covenant or condition which may be granted to it or them by the Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant or condition in the future.

ARTICLE VIII OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers. The officers of the Association will be a President, Vice President, Secretary and Treasurer, and such other officers as the Board may from time to time create by resolution. Following the expiration of the Declarant Control Period, all officers of the Association must be Owners of Condominium Units in the Property.

8.2 Election of Officers. The election of officers will take place at the first meeting of the Board of Directors following each annual meeting of the Members.

8.3 Term. The officers of the Association will be elected annually by the Board, and each will hold office for one year or until his successor is duly elected and qualified, unless he sooner resigns, or is removed, or is otherwise disqualified to serve.

8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom will hold office for such period, have such authority, and perform such duties as the Board may determine from time to time.

8.5 Resignation and Removal. Any officer maybe removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation will take effect on the date of receipt of such notice or at any later time specified in the notice, and unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make it effective.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy will serve for the remainder of the term of the officer replaced.

8.7 Multiple Offices. The same person may hold any two or more offices except the offices of President and Secretary.

8.8 Duties. The duties of the officers are as follows:

(a) President. The President will preside at all meetings of the Association and the Board of Directors; see that orders and resolutions of the Board are carried out; sign all leases, mortgages, deeds and other written instruments; co-sign all promissory notes; cause to be prepared and execute, certify and record amendments to the Declaration on behalf of the Association; and exercise and discharge such other duties as may be required of the President by the Board.

(b) Vice President. The Vice President will act in the place and stead of the President in the event of his absence, inability or refusal to act, and will exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary will record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and place it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records listing the Members together with their addresses; and perform such other duties as required by the Board.

(d) Treasurer. The Treasurer will receive and deposit in appropriate bank accounts all monies of the Association and will disburse such funds as directed by resolution of the Board of Directors; sign all checks of the Association unless the Board specifically directs otherwise, and co-sign all promissory notes of the Association; keep proper books of account; at the direction of the Board, cause an annual audit of the Association books to be made by a public accountant at least once in every three fiscal years; and prepare an annual budget and a statement of income and expenditures to be presented to the Members at their regular annual meeting, and deliver or make copies available to each of the Members.

ARTICLE IX FINANCIAL RECORDS AND STATEMENTS

9.1 Reports. The Board shall keep records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Association, and financing records and books of account of the Condominium, including a chronological listing of receipts and expenditures for each Unit, which, among other things, shall contain the amount of each Assessment against each Unit, the date when due, the amounts paid and the balance remaining unpaid. The financial records and books of account shall be available for examination by all Unit Owners, their duly authorized agents or attorneys, and all lien holders, their attorneys and authorized agents, upon reasonable request. A written annual summary of all receipts and expenditures of the Condominium shall be rendered by the Board to all Unit Owners on or before the 15th day of March of each fiscal year.

9.2 Operating Expense Funds. All sums collected by the Association may be commingled in a single account, but they shall be held for the Owners for the purposes for which they are paid, and shall include the following funds:

(a) General Common Expense Fund. to which shall be credited collection of that portion of the Common Expense Assessments received for defraying the costs of operating the Condominium on a day-to-day basis, including normal maintenance and repairs, insurance and related charges; and

(b) Capital Improvement Fund. to which shall be credited, all sums collected which are to be allocated for capital expenditures for the reconstruction, repair and replacement of Common Elements at a future date.

9.3 Records. All books of account and financial records shall be kept in accordance with good and acceptable accounting practices. The Board shall prepare an annual financial statement for all Unit Owners on or before the 15th day of March following the close of each fiscal year.

ARTICLE X COMMITTEES

10.1 Appointment. The Board of Directors may appoint a Hearing Committee as described in Section 7.5 above, and other committees as the Board deems appropriate in carrying out its purposes.

ARTICLE XI INDEMNIFICATION

11.1 Indemnification of Directors and Officers. To the extent permitted by law and consistent with the Articles of Incorporation, the Association will indemnify every member of the Board of Directors, and every officer, employee and agent of the Association and every person who serves at the request of the Association as a director, officer, employee, fiduciary or agent of any other foreign or domestic corporation or of any partnership, joint venture, trust or other enterprise or employee benefit plan against liability asserted against or incurred by such person in such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article will not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the

person to be indemnified has not been guilty of such actions or omissions in the performance of such person's duties for the Association. The foregoing rights will not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost and expense arising out of or in connection with the foregoing indemnification provisions will be treated and handled by the Association as a Common Expense.

ARTICLE XII NONPROFIT CORPORATION

12.1 Nonprofit Status. The Association is not organized for profit. No Member of the Association, member of the Board of Directors, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Board of Directors.

ARTICLE XIII AMENDMENTS TO BYLAWS

13.1 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of a meeting at which a proposed amendment is to be considered.

13.2 Adoption. A resolution for the adoption of a proposed amendment may be proposed by any voting Member of the Association. Members of the Association not present in person or by proxy at the meeting considering the amendment may express their approval in writing, provided that such approval is delivered to the Secretary at or prior to the meeting. The approval must be a vote of not less than 67% of the Members, but any amendment during the Declarant Control Period which effects Special Declarant Rights shall require the written consent of the Declarant to be effective.

13.3 Limitation. No amendment may be adopted which would eliminate, modify, prejudice, abridge or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to the First Mortgagees without the consent of said First Mortgagees in each instance. No amendment shall be made that is in conflict with the Articles of Incorporation of the Association or Declaration without satisfaction of the requirements therein contained. No amendment to this Section shall be valid.

13.4 Execution. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment to the Bylaws, which certificate shall be executed by the President and attested by the Secretary.

**ARTICLE XIV
MISCELLANEOUS**

14.1 Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control, and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.

14.2 Use of Electronic Mail or Meeting. Any action or vote which may be taken or entered by a Director, Unit Owner or Member in person, or by proxy, other than a vote on amendment of the Declaration, may, in the alternative, be accomplished by the use of electronic mail or electronic meeting utilized in accordance with rules promulgated by the Board of Directors establishing reasonable safeguards as to the genuineness of the action and notice to the other participants. The action shall be evidenced by a written record describing the action taken, signed before or after such action by all members utilizing said method, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

14.3 Dissolution. The Association may be dissolved only after termination of the Condominium in accordance with the terms of the Declaration and the creation and execution of a plan of dissolution that is in full compliance with all terms of the North Carolina Nonprofit Corporation Act. Any Association assets remaining after satisfying all Association debts will be distributed in accordance with the plan of dissolution and in a manner complying with the North Carolina Nonprofit Corporation Act.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Marina Condominiums Owners' Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by written consent of all directors of the Association, effective as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association, this ____ day of _____, 2006.

BY: _____
Secretary

NORTH CAROLINA
DARE COUNTY

I, _____ a Notary Public of the aforesaid
County and State do hereby certify that _____,
Secretary of Marina Condominiums Owners' Association, Inc., a North Carolina corporation,
appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and notarial seal this ____ day of _____, 2006.

Notary Public

My Commission Expires: _____

(SEAL)

EXHIBIT "D"
To Marshes Light Marina Condominiums Declaration
State of North Carolina
Department of the Secretary of State
ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

1. The name of the corporation is: **Marina Condominium Owners' Association, Inc.**
2. _____ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in NCGS §55A-1-40(4).
3. The street address and county of the initial registered office of the corporation is:

Number and Street **6 Juniper Trail**

City, State, Zip Code **Kitty Hawk, NC 27949** County **Dare**
4. The mailing address *if different from the street address* of the initial registered office is:

PO Box 2 Kitty Hawk, NC 27949
5. The name of the initial registered agent is:

Daniel D. Khoury, Esq.
6. The name and address of each incorporator is as follows **Marshes Light, LLC PO Box 229 Kitty Hawk, NC 27949**
7. (Check either a or b below.)
 - a. The corporation will have members.
 - b. The corporation will not have members.
8. Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.
9. Any other provisions which the corporation elects to include are attached.
10. The street address and county of the principal office of the corporation is:

Number and Street **3628 North Croatan Highway**

City, State, Zip Code **Kitty Hawk, North Carolina 27949** County **Dare**
11. The mailing address *if different from the street address* of the principal office is: **P.O. Box 229 Kitty Hawk, North Carolina 27949**
12. These articles will be effective upon filing, unless a later time and/or date is specified: **N/A**

Revised January 2000

Form N-01

This is the ___ day of June ,2006.

MARSHES LIGHT, LLC, Incorporator

By: _____
Charles J. Hayes, Jr., Manager

State of North Carolina
Department of the Secretary of State

ARTICLES OF INCORPORATION OF
MARINA CONDOMINIUMS OWNERS ASSOCIATION, INC.
(Continued)

Article 8: Provisions regarding the distribution of the corporation's assets upon its dissolution:

Upon dissolution of the corporation, other than as a result of a merger or consolidation, the assets of the corporation shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization devoted or to be devoted to similar purposes to those of the corporation.

Article 9: Other provisions which the corporation elects to include to its Articles of Incorporation:

(a) No part of the net income or net earnings of the corporation shall inure to the benefit of any officer, director or member of the corporation, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes of the corporation. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

(b) Every director, officer, employee or agent of the corporation shall be indemnified by the corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director, officer, employee or agent of the corporation, whether or not he or she is a director, officer, employee or agent of the corporation at the time such expenses are incurred, except in such cases wherein the director, officer, employee or agent is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director, officer, employee or agent seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interest of the corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which director, officer, employee or agent may be entitled. The indemnification herein provided for is intended to comply in all respects with the provisions of the North Carolina Nonprofit Corporation Act, as same may be amended from time to time, and shall be applied to the fullest extent permitted under North Carolina law.

(c) Except as otherwise provided under North Carolina law, no director shall have any personal liability arising out of an action whether by or on the right of the Corporation or otherwise for monetary damages for breach of their duty as directors.

NOTES:

1. Filing fee is \$60. This document must be filed with the Secretary of State.

APPENDIX "B"
to
Public Offering Statement

Marshes Light Marina Condominium Association
Proposed Operating Budget 2007

Income:

Member Assessments (20 units @ \$3,000)	\$ 60,000.00
Total Income	<u>\$ 60,000.00</u>

Expenses:

General and Administrative

Management at 10 percent of income	6,000.00
Property and liability insurance	12,000.00
Flood and wind insurance	15,000.00
Directors insurance	2,000.00
Accounting, tax returns	1,000.00
Depreciation and other	<u>0.00</u>
	\$ 13,400.00

Total Expenses	49,400.00
----------------	-----------

Transfers to Reserves:

Regular member assessments (\$60,000) x15 percent	9,000.00
Repairs from reserves	<u>0.00</u>
Total Reserves	9,000.00

Total Expenses and Reserves	<u>58,400.00</u>
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Excess of Revenues over Expenses	\$ 1,600.00
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BUILDING #13 NORTH ELEVATION

OFFERED BY:

KITTY HAWK LAND COMPANY

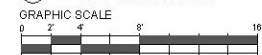
PLEASE NOTE: THESE DRAWINGS ARE FOR GENERAL ILLUSTRATIVE PURPOSES ONLY. ACTUAL CONSTRUCTION MAY VARY.



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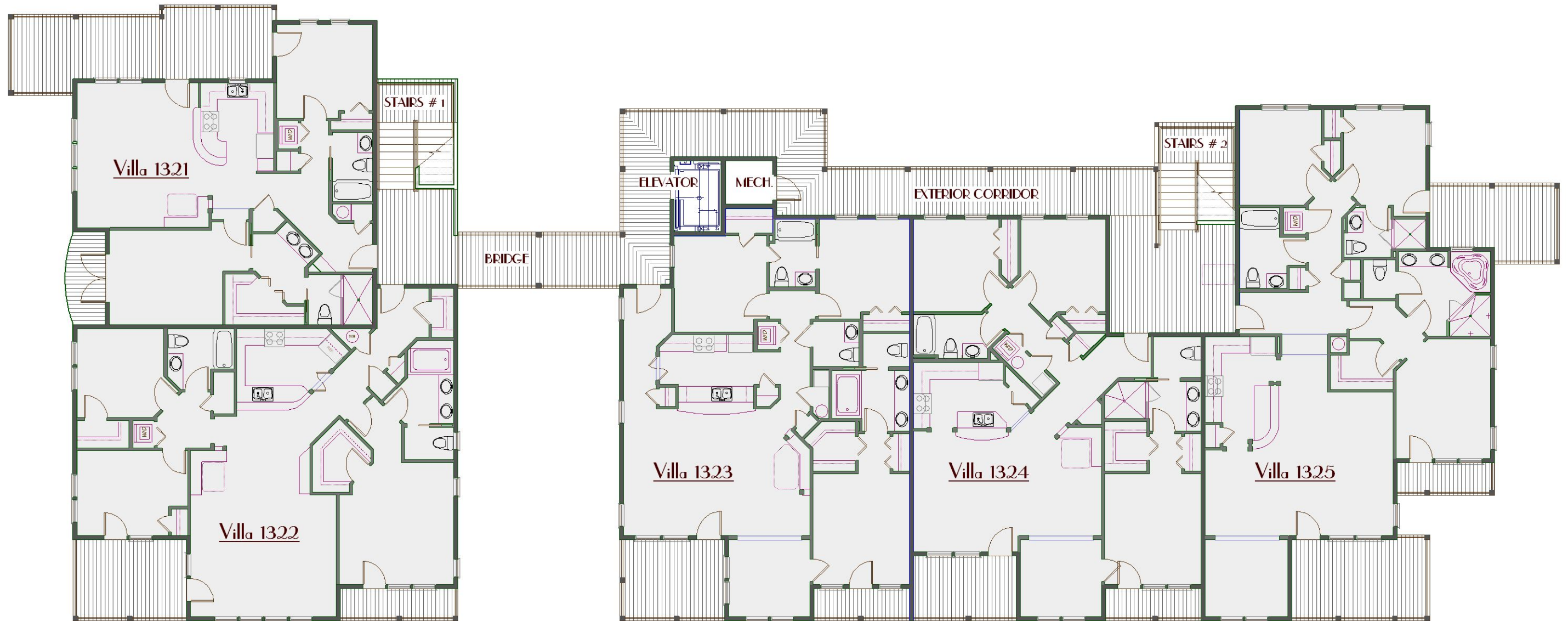


BUILDING #13 THIRD FLOOR PLAN

OFFERED BY:

KITTY HAWK LAND COMPANY

PLEASE NOTE: THESE DRAWINGS ARE FOR GENERAL ILLUSTRATIVE PURPOSES ONLY. ACTUAL CONSTRUCTION MAY VARY.



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GRAPHIC SCALE
0 2 4 8 16'



BUILDING #13 SECOND FLOOR PLAN

OFFERED BY:
KITTY HAWK LAND COMPANY
PLEASE NOTE, THESE DRAWINGS ARE FOR GENERAL ILLUSTRATIVE PURPOSES ONLY.
ACTUAL CONSTRUCTION MAY VARY.

Appendix C-4



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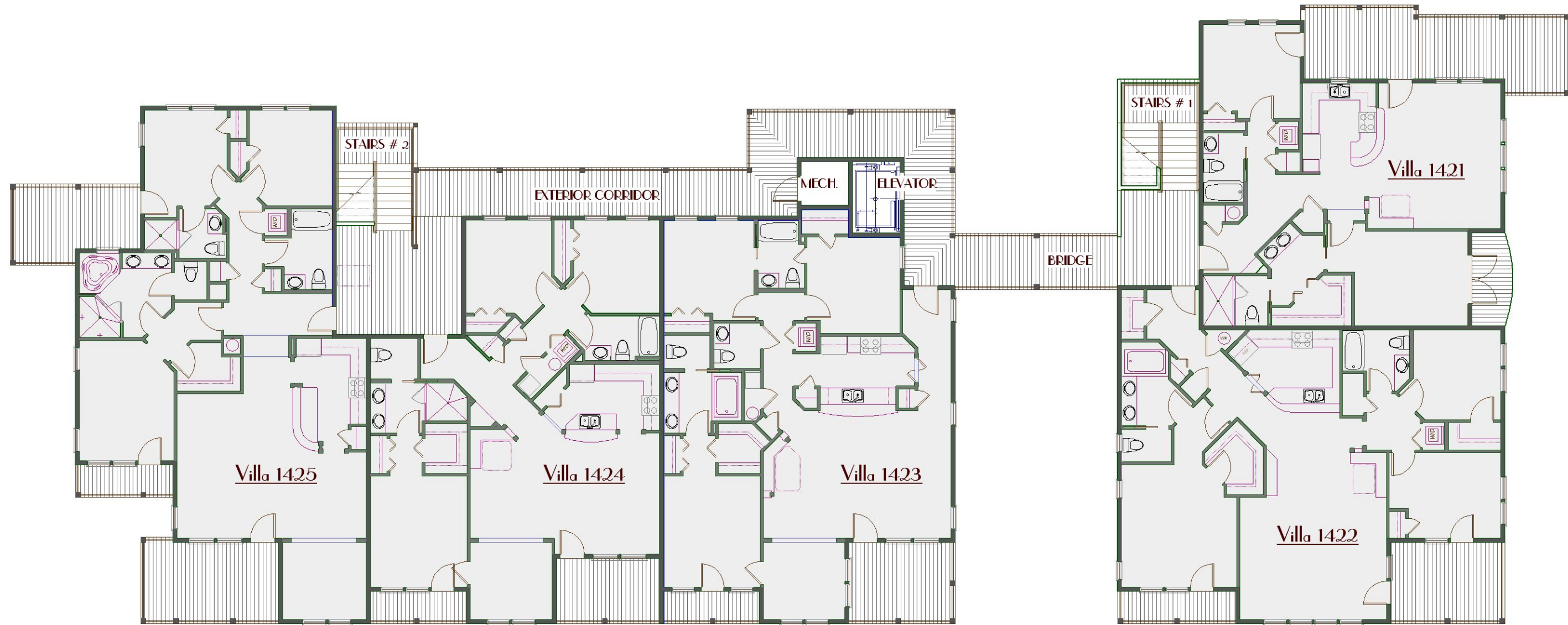
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BUILDING #14 NORTH ELEVATION

OFFERED BY:
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PLEASE NOTE: THESE DRAWINGS ARE FOR GENERAL ILLUSTRATIVE PURPOSES ONLY.
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BUILDING #14 SECOND FLOOR PLAN

OFFERED BY:

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GRAPHIC SCALE
0 2 4 8 16'



BUILDING #14 THIRD FLOOR PLAN

OFFERED BY:

KITTY HAWK LAND COMPANY

PLEASE NOTE: THESE DRAWINGS ARE FOR GENERAL ILLUSTRATIVE PURPOSES ONLY. ACTUAL CONSTRUCTION MAY VARY.

MARSHES LIGHT, L.L.C. HISTORIC MANTEO

NEIGHBORHOOD LEGEND

- A MARSHES LIGHT COMPTON CORNER QUADS
- B INN AT MARSHES LIGHT
- C MARSHES LIGHT RETAIL COTTAGES
- D MARSHES LIGHT MARINA CONDOMINIUMS
- E MARSHES LIGHT TOWNHOUSES
- F MARSHES LIGHT HOMESITES
- G MARSHES LIGHT MARINA

DADE COUNTY BOARD OF EDUCATION
(HARVEY VESTER SCHOOL)
ZONE B-2
RD E 24, SW
D-16, D-14



Quible SINCE 1959
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CONSTRUCTION, OR RECORDATION.



SCALE: 1:100

APPENDIX D
to Public Offering Statement

PERMITTED EXCEPTIONS

1. Taxes to the Town of Manteo and Dare County for the year 2006 and subsequent years, not yet due and payable.
2. All general service and utility easements affecting the insured land.
3. Covenants, conditions, restrictions and easements as set forth in the Master Declaration of Covenants, Conditions and Restrictions for Marshes Light.
4. Future assessments to Marshes Light Master Association, Inc.
5. Covenants, conditions and restrictions as set forth in the Declaration of Condominium for Marshes Light Marina Condominiums.
6. Future assessments to Marina Unit Owners' Association, Inc.
7. Conditional Use Permit granted by the Town of Manteo recorded in Book 1668 at Page 193 in the Public Registry of Dare County, North Carolina.
8. Easement and Maintenance Agreement recorded in Book 1688 at Page 128 in the Public Registry of Dare County, North Carolina.

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**MASTER DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
MARSHES LIGHT**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS (the “DECLARATION”) for the community of Marshes Light (“Marshes Light”) is made this 16th day of June 2006 by Marshes Light LLC, a North Carolina limited liability company (the “Declarant”).

RECITALS

[STATEMENT OF PURPOSE]

A. Declarant is the Developer of that property situated within the historic Town of Manteo on Roanoke Island, North Carolina, said property more particularly described in Exhibit “A,” which property has been permitted by the Town of Manteo as a conditional use having a combination of single-family residential lots per subdivision ordinance and a mixed-use of residential and retail community uses of a group development. The Declarant intends by this Declaration to establish a general plan of development for the conditional uses, said development to occur in phases.

B. Declarant’s present intention is stated for information of present intent only and not as a warranty or representation of a future fact as Declarant intends to develop Marshes Light in phases of residential and commercial uses which may include by way of example and not limitation: individually owned single-family lots, condominiums, townhomes and cottages with mixed retail and residential uses, multi-family main corner quads with mixed uses of retail and residential, a dockominium and a sixty-room inn, all of which may include related accessory uses.

C. Declarant desires that the development of Marshes Light be patterned upon selected architectural styles, which recognize the design criteria established in the “Manteo Way of Building.” In accord, the covenants, conditions, and restrictions of Marshes Light are promulgated to promote a sense of community by placing priority of the pedestrian over the car; scaling and configuring buildings for optimum privacy while still encouraging interaction; and offering features such as wrap-around porches that encourage neighborhood interaction; and opportunities to enjoy the natural landscape, including marsh and bay, marine uses and facilities, and the boardwalks and public parks linking the community to the Roanoke Marshes Lighthouse, NC Maritime Museum, and Roanoke Island Festival Park, all unique to the island town of Manteo.

D. To further the recited purposes, Marshes Light will be developed in phases of distinct Neighborhoods with each Neighborhood subject to being governed by the Marshes Light Master Association, a non-profit organization incorporated by the Declarant under the laws of the State of North Carolina. The Master Association shall be delegated the administration of the Common

Elements subject to the provisions of this Declaration. The Neighborhoods presently contemplated include: Marshes Light Homesites, Marshes Light Compton Corner Quads, Marshes Light Marina, Marshes Light Marina Condominiums, Marshes Light Retail Cottages, Marshes Light Townhomes, and the Inn at Marshes Light. Several of the Neighborhoods may have an owners' association (the "Neighborhood Association") to manage the property of that Neighborhood, which management and administration may include the power to levy assessments for the maintenance and replacement of the neighborhood property. Notwithstanding the formation and operation of Neighborhood Associations, the provisions of this Declaration shall be superior and shall be controlling in the event of any conflict with any provisions of any Neighborhood Association.

E To preserve the value and the amenities of Marshes Light and ensure that all improvements within Marshes Light are in conformance with the Architectural Guidelines, Declarant has made provisions for an Architectural Review Board (the "ARB"), which shall be responsible for administering the Architectural Guidelines and any improvements to be constructed. Plans and specifications detailing the nature, kind, shape, material, and location of construction of any type or purpose, including alterations or additions to existing structure, must be submitted for approval by the ARB prior to any land disturbance. The ARB shall approve such plans based on their location relative to surrounding structures, their relationship to the topography, and the harmony of exterior design. The Architectural Guidelines may be amended from time to time by the ARB in its sole discretion.

F. To accomplish the objectives as referenced within these recitals, it is in the best interest of Marshes Light for the Declarant to maintain a significant role in the implementation of each phase of Marshes Light and the Declarant has therefore retained numerous rights and will exercise controls throughout the developmental period.

NOW, THEREFORE, Declarant, as the owner of the real property described in Exhibit "B," intends with the recordation of this Declaration, to establish a general plan of development for the planned community known as Marshes Light. All property described in Exhibit "B" and any additional property as described in Article III shall be owned, conveyed and used subject to all the provisions of this Declaration which shall run with the title to each Property. This Declaration shall be binding upon all persons having any right, title, or interest in any portion of Marshes Light, their respective heirs, successors in title, and assigns.

Article I Concepts and Definitions

The terms used in the governing documents shall be given their natural commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

Section 1.01. "Act" shall mean and refer to the North Carolina Planned Community Act as codified in Chapter 47F of the North Carolina General Statutes.

Section 1.02. "Additional Property" shall mean and refer to those portions of property described in Exhibit "A" which have not been subjected to this Declaration, other than the property described in Exhibit "B" attached hereto, which may be subjected to the Declaration as more particularly set forth in Article II hereof. The Additional Property includes all real property currently owned by Declarant, and any adjacent or nearby property hereafter acquired by Declarant that Declarant desires to bring under this Declaration.

Section 1.03. “Architectural Guidelines” shall mean and refer to the architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended from time to time.

Section 1.04. “Architectural Review Board” (“ARB”) shall mean and refer to that committee responsible for promulgating Architectural Guidelines and approving all buildings, structural improvements, additions, modifications, and changes within Marshes Light.

Section 1.05. “Articles of Incorporation” shall mean and refer to the Articles of Incorporation of Marshes Light Master Association, Inc. as filed with the Secretary of State of North Carolina.

Section 1.06. “Assessments” shall mean and refer to all base assessments, special assessments, individual assessments, and other fees and charges levied by the Association in accordance with the Governing Documents.

Section 1.07. “Association” shall mean and refer to Marshes Light Master Association, Inc., a North Carolina non-profit association.

Section 1.08. “Base Assessment” shall mean and refer to those assessments levied on all Units subject to assessment under Article VII to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 7.01.

Section 1.09. “Board” shall mean and refer to the Board of Directors of the Association.

Section 1.10. “Bylaws” shall mean and refer to the Bylaws of the Association as they may now or hereafter exist. A copy of the initial Bylaws is attached to this Declaration as Exhibit “C.”

Section 1.11. “Commercial Site” shall mean and refer to any unimproved parcel of land designated on the plans of Marshes Light intended for use as a site for improvements designed to accommodate commercial enterprises to serve residents of Marshes Light and the public which shall include Building #18 “Ship Store” as shown on the Site Plan.

Section 1.12. “Common Elements” shall mean and refer to all real and personal property, including easements, which the Association owns, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Limited Common Element, as defined below.

Section 1.13. “Common Expenses” shall mean and refer to the actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

Section 1.14. “Conditional Use Permit” (the “CUP”) shall mean and refer to that approval for the development of all the Neighborhoods and the Common Elements of Marshes Light by the Town of Manteo subject to the conditions of said permit which is recorded in Deed Book 1668 at Page 193 of the Public Registry of Dare County.

Section 1.15. “Declarant” shall mean and refer to Marshes Light LLC and any successor or assign designated as the “Declarant” in a written instrument filed in the Public Registry of Dare County, North Carolina executed by the preceding Declarant.

Section 1.16. “Declarant Control Period” shall mean and refer to the period during which Declarant shall maintain any and all privileges, powers, easements, exemptions, rights, and duties reserved to the Declarant by the Governing Documents, and any reasonable amendments thereto related to the development of Marshes Light including the pursuit and furtherance of the recitals set forth within the Statement of Purpose. The Declarant Control Period shall terminate on the earliest of the following:

- (i) The date on which Declarant ceases to own at least five percent (5%) of the land described in Exhibit “A”;
- (ii) The date on which the Declarant executes and records in the Public Registry of Dare County, North Carolina a notice that the Declarant has terminated the Class B Membership (which amendment shall not require the consent of any other owners); or
- (iii) December 31, 2026.

The Declarant may voluntarily elect an earlier termination of the Declarant Control Period by giving written notice to the Association at such time when the Association will accept all those privileges, powers, easements, rights, and duties. During the Declarant Control Period, the Declarant shall have all those Special Declarant’s Rights defined by the Act and in addition those rights which shall include at a minimum: the right to make all appointments to the ARB, the right to appoint a majority of the members to the Board of the Association, and the right to approve any amendments to the Governing Documents.

Section 1.17. “Declaration” shall mean and refer to this Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light as it may be amended and supplemented from time to time as herein provided.

Section 1.18. “Governing Documents” shall mean and refer to this Declaration, any Supplemental Declaration, the Architectural Guidelines, the Articles of Incorporation, and Bylaws of the Association.

Section 1.19. “Improvements” shall mean and include all buildings, storage sheds or areas, roofed structures, decks, patios, sidewalks, parking areas, exterior recreational areas, recreational equipment and facilities, mailboxes, exterior antennae, dishes or other apparatus to receive or transmit television or radio or microwave or other signals, loading areas, fences, walls, hedges, mass plantings, poles, driveways or paved areas, ponds, changes in grade or slope of a Unit, silt preparation of a Unit, landscaping, exterior clotheslines, swimming pools, tennis courts, signs, exterior illumination, changes in any exterior color or shape, and any other exterior construction or exterior structure or other exterior improvement which may not be included in any of the foregoing. The definition of Improvements includes both original Improvements and all later changes and additions to Improvements.

Section 1.20. “Individual Assessments” shall mean and refer to those assessments that may be levied against an Owner to reimburse the Association for costs incurred in bringing the Owner’s property into compliance with the Governing Documents.

Section 1.21. “Inn at Marshes Light” shall mean and refer to those two buildings numbered 5 and 6 and each notated as “30 Hotel Rooms” on the Site Plan of Marshes Light dated November 11, 2005, each containing up to thirty hotel rooms. Declarant has reserved the right to have the Inn at Marshes Light sold and operated as hotel/condominiums.

Section 1.22. “Landscaped Rights-of-Way” shall mean the medians and other areas within public or private street rights-of-way within or adjoining Marshes Light which are designated as Common Element or Landscaped Rights-of-Way on any plat recorded in the Office of the Register of Dare County, North Carolina by Declarant or by any other party entitled to subject Additional Property to the Declaration, and which shall be maintained by the Association as a Common Expense.

Section 1.23. “Limited Common Element” means a portion of the Common Elements designated by the Declarant pursuant to Section 8.02 for the use of one or more Unit or Neighborhood, but less than all of the Units or Neighborhoods.

Section 1.24. “Limited Common Expense Assessment” means the annual assessments provided for in Section 7.02(d).

Section 1.25. “Lot” shall mean and refer to any numbered plot of land which is part of Marshes Light Homesites and which is shown on any plat recorded in the Public Registry of Dare County, North Carolina.

Section 1.26. “Marshes Light” shall mean and refer to all of the property described in Exhibit “A” including all Neighborhoods and Common Elements.

Section 1.27. “Marshes Light Homesites” shall mean and refer to the 22 Single- Family Residential Lots as set forth on the Site Plan.

Section 1.28. “Marshes Light Compton Corner Quads” shall mean and refer to those four (4) buildings numbered 1, 2, 3, and 4 as shown on the Site Plan of Marshes Light dated November 11, 2005, each being mixed retail and residential in use with three (3) retail units in each Building on the ground floor, and with three (3) residential units each on floors two and three in each building, for a total of nine (9) Units (3 retail and 6 residential) per building.

Section 1.29. “Marshes Light Marina” shall mean and refer to the docks, piers, moorings, and boat slips in combination, and that, operating together as a boat launching, parking, and minor marine supplies and servicing facility, are an integral component of the Marshes Light community and which docks and piers are adjacent to and are accessed from within the Marshes Light community as shown on the Site Plan of Marshes Light dated November 11, 2005.

Section 1.30. “Marshes Light Marina Condominiums” shall mean and refer to those five buildings numbered 13, 14, 15, 16, and 17, as shown on the Site Plan of Marshes Light dated

November 11, 2005, each containing residential units on two elevated floors and with dedicated ground-level parking areas below.

Section 1.31. “Marshes Light Retail Cottages” shall mean and refer to those six (6) buildings numbered 7, 8, 9, 10, 11, and 12, as shown on the Site Plan of Marshes Light dated November 11, 2005, each typically consisting of a retail unit on the ground level and with one or two residential units in each building on the second and third floors. Buildings 7, 8, 9, 10, and 11 are required to have retail spaces on the ground floor while Building 12 may have a residential unit on the ground floor at the Owners’ option, and any of the six (6) buildings may be used for additional retail units versus residential on the second and/or third floors.

Section 1.32. “Marshes Light Townhomes” shall mean and refer to those six (6) attached common-wall residential units as identified and notated as “1-6 on Water Street” on the Site Plan of Marshes Light dated November 11, 2005, each to be an individual Marshes Light residential unit.

Section 1.33. “Member” shall mean and refer to every person who holds a membership in the Association.

Section 1.34. “Mortgage” shall mean a mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. The term “Mortgagee” shall refer to a beneficiary or holder of a Mortgage.

Section 1.35. “Neighborhood” shall mean a group of Units that are similar in design, form and function and designated as a separate Neighborhood with features, voting rights and Base Assessments different from Units in other Neighborhoods. The CUP for Marshes Light approved the following neighborhoods: Marshes Light Retail Cottages, Marshes Light Compton Corner Quads, Marshes Light Marina, Marshes Light Marina Condominiums, Marshes Light Homesites, Marshes Light Townhouses, and the Inn at Marshes Light.

Section 1.36. “Neighborhood Assessments” shall mean any assessments levied against the units in a particular Neighborhood by a Neighborhood Association to fund the Common Elements of the buildings or property within that Neighborhood, which assessments are separate and apart from those assessments levied by the Marshes Light Master Association, Inc.

Section 1.37. “Neighborhood Association” shall mean a condominium association or other owners’ association, if any, having jurisdiction over any Neighborhood concurrent with (but subject to) the jurisdiction of the Association. Nothing in this Declaration shall require the creation of any Neighborhood Association.

Section 1.38 “Neighborhood Expenses” shall mean the actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s) and which are assessed against the Owners within a particular Neighborhood as a Limited Common Expense Assessment as provided in Section 7.02(d) below.

Section 1.39. “Owner” shall mean one or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation.

Section 1.40. “Person” shall mean a natural person, a corporation, a limited liability company, a partnership, a trustee, or any other legal entity.

Section 1.41. “Plans” means the plans and other information required to be submitted by an Owner pursuant to Section 4.04.

Section 1.42. “Property” shall mean the real property described in **Exhibit “B”** attached hereto and any other property hereafter subjected to this Declaration.

Section 1.43. “Restrictions and Rules” shall mean the initial restrictions and rules, initially set forth in Section 3.06 as they may be supplemented, modified and repealed pursuant to Article III.

Section 1.44. “Site Plan” shall mean and refer to that set of plans submitted to the Town of Manteo which were approved and for which a Conditional Use Permit was issued, said set of plans captioned “Historic Manteo (A Group Development Project)” dated 11/11/05 revised 03/17/06 consisting of 23 pages with the Site-Plan layout described on sheets C3-C4.

Section 1.45. “Slips(s)” shall mean and refer to a condominium unit in Marshes Light Marina for boat dockage.

Section 1.46. “Special Assessment” shall mean assessments levied in accordance with Section 7.02(b) of this Declaration.

Section 1.47 “Special Declarant Rights” shall mean and refer to all rights reserved to the Declarant as allowed by the Act including, without limitation, any right: to complete all improvements of the proposed Neighborhoods; to exercise all developmental rights; to maintain sales offices and management offices; to erect signs advertising Marshes Light and models; to use easements through the Common Elements for the purpose of making improvements within Marshes Light including the Additional Property; to make the Neighborhoods of Marshes Light subject to a Master Association; and to appoint or remove any officer or board member of the Association or any Master Association during the Declarant Control Period.

Section 1.48. “Streets” shall mean and refer to the private roads and easements of Marshes Light which are to be maintained by the Association, the same being: Compton Street, Compton Quads, Woodbury Common Mews, Dartmoor Avenue, Dartmoor Lane and Sherbourne Mews.

Section 1.49 “Supplemental Declaration” shall mean an amendment or supplement to this Declaration executed by or consented to by Declarant which subjects Additional Property to this Declaration or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

Section 1.50. “Unit” means a portion of Marshes Light, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as either:

an attached or detached residence for a single family, whether the same be a single-family lot as provided in the Neighborhood of Marshes Light Homesites, a condominium unit as provided in the Marshes Light Marina Condominiums, a townhome as provided in Marshes Light Townhomes; as a unit of retail or residential use as provided for in the Neighborhoods of Marshes Light Retail Cottages and Marshes Light Compton Corner Quads; as a Slip as provided in Marshes Light Marina; or as Condo/Hotel Unit as may be provided for in the Inn at Marshes Light. If a condominium or townhouse unit, the term shall refer to land, if any, which is a part of the Unit as well as any improvements thereon. In the case of a structure containing multiple or mixed uses, each Unit dedicated to a separate use shall be deemed to be a separate Unit as will each condo/hotel residence room and each slip.

Section 1.51. “Zoning Ordinance” means any ordinance, regulation, or provision enacted by the Town of Manteo, North Carolina regulating, restricting, permitting, or prohibiting the use of land and the construction of Improvements thereon and, for the purpose of this definition, shall include the conditions and provisions of any conditional use permit affecting any portion of Marshes Light.

Article II Property

Section 2.01. Property Made Subject to Declaration. That real estate which is described in Exhibit “B” hereto is hereby made subject to this Declaration and the Property shall be owned, held used, occupied, leased, transferred, sold, mortgaged, and/or conveyed by Declarant, the Association, and each Owner subject to this Declaration and the terms, covenants, conditions, restrictions, easements, charges, and liens set forth in this Declaration. Declarant shall have the right as set forth below, but shall have no obligation, to subject the Additional Property to this Declaration.

Section 2.02. Annexation of Additional Property by Declarant Within Twenty Years. If within twenty (20) years of the date of recordation of this Declaration, Declarant is the Owner of any real property which Declarant currently owns, or which Declarant hereafter acquires and which is contiguous or adjacent to the Property, which Declarant desires to subject to this Declaration (such real property being referred to herein as “Additional Property”), it may do so by filing and recording a Supplemental Declaration which shall extend this Declaration to such Additional Property, provided, however, that such Supplemental Declaration or Additional Declaration, as applied to the Additional Property covered thereby, may include such specific additional terms, covenants, conditions, restrictions, easements, charges, and liens, not inconsistent with this Declaration, as may be set forth in such Supplemental Declaration. There shall be no requirement that any party other than the Declarant consent to, approve, or execute any such Supplemental Declaration or Additional Declaration.

Section 2.03. No Approval Needed. The exercise of Declarant’s rights under Section 2.02 is not conditioned upon nor subject to the approval of other Owners.

Section 2.04. Additional Restriction. Declarant may, in its discretion, from time to time execute and record one or more Supplemental Declarations for the purpose of establishing certain additional or different covenants, easements, and restrictions (including, without limitation, a different level of assessments) applicable to a specific portion of the property then owned by Declarant and to be developed for a specific type of use. However, no negative reciprocal easement

shall arise out of any such Supplemental Declaration so as to bind any portion of the property not expressly subjected thereto.

Section 2.05. Master Plan. The existence of a Master Plan for Marshes Light as part of the Zoning Ordinance or otherwise shall not be deemed to constitute a representation by Declarant that the real estate shown thereon shall be developed as depicted on the Master Plan, and the Master Plan may be amended from time to time in the sole discretion of Declarant with the consent (to the extent required) of the Town of Manteo, North Carolina.

Section 2.06. Effect of Filing Supplemental Declaration. A Supplemental Declaration shall be effective upon recordation in the Public Registry of Dare County, North Carolina unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

Article III Use of Property

Section 3.01. Purpose. In order to preserve the natural setting and beauty of Marshes Light, and to establish and preserve a harmonious and aesthetically pleasing design pursuant to standards promulgated by the Association, and to protect and promote the value of all properties within Marshes Light, each Unit located within Marshes Light shall be subject to the standards and restrictions set forth in this Article III. The fabric of Marshes Light's identity as a community, distinct from other developments, derives from the standards for use and conduct, and the architecture and maintenance of its structures and land uses. This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for community standards to evolve as Marshes Light changes and grows in time.

Section 3.02. Framework for Regulation. The Governing Documents establish, as part of the general plan of development for Marshes Light, a framework of affirmative and negative covenants, easements, and restrictions that govern Marshes Light. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. Therefore, this Article establishes procedures for modifying and expanding the initial Restrictions and Rules as set forth in Section 3.06 below.

Section 3.03. Rule Making Authority.

(a) Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules. The Board shall send notice by mail to all Owners concerning any proposed action at least ten (10) days prior to the Board meeting at which such action is to be considered. Voting Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Such action shall become effective, after compliance with Subsection (c) below, unless Voting Members representing more than 50% of the total Class "A" votes in the Association and the Class "B" Members, if any, disapprove. The Board shall have no obligation to call a meeting of

the voting members to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the Bylaws. Upon such petition of the Members prior to the effective date of any Board action under this Section 3.03(a), the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(b) Alternatively, Members, representing more than 50% of the total Class “A” votes in the Association at an Association meeting duly called for such purpose, may vote to adopt rules that modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules then in effect. Such action shall require approval of the Class “B” Members, if any.

(c) Prior to any action taken under this section becoming effective, the Board shall send a copy of the new rule or explanation of any changes to the Restrictions and Rules to each Owner. The effective date shall be not less than 30 days following distribution to Owners. The Association shall provide, without cost, a copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Restrictions and Rules set forth herein. In the event of a conflict between the Architectural Guidelines and the Restrictions and Rules, the Architectural Guidelines shall control. In the event of a conflict between any provisions in the Restrictions and Rules and this Declaration, the provisions of this Declaration shall control.

Section 3.04. Owner’s Acknowledgment and Notice to Purchasers.

All Owners are given notice that use of their Unit and the Common Elements is limited by the Restrictions and Rules as amended, expanded, and otherwise modified from time to time. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision and that the Restrictions and Rules may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Restrictions and Rules may be obtained from the Association.

Section 3.05. Protection of Owners and Others.

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; however, the Restrictions and Rules may vary by Neighborhood.

(b) Activities Within A Unit. No rule shall interfere with the activities carried on within the confines of a Unit, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the Unit, or that create an unreasonable source of annoyance.

(c) Alienation. No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit.

(d) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede Declarant's right to develop Marshes Light.

The limitations in subsections (a) through (d) of this Section 3.05 shall only limit rulemaking authority exercised under Section 3.03; and shall not apply to any amendments to this Declaration adopted in accordance with Article XIV.

3.06. Initial Restrictions and Rules.

The following restrictions apply to all uses of property in Marshes Light unless specifically excepted:

(a) Parking any vehicles on the roadway area of public or private streets or thoroughfares, or parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than enclosed garages or driveways is prohibited, provided, however, that construction, service, and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to commercial services or to make a delivery to a Unit or the Common Elements;

(b) Raising, breeding, or keeping animals, livestock, or poultry of any kind is prohibited, except that a reasonable number of dogs, cats, or other usual and common household pets will be permitted in a Unit; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed, and inoculated as required by law;

(c) Any activity that causes the emission of foul or obnoxious odors outside the Unit or creates noise or other conditions that tend to disturb the peace or threaten the safety of the occupants of other Units is prohibited;

(d) Any activity which violates governmental laws or regulations is prohibited; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities that tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Unit is prohibited;

(f) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Element or to the occupants of other Units is prohibited;

(g) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes, is prohibited;

(h) Dumping grass clippings, leaves, or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, body of water, or elsewhere within Marshes Light is prohibited, except that fertilizers may be applied to landscaping in Marshes Light provided care is taken to minimize runoff;

(i) Accumulation of rubbish, trash, or garbage is prohibited except between regular garbage pick ups, and only then in approved containers;

(j) Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains is prohibited, except that Declarant and the Association shall have such right provided the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;

(k) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and recorded is prohibited, except that Declarant shall be permitted to subdivide or replat Units it owns;

(l) Use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years is prohibited, except as may apply to any program associated with the Inn at Marshes Light;

(m) On-site storage of gasoline, heating, or other fuels is prohibited, except that a reasonable amount of fuel may be stored at each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment. This provision shall not apply to any underground fuel tank used in connection with the operation of the marina (or to underground propane gas tanks used for fireplaces or cooking stoves);

(n) Any business, trade, garage sale, moving sale, rummage sale, or similar activity is prohibited, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for Marshes Light; (iii) the business activity does not involve door-to-door solicitation of residents of Marshes Light; (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in Marshes Light which is noticeably greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of Marshes Light and does not constitute a nuisance or a hazardous or offensive use, or threaten the security or safety of other residents of Marshes Light, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

These restrictions of sub-paragraph (m) shall not apply to the commercial neighborhoods that have been permitted for commercial and retail uses;

(o) Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within Marshes Light or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution are prohibited;

(p) Disposal or drainage of sewage, wastewater, stormwater, or other waste matter from the Property into the bodies of water within or adjacent to Marshes Light is prohibited;

(q) Any construction, erection, placement, or modification of any fixture or thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved is prohibited, except in strict compliance with the provisions of Article IV of the Declaration. This shall include, without limitation, signs; basketball hoops, swing sets, and similar sports and play equipment; clotheslines or other clothes-drying facilities; garbage cans; woodpiles; and above-ground swimming pools;

Satellite dishes that are 18 inches in diameter or less shall be permitted at Marshes Light; however, such over-the-air reception devices shall comply with all Architectural Guidelines, screening requirements, and other applicable Restrictions and Rules pertaining to the location and manner of installation. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Marshes Light, should any master system or systems be utilized by the Association and require such exterior apparatus;

(r) All Units must be subject to an agreement for periodic pestcontrol. All pest-control measures must be environmentally friendly with the lowest chemicals allowed. Further, pest-control measures must be performed on the soil of a Unit (or building) prior to commencement of any construction;

(s) Any interference with the Landscaping Easement reserved to the Association as set forth in Section 10.09 below; and

(t) Any interference with the Access Easements of Woodbury Common Mews and Sherbourne Mews as reserved in Section 10.12 below.

Article IV Architectural Standards

Section 4.01. Purpose. Declarant desires to provide for the preservation of the values of Marshes Light with respect to any Unit to be constructed on any portion of Marshes Light. To that end, Declarant will establish an Architectural Review Board (the "ARB"). The purpose of the appointed ARB is to maintain standards of appearance, shape, dimension, construction material, and color among other things, in order to establish a desirable consistency and harmony between adjacent and surrounding structures and relative to location and topography to assure compliance with the design guidelines of the Manteo Way of Building of the Zoning Ordinance of the Town of Manteo.

Section 4.02. Advance Approval Required. All construction (which term shall include within its definition: staking, clearing, excavation, grading, and other site work) or modifications (except interior alterations not affecting the external structure or appearance of any building) including plantings or removal of plants, trees, or shrubs shall not take place except in strict compliance with this Article, until the requirements below have been fully met and written approval of the Architectural Review Board (“ARB”) has been obtained pursuant to Section 4.03 below. Unless approved in accordance with this Article, no structure, including, but not limited to: fences, porches, patios, decks, privacy walls, gates, pools, whirlpools or other pools, and awnings shall be placed, erected, or installed upon any Unit.

Unless otherwise approved by the ARB, all improvements constructed on any portion of Marshes Light shall be built by an approved licensed general contractor. For the purposes of this Article, an “Approved Licensed General Contractor” shall mean a general contractor properly licensed who has made application to and has been approved by the ARB. The requirements and procedure for becoming an approved general contractor shall be determined by the ARB.

Section 4.03. Architectural Review Board.

Declarant shall appoint an Architectural Review Board to review and, as appropriate, approve or disapprove Plans submitted by Owners in accordance with this Article. The Architectural Review Board shall consist of three persons, at least one of whom shall have architectural or building design experience. The right to appoint and remove all members of the Architectural Review Board shall be and is hereby vested solely in Declarant so long as it owns any portion of Marshes Light. After Declarant no longer owns any portion of Marshes Light or at such earlier date as Declarant may elect, the right to appoint the members of the Architectural Review Board shall vest in the Board. The members of the Architectural Review Board shall serve for such terms as Declarant or the Board, depending on who appoints the members, shall determine.

Section 4.04. Guidelines and Procedures. The Declarant has prepared the initial design and development guidelines and applications and review procedures (the “Architectural Guidelines”) which shall be applicable to all construction activities within Marshes Light as well as the specific provisions which vary from neighborhood to neighborhood, a copy of which is attached and incorporated hereto as Exhibit D.

The ARB shall have the authority with the Declarant’s approval to reasonably amend the Architectural Guidelines from time to time without the consent of the Association, provided said amendments are consistent with the Statement of Purpose set forth within this Declaration. Subsequent to the Declarant’s Control Period, any amendments to the Architectural Guidelines may be either proposed by the ARB to the Association or may be proposed initially by the Association and any adoption thereafter must be by a majority vote of the Board.

The ARB shall make the Architectural Guidelines available to Owners and architects and general contractors who seek to engage in any development and construction in Marshes Light and all such persons shall conduct their activities in strict accordance with the Architectural Guidelines. A written document acknowledging receipt of the Architectural Guidelines shall be signed by the appropriate general contractor prior to commencement of any construction activity. All Owners, architects, general contractors, sub-contractors, materialmen, and their agents shall conduct their activities strictly in accordance with the Architectural Guidelines.

Any amendments to the Architectural Guidelines as may be reasonably adopted from time to time by the ARB in accordance with this Section 4.04 shall apply to construction and modifications commenced after the date of such amendment only, and shall not require modifications or removal of structures previously approved by the ARB once the approved construction or modification has commenced.

The ARB may promulgate from time to time detailed standards and procedures governing its area of responsibility and practice. In addition thereto, the following shall apply: plans and specifications showing the nature, kind, shape, color, size, materials, and location of any proposed construction and any modification, addition, or alteration to any prior approvals shall be submitted to the ARB for approval as to quality of workmanship and design and as to harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finished grade elevation.

The plans to be submitted must include site plans that depict all access streets and walkways, pathways, and other exterior improvements; grading drainage plan; fill plan identifying runoff, if any; foundation plan; landscaping plan; and lighting plan. The architectural drawings submitted must include total enclosed heated/air conditioned square footage; floor plans, including an exact computation of the square footage of each floor and drawn to the scale of one-quarter inch equals one foot; elevation drawings for all sides which shall indicate existing grade, fill, and finished floor elevation; detailed drawings of typical wall sections and any other extra features; and a complete identification of colors and materials, including shingles, siding, and color. The plans shall also include a landscaping plan showing in detail the proposed plantings and method of maintenance.

At time of submission, three sets of plans shall be submitted along with a review fee of \$300.00 and a deposit of \$1000.00 with the completed ARB application form. Construction of all improvements must be completed within ten months from the date the ARB grants an applicant approval. The deposit shall be returned upon the completion of all improvements and installation of landscaping.

Section 4.05. Non-Precedential Nature of Approvals. Each applicant acknowledges that the composition of the ARB will change from time to time and that decisions regarding aesthetic matters and interpretation and application of the Architectural Guidelines may reasonably vary from time to time. In addition, each applicant acknowledges that it may not always be possible to identify objectionable features of proposed Improvements until the Improvements are completed, in which case it may be unreasonable to require changes to the Improvements previously approved, but the ARB may refuse to approve similar Improvements in the future.

Section 4.06. No Waiver of Future Approvals. The approval of the ARB of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of the ARB, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings, or matters subsequently or additionally submitted for approval or consent.

Section 4.07. Basis for Decision and Variance. The ARB shall approve or disapprove any application in its reasonable discretion, based primarily on adherence with the Architectural Guidelines; however, the ARB reserves the right to grant variances based on architectural merit and

on existing landscape conditions. The ARB may also consider the nature, kind, shape, height of materials, and location of the proposed improvements, harmony with surrounding structures and topography, and other factors including purely aesthetic considerations, which in the sole opinion of the ARB will affect the desirability or suitability of the construction.

Section 4.08. Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the ARB shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications or for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the ARB, or the Association, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction or modifications to any Unit.

Section 4.09. Statement of Reasons for Disapproval. In any case where the Architectural Review Board shall disapprove any Plans submitted hereunder or shall approve the same only as modified or upon specified conditions, notice of such disapproval or qualified approval shall be given to the Owner submitting such Plans within forty-five (45) days after the Architectural Review Board declares the submission complete by written notice to the Owner, and such notice of disapproval or qualified approval shall be accompanied by a statement of the specific reasons therefore.

Section 4.10. Time of Approval. The Architectural Review Board shall not be required to review any Plans unless and until the submitted Plans contain all the items required by this Article IV, and such 45-day review period shall not commence until the Architectural Review Board declares the submission complete by written notice to the Owner. If the Architectural Review Board fails to approve, disapprove, or request any additions or supplemental information relating to any preliminary or final Plans within forty-five (45) days after the Architectural Review Board declares the submission complete by written notice to the Owner, then such Plans shall be deemed to have been approved, but only to the extent that such Plans comply with the Architectural Guidelines.

Section 4.11 Expiration of Approval. If work is not commenced within twelve months from the date the Architectural Review Board approves the Plans for such work, then such approval shall be deemed revoked by the Architectural Review Board unless the Architectural Review Board, in its sole discretion, extends the time for commencing work. All work covered by such approval shall be completed within one year after the commencement thereof, except for such period of time as such completion is rendered impossible or would result in great hardship due to strikes, fires, national emergencies, critical materials shortages, or other intervening forces beyond the control of the Owner or Occupant, unless the Architectural Review Board, in its sole discretion, extends the time for completion. For the purposes of this Declaration, work on an Improvement shall be deemed to have “commenced” when the Improvement site has been graded and, in the case of buildings, footings or foundations have been poured or otherwise installed.

Section 4.12. Liability for Violation. Any person violating any provisions of this Article shall be liable for all costs incurred by the Declarant or the Architectural Review Board or any other person who seeks to enjoin or otherwise remedy such violations, including, but not limited to, reimbursement for reasonable attorney fees and expenses incurred in connection with said enforcement.

Article V **Maintenance**

Section 5.01. Maintenance of Unit. Each Owner shall be responsible for all maintenance and repair of his or her Unit together with all other improvements thereon or therein and all landscaping in conformance with the Governing Documents, and the plans and landscaping plan approved by the ARB. No Improvement within Marshes Light shall be permitted by its Owner (or Neighborhood Association if applicable) to fall into disrepair and each such Improvement shall at all times be kept in a neat, clean, and good condition and repair; properly maintained; adequately painted or otherwise finished; safe and sound; and in compliance with all laws.

Each Owner shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Element or right-of-way lying between the Unit boundary and any wall, fence, or curb located on the Common Element or right-of-way within 10 feet of the Unit boundary, provided there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior written approval of the ARB or Declarant.

Section 5.02. Landscape Maintenance. All landscaping of those Lots situated within Marshes Light Homesites shall be properly maintained by the Owner (subject to the reservation of the Association to maintain landscaping within ten (10) feet of the sidewalk adjacent to each Homesite as provided in Section 10.09 below), including all necessary cutting, irrigation, fertilizing, pruning, and required replacements. Dead or damaged planting materials shall be properly replaced. Each Owner within Marshes Light Homesites shall be responsible for proper drainage from its Lot. All other landscaping within Marshes Light shall be the responsibility of the Association unless specifically delegated to a Neighborhood Association.

Section 5.03 Responsibilities of the Association. The Association shall maintain and keep in good repair the Common Elements of Marshes Light including all landscaping except for Marshes Light Homesites and any landscaping responsibilities specifically assigned to a Neighborhood Association. The Association shall also be responsible for maintaining any necessary erosion-control provisions including the maintenance, repair, and replacement of any boardwalks and bulkheads.

Section 5.04 Marshes Light Marina Maintenance. Marshes Light Slip Owners' Association, Inc. shall be responsible for maintaining the water surface and the lands beneath the water surface of Marshes Light Marina which shall include the maintenance, repair, replacement, dredging, and insurance of all improvements which cost shall be a common expense allocated among all Slip Owners of Marshes Light Slip Owners' Association, Inc.

Section 5.05 Maintenance of Neighborhoods.

Any Neighborhood Association shall maintain its Common Elements and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents and all applicable covenants.

Upon resolution of the Board, Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring

certain portions of Common Elements within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Neighborhoods which are similarly situated shall be treated the same.

The Association may assume maintenance responsibility for property within any Neighborhood, in addition to that designated by any Supplemental Declaration, either by agreement with the Neighborhood or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the standards of Marshes Light. All costs of maintenance pursuant to this paragraph shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided.

Article VI
Membership and Voting Rights

Section 6.01 Function of the Association. The Association is the entity responsible for management, maintenance, operation, and control of the Common Elements. The Association is also the entity responsible for enforcement of the Governing Documents. The Association shall also be responsible for the delegation of any duties and responsibilities among the Neighborhoods.

Section 6.02. Membership Each and every Owner of a Unit shall automatically become a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a property interest in Marshes Light.

Section 6.03. Classes of Membership.

The Association shall have two classes of voting membership: Class A and Class B.

(a) The Class A Members shall be all Owners of a Unit in Marshes Light except the Class B Member, if any. Class A Members shall have that allocation of vote per Unit based on the Neighborhood in which their Unit is located as illustrated by the adjacent table.

Neighborhood	Allocation of Vote
Marshes Light Homesites	1 Vote per Unit
Marshes Light Compton Corner Quads	1 Vote per Unit
Marshes Light Marina	1/4 Vote per Unit
Marshes Light Marina Condominiums	1 Vote per Unit
Marshes Light Retail Cottages	1 Vote per Unit
Marshes Light Townhomes	1 Vote per Unit
Inn at Marshes Light	1/2 Vote per Unit

(b) Class B. The Class B Member shall be Declarant, who shall be entitled to cast the Class B vote. For so long as Declarant's Class B membership exists and to the extent not otherwise provided in this Declaration or the Association's Bylaws or Articles of Incorporation (as they may be amended and restated), the affirmative vote of the Class B Member shall be required for any vote of the membership to pass. The failure of the Class B Member to cast a vote will be considered a vote in the negative. The Class B membership shall terminate on the earliest of the following:

- (i) The expiration of the Declarant Control Period pursuant to Section 1.16; or
- (ii) When, in its discretion, Declarant so determines and declares the determination in a Supplementary Declaration.

Section 6.04. Voting, Quorum, and Notice Requirements. Except as may be otherwise specifically set forth in this Declaration or the Bylaws, the vote of the majority of the aggregate votes entitled to be cast by all classes of the Members present, or represented by legitimate proxy, at a legally constituted (duly called) meeting of the Association at which a quorum is present, shall be the act of the Members with respect to the matter that is the subject of such vote. The number of votes required to constitute a quorum shall be as set forth herein or in the Bylaws. Notice requirements for all action to be taken by the Members of the Association shall be as set forth herein or in the Bylaws.

Section 6.05. Termination of Membership. A Person's membership in the Association shall terminate automatically whenever such Person ceases to be an Owner, but such termination shall not release or relieve any such Person from any liability or obligation incurred under or in any way connected with the Association during the period of such Person's ownership of a Unit, or impair any rights or remedies which the Association or any other Member has with regard to such former Member.

Section 6.06. Powers of the Association Relating to Neighborhood Associations.

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association that the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the standards of Marshes Light. The Association also shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefore.

A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Individual Assessments against the Unit Owners of that Neighborhood Association to cover the costs, as well as an administrative charge and sanctions.

Article VII
Association Finances

Section 7.01. Budgeting and Allocating Common Expenses.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 7.03. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the

amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 7.02.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

The Association is authorized to levy Base Assessments against all Units subject to assessment under Section 7.02 to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

Within thirty (30) days after adoption of the yearly budget the Board shall provide to all Owners a summary of the budget and a notice of the meeting to consider ratification of the budget. The Board shall set a date for a meeting of the Owners to consider modification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. A quorum need not be present at such meeting the budget is deemed ratified unless disapproved at that meeting by Members representing at least seventy-five percent (75%) of the total Class A Members in the Association or by the Class B Member, if such exists. If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Annual Assessment from time to time during the year, subject to the notice requirements on the right of the Members to disapprove the revised budget as set forth above.

Section 7.02. Creation of Assessments, Personal Obligation, and Lien. Each Owner, other than the Declarant, hereby covenants and agrees to all the covenants, easements, and restrictions of this Declaration and to pay to the Association:

- (a) Base Assessments. The Association is authorized to levy Base Assessments against all Units to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board will consider the level of services to be delivered to that Unit as well as any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.
- (b) Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Units within any Neighborhood if such Special Assessment is for Neighborhood Expenses. In addition to the Base Assessments and the Limited Common Assessments, the Association may levy a periodic Special Assessment if the purpose

in doing so is found by the Board to be in the best interest of the Association and the proceeds of such assessment are used primarily for the maintenance and upkeep, including capital expenditures, of the Common Elements or the Limited Common Elements, as applicable. If any Special Assessment is in an amount greater than the Base Assessment (or the Limited Common Expense Assessment, as applicable) for the same year, then no such Special Assessment shall be levied without the approval of the majority of the votes of the Class A Members (or in the case of the Limited Common Elements, those Class A Members of the Neighborhood to which such Limited Common Elements appertain) who are voting in person or by proxy at a meeting duly called for such purpose and the affirmative vote of the Class B Member (for so long as the Class B membership shall exist); otherwise such Special Assessment may be established by the Board without a vote of the membership. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

- (c) Individual Assessments. The Association may levy Individual Assessments to reimburse the Association for costs incurred in bringing a Unit or Neighborhood into compliance with the Governing Documents together with the costs, fees, and expenses including reasonable attorneys' fees (the "costs of collection") incurred by the Association incidental to the enforcement of any Rules and Regulations, collection of assessments, or collection of damages or charges arising under the Governing Documents. All assessments together with interest and late payment fees, and any costs of collection shall be a charge on the Unit (or Units within the Neighborhood and shall be a continuing lien upon the Unit against which each such assessment is made. Each such assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, shall also be a personal and continuing obligation of the person or persons jointly and severally, who is (are) the Owner (s) of such Unit at the time when the assessment fell due.
- (d) Limited Common Expense Assessments. "Limited Common Expenses" are those expenses attributable to managing, maintaining, improving, caring, operating, renovating, repairing, establishing appropriate reserves for, insuring, and replacing Limited Common Elements. The purpose of the "Limited Common Expense Assessment" is to provide a means whereby the Owner of Units within a particular Neighborhood which directly benefits from specific Limited Common Elements or a specific service or higher or more frequent use of services shall pay their proportionate share of the Limited Common Expenses attributable to such Limited Common Element or specific service. Limited Common Expenses may be assessed annually by the Board.

An Owner's personal obligation for payment of such assessments shall not pass to such Owner's successors in title unless expressly assumed by them, but the lien against such Owner's Unit as established in this Declaration shall continue in effect (unless terminated as otherwise provided herein). No Owner shall be exempt from liability for any assessment provided for herein by reason or non-use of such Owner's Unit or the Common Elements.

Section 7.03. Budgeting for Reserves. The Board shall prepare and review at least annually a reserve budget for the Common Elements. The budgets shall take into account the number and nature of the replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 7.01 a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect to both amount and timing by annual contributions over the budget period.

Section 7.04. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; The Lien, Remedies of Association. If any Owner fails to pay an Assessment when due and payable, the Assessment shall be subject to a late charge in the amount of five percent (5%) of the delinquent Assessment and shall bear interest from the due date at the rate equal to the lesser of eighteen percent (18%) per annum or the highest rate of interest permitted by law. If an Assessment is not paid by the due date, it shall become delinquent and the Association may thereafter send a notice of such delinquency to the Owner, stating that if the delinquent Assessment is not paid in full within ten (10) days after the date of such notice the Association may thereafter file a written notice of such delinquency (the "Lien Notice") in the Clerk's Office of the Dare County Superior Court to evidence the lien upon the Unit against which such Assessment was made. Such Lien Notice, setting forth the amount of such unpaid Assessment, the name of the Owner of the Unit, and the legal description of the Unit shall be signed by an agent of the Association and shall be recorded in the Clerk's Office. The Association may foreclose the lien for the Assessments provided for in this Declaration in the same manner as provided for a foreclosure of a power of sale in a Deed of Trust. The Association may also secure and collect Assessments by any other means permitted by law. In addition, either in the first instance or for deficiency following foreclosure, the Association may bring an action at law to collect such indebtedness against the Owner personally obligated to pay the same. In accord with Section 47F-3-116 of the Act, the Association is the prevailing party in any action brought to recover assessments shall be entitled to reimbursement for all costs and reasonable attorney's fees incurred in connection with the collection of the delinquent assessments which shall be added to the amount of the assessments due and shall be secured by the Association lien. Interest, late charges, costs, and attorneys' fees of any such action, including the cost of filing the Lien Notice, shall be added to the amount of the Assessments due and shall be secured by the Assessment lien. The personal obligation of the Owner to pay such Assessment shall remain his personal obligation for the statutory period and shall be binding on any successor in interest.

If the Assessment or Assessments are not paid within thirty (30) days after the delinquency date, the Assessment or Assessments shall bear interest from the date of delinquency at the rate of interest set by the Board, not to exceed the maximum rate permitted by law, and the Board acting on behalf of the Association may authorize its officers to bring appropriate civil action against the Owner personally obligated to pay the same or to foreclose the lien against any such Lot or Unit and there shall be added to the amount of such assessment, the costs of such action and reasonable attorney's fees as allowed by the Act or other cost incurred by the Association. In the event a judgment is obtained against any Owner for such Assessments, such judgment shall include interest on the Assessment at the maximum rate permitted by law and a reasonable attorneys' fee as allowed by the Act together with the costs of the action.

Section 7.05. Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may satisfy its obligation for Assessments on Units which it owns which have received a certificate of occupancy either by paying such Assessments in the same manner as any other Owner or by paying the difference between the amount of Assessments levied on all other

Units subject to Assessment and the amount of actual expenditures by the Association during the fiscal year. Unless Declarant otherwise notifies the Board in writing at least sixty (60) days before the beginning of each fiscal year, Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year.

Regardless of Declarant’s election, Declarant’s obligations hereunder may be satisfied in the form of cash or by “in kind” contributions of services or materials, or by a combination of these. After termination of the Class “B” Control Period, Declarant shall pay Assessments on its unsold Units in the same manner as any other Owner.

Section 7.06 Calculation of Assessments.

(a) <u>Units.</u> The	Neighborhood	Percentage Base Assessment
Common Expenses of the Units are to be allocated in accordance with the relative values assigned to the Neighborhoods on the adjacent table which is based on the projected level of services to Units within the designated Neighborhood to determine a Unit’s Base Assessment which shall be an allocated percentage of the total Base Assessment for the current budget year.	Marshes Light Homesites	75% per Unit
	Marshes Light Compton Corner Quads	125% per Unit
	Marshes Light Marina	50% per Unit
	Marshes Light Marina Condominiums	100% per Unit
	Marshes Light Retail Cottages	125% per Unit
	Marshes Light Townhomes	100% per Unit
	Inn at Marshes Light	50% per Unit

For purposes of illustration, if the total Base Assessment for the current budget year is \$600.00, then the Percentage Base Assessment for a Unit in Marshes Light Compton Corner Quads would be \$750.00 and the Percentage Base Assessment for a Unit in the Inn at Marshes Light would be \$300.00.

Allocation Method. Notwithstanding the provisions of this Section 7.06, the Board shall have the authority to change the manner in which any Assessments are calculated and allocated if, in the reasonable judgment of the Board, such change is necessary to fairly and equitably apportion the responsibility for the payment of such Assessments.

Section 7.07 Capitalization of the Association. Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such Assessment. This amount shall be used by the Association to cover operating expenses and other expenses incurred by the Association pursuant to the Governing Documents.

Section 7.08 Statement of Common Expenses. In accord with Section 47F-3-118 of the Act, the Board or managing agent shall provide any member, Owner, contract purchaser or Mortgagee, within ten (10) days after a written request therefore, with a written statement of all unpaid assessments for Common Expenses due with respect to a specific Unit (or a statement that the amount of unpaid assessments is zero). No contract purchaser, Mortgagee, or purchaser

from a Mortgagee requesting such a statement shall be liable for, nor shall the Unit conveyed to such Person relying on such statement be subject to, a lien for any unpaid assessments due prior to the date of such statement in excess of the amount set forth on such statement; provided, however, that this section shall not be interpreted to release any Owner from personal liability for such assessments levied while such Person owned the Unit. The Board may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Article XIII

Property Rights in the Common Elements

Section 8.01. Owners' Rights of Enjoyment. Subject to the provisions of this Declaration, Bylaws and except to the extent limited by the designation of "Limited Common Element" or designation of parking spaces as Limited Common Elements as applicable to those parking spaces located under the Buildings of Marshes Light Marina Condominiums, every Owner shall have an easement in and a right of enjoyment in and to the Common Elements to be used for the intended purposes, which easement and right shall be appurtenant to and shall pass with the title to every Unit.

Section 8.02. Limited Common Elements. Declarant shall have the power, for so long as Declarant has the right to add Additional Property under Section 2.02 hereof, to restrict portions of the Common Element for the use of a specific Owner or Owners, and their respective Occupants, customers, guests, and invitees, by designating such portions of Common Element as "Limited Common Element." Those parking spaces located under the buildings in Marshes Light Marina Condominium shall be Limited Common Elements to the designated buildings. The Common Elements include the streets other than Fernando Street and Uppowoc Street, the alleyways within Marshes Light Homesites, all landscaping, stormwater areas, the pond, any catch basins, any dumpster pads, any pump stations, all bulkheading, all boardwalks, signage, and any lighting within the Common Elements.

Declarant may either: (i) indicate the locations of the Limited Common Element appertaining to one or more Units by depicting such Limited Common Element and the Lots(s) or Unit(s) to which it is appurtenant on a plat attached to or recorded with a Supplemental Declaration; (ii) label a portion of the Common Element as "Common Element That May Be Assigned as Limited Common Element" on a plat attached as an exhibit to the applicable Supplemental Declaration and thereafter assign such Limited Common Element or Limited Parking Area to one or more specific Units by Supplemental Declaration to indicate the assignment and the Limited Common Element being assigned and the Units to which it is appurtenant; or (iii) indicate that such Common Element is a Limited Common Element by a description in a Supplemental Declaration.

The designation of parking spaces for the use of specific Owner(s) or Occupant(s) shall not result in that designated parking area being deemed a Limited Common Element.

Section 8.03. Extent of Owners' Easement. The rights and easements of enjoyment created in Section 8.03 of this Article VIII shall be subject to the following:

(a) All provisions of this Declaration affecting such rights and easements, including without limitation those contained in this Article VIII.

(b) The right of the Association to prescribe and enforce regulations governing the use, operation, and maintenance of the Common Elements (including limiting the number of guests of Members who may use the Common Elements).

(c) The right of the Association to borrow money for the purpose of improving, repairing, replacing, and maintaining the Common Elements and facilities and/or the Landscaped Rights-of-Way and in connection with such borrowing to mortgage the Common Elements, provided the rights of such mortgagee in the Common Element shall be subordinate to the rights of the Association and the Owners hereunder (Note: the term "mortgage" when used in this Declaration also includes a Deed of Trust and any other type of security interest in real or personal property).

(d) The right of the Association to take such steps as are reasonably necessary to protect the Common Element against foreclosure;

(e) The right of the Association to suspend the voting rights and the right to use recreational facilities of the Common Elements if any, by an Owner (including his tenants) for any period during which any assessment against such Owner's Unit remains unpaid; and for a period not to exceed sixty (60) days for any infraction of the Association's published rules and regulations.

Section 8.04. Changes in Boundaries; Additions to Common Elements. Declarant expressly reserves for itself and its successors and assigns the right to reasonably change and realign the boundaries of the Common Elements, and any Lots, including the realignment of boundaries between adjacent Units owned by Declarant, provided that any such change or realignment of boundaries shall not materially decrease the acreage of the Common Elements and shall be evidenced by a revision of and/or addition to those plats of Marshes Light which shall be recorded in the Office of the Register of Deeds of Dare County, North Carolina. Except as provided herein, Units may not be subdivided or separated into smaller lots or any portion of a lot be separately conveyed.

Section 8.05. Damage or Destruction of Common Elements by Owner. If any Owner or any of their guests, tenants, licensees, agents, employees of Owner, or his family damages any of the Common Elements as a result of negligence or misuse, the Owner hereby authorizes the Association to repair the damage. The cost of repair shall be the responsibility of that Owner and shall become an Individual Assessment payable by the responsible Owner, and shall constitute a lien on the Owner's property and be collectible in the same manner as assessments as set forth in Section 7.02(c).

Section 8.06. Common Elements and Limited Common Elements. The Declarant shall retain the legal title to the Common Elements until such time as it has completed improvements, if any, thereon and until such time as, in the opinion of the Declarant, the Association or Neighborhood Association(s) are able to maintain the same but, notwithstanding any provision to the contrary herein, the Declarant hereby covenants, for itself, its successors, and assigns, that it shall convey the Common Elements to the Association at Declarant's option anytime within twenty (20) years of the recordation of this Declaration.

Section 8.07. Rights in Common Elements, Limited Common Elements, and Parking Areas Reserved by Declarant. Until such time as Declarant conveys a Common Element, a Limited Common Element to the Association, Declarant shall have the right as to that Common Element, or Limited Common Element, but not the obligation, (i) to construct such Improvements thereon as it deems appropriate for the common use and enjoyment of Owners; and (ii) to use the Common Elements or Limited Common Element for other purposes not inconsistent with the provisions of this Declaration (including, without limitation, for a marketing or sales office, construction control center, or hospitality center).

Article IX
Rights Reserved to the Declarant

9.01 Special Declarant Rights. In addition to the development rights reserved by Declarant as hereinafter set forth within this Article IX, the Declarant has reserved all Special Declarant Rights as allowed by the Act including, without limitation: all rights to complete improvements within all of the Neighborhoods of Marshes Light; to exercise all development rights as set forth below; to maintain sales offices; to use Units as models and management offices; to use easements through the Common Elements for the purpose of making improvements within Marshes Light or within the Additional Property; to make all the Neighborhoods of Marshes Light subject to the Association and to appoint or remove any officer or board member of the Association during the Declarant Control Period.

9.02 Duration of the Declarant's Rights. All rights, privileges, and powers reserved by the Declarant herein including Special Declarant Rights and those powers related to all Neighborhoods of Marshes Light including the Additional Property shall extend to the earlier of:

- (i) The date on which Declarant ceases to own at least five percent (5%) of the land described in Exhibit "A";
- (ii) The date on which the Declarant executes and records in the Public Registry of Dare County, North Carolina a notice that the Declarant has terminated the Class B Membership (which amendment shall not require the consent of any other owners);
or
- (iii) December 31, 2026.

Section 9.03. Right to Complete Marshes Light. The Declarant shall have the right to conduct all lawful activities required or related to the completion of the Marshes Light development as such may be reasonably amended from time to time and as approved under the Ordinances of the Town of Manteo, North Carolina.

Section 9.04. Right to Modify Units Within Neighborhoods. Prior to adding any Neighborhood designated in Section 1.35 of this Declaration as Additional Property pursuant to Section 1.02, the Declarant shall have the right to reconfigure the types of Units within a Neighborhood (i.e.: Single-Family Residential, Townhomes, or Condominiums and the mixed uses of Residential and Commercial) subject to amendment and approval of its Conditional Use Permit by the Town of Manteo.

Section 9.05. Additional Phases. The Declarant hereby declares that all of that property described in Exhibit A is subject to the Declarant's right to unilaterally subject such property to this Declaration. For the duration of the Declarant Control Period, the Declarant shall have the right to incrementally annex all or any portions of that property comprising the additional phases by executing one or more Supplemental Declarations.

Section 9.06. Governing Documents. During the Declarant Control Period, the Association shall make no amendments to the Governing Documents or take any other action that may adversely affect the Declarant's interest without the Declarant's prior written consent.

Section 9.07. Easements. The Association shall take no action seeking to alter easements established in the Governing Documents by the Declarant, nor to prevent establishment of easements necessary to complete the Marshes Light development.

Section 9.08. The Declarant's Representation on the Board. During the Declarant Control Period, the Declarant shall have the right to appoint the majority of members serving on the Board of the Association which right of appointment may earlier be terminated as provided in Section 1.16 herein. The number of members of the Board and composition may not be changed during the Declarant Control Period without the Declarant's written consent.

Section 9.09. Marketing and Sales Activities. Notwithstanding any provisions or restrictions herein to the contrary, there is hereby reserved for the benefit of Declarant and its successors and assigns during the Declarant Control Period, the inalienable and transferable right and easement in and to Marshes Light for the maintenance of signs, sales offices, construction offices, business offices, and model Units, together with such other facilities as may be reasonably required, convenient, or incidental to the completion and improvement of Common Elements, and/or sale of Units, or any Additional Phases, for so long as Declarant owns any Unit in any Additional Phase for the purpose of the sale.

Section 9.10. Right to Transfer or Assign Declarant Rights. Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other persons, provided the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a written instrument Declarant signs and records in the office of the Public Registry of Dare County, North Carolina. The foregoing sentence shall not preclude Declarant from permitting other persons to exercise, on a one-time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to record any written assignment unless necessary to evidence Declarant's consent to such exercise.

Section 9.11 Exclusive Rights to Use Name of Development. No Person shall use the name "*Marshes Light in Historic Manteo*," "*The Inn at Marshes Light*," or "*Marshes Light Marina*" or any derivative of such name or in logo or depiction in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "*Marshes Light*" in printed or promotional matter where such term is used to solely to specify where their Unit is located within Marshes Light and the Association and Neighborhood Associations shall be entitled to use the words "*Marshes Light*" in their names.

Section 9.12 Right to Notice of Design or Construction Claims. No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Marshes Light in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the Owner of the property to discuss the Owner's concerns and conduct their own inspection.

Section 9.13 Right to Approve Additional Covenants. No Person shall record any declaration of covenants, conditions and restrictions, declaration of condominium, or similar instrument affecting any portion of Marshes Light without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and recorded by Declarant.

Section 9.14 Right to Approve Architectural Changes. No amendment or modification to the Architectural Guidelines shall be effective without prior written notice to and the written approval of Declarant so long as Declarant owns property subject to, or which may become subject to this Declaration in accordance with Section 2.02.

Article X Easements

Section 10.01. Easement Reserved by Declarant. Declarant, for so long as there is a Class B Membership, and then the Association, for itself, its successors, and assigns, and its agents, contractors, and employees reserves a perpetual, inalienable, and releasable easement on, over, and under the Property (and including all Units, Common Element, and Limited Common Element) for installation, maintenance, repair, replacement, use, operation, and removal of utilities (including, without limitation, electric, natural gas, telephone, and cable television) and related appurtenances and equipment (including without limitation, wires, poles, pipes, transformer boxes, and conduits), stormwater and drainage facilities, and soil and water impoundments, provided, however, no easement hereby reserved shall be applicable to any portion of a Unit or Common Element or Limited Common Element used or approved as a building site by the ARB. Full right of ingress and egress shall be had by Declarant at all times over the Units or Common Elements or Limited Common Elements (other than the portions thereof used or approved as building sites) for the installation, use, operation, maintenance, repair, replacement, or removal of any such utility, drainage facility, or impoundment, together with the right to remove any obstruction that may be placed in any easement that would constitute interference with the use of such easement, or with the use, installation, maintenance, repair, replacement, removal, or operation of same. Assignees to whom Declarant reserves the right to assign and convey, in whole or in part, the easements reserved by it hereunder shall include, without limitation, the Association and one or more governmental entities or public utility companies, provided, however, neither the foregoing reservation of easement rights nor any similar reservation of easement rights contained in this Declaration shall create or impose any obligation upon Declarant, or its successors and assigns, to provide or maintain any such utility, drainage facility, or impoundment, which if not otherwise maintained, shall be maintained by the Association.

Section 10.02. Easement Reserved for the Association.

(a) Full rights of ingress and egress shall be had by the Association at all times over and upon each Unit for the maintenance and repair of each Unit in accordance with the provisions hereof and for the carrying out by the Association of its rights, powers, duties, and obligations hereunder, provided that any such entry by the Association upon any Unit shall be made with the least inconvenience to the Owner as reasonably practicable, and any damage caused as a result of the negligence of the Association's employees or agents shall be repaired by the Association at its expense.

(b) In addition to the foregoing, and in order to implement effective and adequate erosion control, the Association, and its contractors, employees, and agents, shall have the right to enter upon any portion of any Unit before and after Improvements have been constructed thereon for the purpose of performing any grading or landscaping work or constructing, repairing, replacing, using, and maintaining erosion control devices provided, however, no such activities shall interfere with any Improvements constructed on any such Unit (which Improvements have been approved by the ARB). If the need for erosion control results from the construction of Improvements on any portion of a Unit or any excavation, grading, removal, reduction, addition, or clearing of any Unit or portion thereof, the cost of any such work performed by the Association for the purpose of implementing effective and adequate erosion control shall be assessed against the Owners of the Unit on which such corrective action is necessary. Prior to exercising its right to enter upon such Unit and perform any grading or landscaping work or construct or maintain erosion prevention devices, the Association shall give the Owner of such Unit thirty (30) days written notice of and the opportunity to take the corrective action specified in the notice. The Association may then exercise its right to enter upon the Unit and take or complete the necessary corrective action.

Section 10.03. Easement Reserved for Governmental Entities and Public Utilities. An easement is hereby established for applicable governmental entities and municipal, state, or public utilities serving the Marshes Light development as well as and their agents and employees, over all Units and Common Elements hereby or hereafter established, for the purpose of setting, removing, repairing, maintaining, and reading utility meters; maintaining, repairing, and replacing streets, utilities, utility or drainage connections; and acting for other purposes consistent with the public safety and welfare, including without limitation, police and fire protection, garbage collection, and mail delivery, the rights granted by such easements to be exercised in a reasonable manner and at reasonable times (except in the case of an emergency).

Section 10.04. Easements Shown on Recorded Maps. Declarant, for itself, its successors, and assigns (including, without limitation, governmental entities and the Association), and in addition to those easements reserved in this Declaration, hereby reserves easements in the locations and for the purposes shown and indicated on all maps of Units subject to this Declaration that are recorded in the Public Registry of Dare County, North Carolina, and for the purpose of exercising and implementing such easement rights, Declarant and the Association shall have the right of ingress, egress, and regress over and upon those easement areas. The rights reserved by this Section 10.04 include, without limitation, the right to construct, alter, place, maintain, repair, replace, and use in the easement areas identified on such maps, all Improvements deemed necessary, in the reasonable discretion of the Declarant or the Association, for the full exercise of such easement.

Section 10.05. Encroachment Easements for Improvements Constructed by Declarant. Declarant does hereby grant, declare, and establish easements over all Units for the encroachment of improvements now or hereafter constructed by the Declarant on adjacent Units, Common Elements, or rights-of-way to the extent that such improvements actually encroach, including, but not limited to, such items as sidewalks and landscaping, provided such encroachment does not interfere with the reasonable use of those Units.

Section 10.06. Easement for Adjacent Units. Each Unit shall be subject to a non-exclusive easement and right of passage for the benefit of any adjacent attached Unit (the "Benefited Unit") to the extent reasonably necessary to permit the Owner of the Benefited Unit (the "Benefited Owner") access to any adjacent Unit for purposes of inspecting, maintaining, repairing, replacing, and otherwise caring for the Benefited Unit provided, however, that the Benefited Owner shall take reasonable steps to minimize any damage to an adjacent Unit and that the Benefited Owner shall restore as nearly as possible to its original condition any adjacent Unit damaged or altered as a result of the exercise of this easement. The Owner's exercise of its rights hereunder shall be conducted at reasonable times and shall not unreasonably interfere with any Owner's use and enjoyment of its adjacent Unit. The Benefited Owner shall indemnify and save harmless any Owner of an adjacent Unit from any loss or damage that such Owner may sustain, including reasonable attorneys' fees (as allowed by the Act), as a result of entry by the Benefited Owner on the adjacent Unit.

Section 10.07. Erosion Control. Declarant reserves for itself and for the Association a perpetual easement, right, and privilege to enter upon any Unit, Common Element, or Limited Common Element, either before or after any Improvement has been constructed thereon or during such construction, for the purpose of taking such erosion control measures as Declarant or the Association deems necessary to prevent or correct soil erosion control or siltation provided, however, that Declarant or the Association shall not exercise such right unless it has given the Owner of the Unit (or the Association as to the Common Element or Limited Common Element) at least five (5) days' prior notice thereof (or such shorter notice as shall be appropriate in an emergency as determined by Declarant or the Association, as applicable) and the Owner or the Association, as the case may be, has failed to take appropriate action to correct or prevent the erosion or siltation problem. The cost incurred by Declarant or the Association, as applicable, in undertaking such erosion or siltation control measures on any Unit shall become an Individual Assessment upon the Unit and shall constitute a lien against the Unit and shall be collectible in the manner provided herein for the payment of Assessments. This Section shall not apply to Property so long as it is owned by Declarant.

Section 10.08. Maintenance of Units. Declarant reserves for itself and for the Association the perpetual easement, right, and privilege to enter upon any Unit, after at least ten (10) days' notice to the Owner thereof, for the purpose of mowing, removing, clearing, cutting, or pruning underbrush, weeds or other unsightly growth; dispensing pesticides, herbicides, fertilizer, and grass seed; removing trash and debris; and taking such other action as Declarant or the Association, as applicable, may consider necessary to correct any condition which violates this Declaration or the Architectural Guidelines, detracts from the overall beauty of the Property, or which may constitute a hazard or nuisance. The cost incurred by Declarant or the Association, as applicable, in taking such action shall constitute an Individual Assessment upon the Unit and shall be collectible in the manner provided herein for the payment of Assessments

Section 10.09. Easement for Landscaping, Signs, and Related Purposes. There shall be and is hereby reserved to Declarant until such time as the Class B Membership terminates, and thereafter to the Association, a non-exclusive easement (i) over Common Elements and Limited Common Elements for the first twenty (20) feet adjacent to the edge of the right-of-way for any public or private street, alleyway, and adjacent walkway through, along, or adjoining such Common Element or Limited Common Element, or as otherwise shown on a plat recorded prior to the conveyance of or dedication of the Common Element or Limited Common Element, for the purpose of erecting and maintaining berms; directional, safety, or security signs; temporary promotional signs; plantings; street lights or lighting; entrance features; stone, wood, or masonry wall features and/or related landscaping; and (ii) over Units for the first ten (10) feet adjacent to the edge of the right-of-way for any public or private street, alleyway, and adjacent walkway through, along, or adjoining such Unit, for the purpose of erecting and maintaining directional, convenience, information, safety, or security signs; temporary promotional signs; or other signs deemed desirable by the Declarant in a manner that does not interfere with normal and convenient use of the Unit and provided that such easement on the Unit shall not be deemed to prohibit the construction of any Improvement on the Unit that is otherwise approved pursuant to the terms of this Declaration.

There is also granted herein an exclusive “Landscape Easement” reserved to the Declarant until such time as the Class B membership terminates, and thereafter to the Association over all Units in Marshes Light Homesites over the first ten (10) feet adjacent to the edge of the sidewalk adjoining such Unit for the purpose of the Association having the right to plant and maintain trees and other landscaping in the discretion of the Association pursuant to the Association’s landscaping plan.

Section 10.10 North Carolina Division of Environmental Management Water Quality Section Stormwater Regulations. As a condition to the North Carolina Stormwater Management Permit No. ____ issued by the Division of Water Quality for Marshes Landing, the following covenants may not be changed or deleted without the consent of the North Carolina Division of Environmental Management Water Quality Section (the “DEM”).

(a) The allowable built-upon area per lot shall not exceed that square footage designated by DEM, a copy of which is attached on Exhibit “E” inclusive of that portion of the right-of-way between the front lot line and the edge of the pavement, structures, walkways of brick, stone, or slate, not including wood decking.

(b) Filling in or piping of any vegetative conveyances (ditches, swales, etc.) associated with any development except for average driveway crossings, is strictly prohibited by any persons.

Section 10.11 Easement to Inspect and Right to Correct. Declarant reserves for itself and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the property within Marshes Light, including Units, and a perpetual nonexclusive easement of access throughout Marshes Light to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner, and no entry into a Unit shall be permitted without the consent of the Owner. The person exercising this easement shall promptly repair, at such person’s own expense, any damage resulting from such exercise.

Section 10.12 Woodbury Common Mews and Sherbourne Mews. Woodbury Common Mews and Sherbourne Mews are reserved non-exclusive access easements for the adjoining Unit Owners of Marshes Light Homesites and Marshes Light Townhouses (the “Mews”). Unit Owners are prohibited from any action or activity which would encroach upon, impair or disturb the Mews, including the parking of any vehicles or equipment on any paved portion of the Mews.

Article XI
Environmental Areas

Section 11.01. Assignment of Responsibilities.

Various governmental agencies may have the purview to place restrictions upon wetlands, drainage areas, and buffers within and adjacent to Marshes Light. Declarant may from time to time and at any time deed, convey, transfer, or assign any or all of the foregoing areas or responsibilities to the Association, which shall accept, own, maintain, and preserve the foregoing areas in accordance with the requirements of such agencies. All such areas that are conveyed to the Association shall become a portion of the Common Element, and the ownership, operation, and maintenance thereof shall be a Common Expense.

Section 11.02. Surface Water Management System.

(a) No structure of any kind shall be constructed or erected, nor shall an Owner in any way change, alter, impede, revise, or otherwise interfere with the flow and the volume of water in any portion of the ditches, canals, channels, ponds, lakes, retention areas, or other bodies of water or waterways reserved for, or intended by Declarant to be reserved for, drainage ways or for the accumulation of runoff waters, as reflected in any permits therefor, or plat or instrument of record, without the specific written permission of the Association and Declarant.

(b) An Owner or Neighborhood Association shall in no way deny or prevent ingress and egress by Declarant or the Association to such drainage areas for maintenance or landscape purposes. The right of ingress and egress, and easements therefore, are hereby specifically reserved and created in favor of Declarant, the Association, or any appropriate governmental or quasi-governmental agency that may reasonably require such ingress and egress.

(c) No Unit shall be increased in size by filling in any water retention or drainage areas on which it abuts. Owners shall not fill, dike, riprap, block, divert, or change the established drainage ways without the prior written consent of the Association and Declarant.

(d) The use of pesticides in any water basin or wetland is prohibited, excepting only such use by the Association or the Declarant, its successors, or assigns.

(e) No wells may be drilled, dug, or installed within any Unit or Neighborhood except by the Declarant or with the Declarant’s written consent.

Section 11.03. Open Space and Buffers.

Any property conveyed or dedicated to the Association, which is designated as open space or landscape buffers on any plat, permit, or other recorded document, shall be owned and

maintained by the Association in a natural open condition. The Association or any subsequent owner shall not do anything that diminishes or destroys the open space or buffers and such areas shall not be developed for any purpose except that which improves or promotes the use and enjoyment of such areas as open space.

Section 11.04. Use of Watercraft.

Use of watercraft on any body of water within or adjacent to Marshes Light shall be subject to the Rules and Regulations promulgated by the Association in addition to any rules promulgated by Marshes Light Slip Owners' Association, Inc., provided no Person shall be permitted to have permanent residency on any yacht, boat, or other watercraft docked, moored, or otherwise located on any body of water within or adjacent to Marshes Light. Temporary occupancy shall be permitted in Marshes Light Marina subject to the Declaration of Condominium for Marshes Light Marina. In addition, no sewage effluent, treated or otherwise, may be discharged from any yacht, boat, other watercraft, or docking facility into the marina or any other body of water within or adjacent to Marshes Light.

Section 11.05. Recycling Program.

The Board may, but shall not be obligated to, establish a recycling program for Marshes Light. In such event, all occupants of Units shall support such program by recycling, to the extent reasonably practical, all materials which the Association's recycling program is set up to accommodate. The Association may, but shall have no obligation to, purchase recyclable materials in order to encourage participation. Any costs associated with the implementation or operation of a recycling program shall be Common Expenses and any income the Association receives as a result of such recycling efforts shall be applied to Common Expenses.

Article XII

Compliance and Enforcement

Section 12.01. Preventive Remedies.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in Section 7.5 of the Bylaws. Such sanctions may include, without limitation:

(i) Imposing reasonable monetary fines subject to the provisions of Section 47F-3-107.1 of the Act, which shall constitute a lien upon the violator's Unit. (In the event that any occupant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator provided, however, the Owner shall pay the fine upon notice from the Board if the fine is not paid by the violator within the time period set by the Board;

(ii) Suspending an Owner's right to vote;

(iii) Suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any Assessment or other charge owed to the Association;

(iv) Exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;

(v) Requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(vi) Without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Marshes Light; and

(vii) Levying Individual Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in Section 7.5 of the Bylaws:

(i) Exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); and

(ii) Bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as an Individual Assessment. If a Neighborhood Association fails to perform its maintenance responsibilities, the Association may perform such maintenance and assess the costs as an Individual Assessment against all Units within such Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Association reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) The Association's position is not strong enough to justify taking any or further action; or

(ii) The covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law; or

(iii) Although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) That it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable governmental ordinances, and permit governmental authorities to enforce ordinances within Marshes Light for the benefit of the Association and its Members.

Section 12.02. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to Common Elements, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its members.

In exercising the rights and powers of the Association, making decisions on behalf of the Association, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in the Bylaws.

Section 12.03. Cumulative Remedies. The remedies hereby specified are cumulative, and the listing of specific remedies herein shall not be deemed to preclude any aggrieved Person's right and privilege to resort to any other remedy provided hereunder or at law or in equity.

Section 12.04. Failure to Enforce Not a Waiver of Rights. No delay or failure on the part of an aggrieved Person to invoke any available remedy in respect to a violation of any provision of this Declaration shall be held to be a waiver by the Person of (or an estoppel of that Person to assert) any right available to him upon recurrence or continuance of such violation or the occurrence of a different violation, nor shall there be imposed upon Declarant, the Association, the Board, or the Architectural Review Board a duty to take any action to enforce this Declaration.

Section 12.05. Constructive Notice and Acceptance. Each Owner, Occupant, or other Person, by acceptance of a deed conveying title to any Unit in Marshes Light, or the execution of a

contract for the purchase thereof, or the acceptance of a lease or license therefore, or the taking possession thereof, whether from Declarant or other Owner or lessee, shall for himself, his successors and assigns, be deemed to (i) accept such deed, contract, lease, license, or possession upon and subject to each and all of the provisions of this Declaration, and (ii) covenant to and with Declarant and the other Owners to keep, observe, comply with, and perform the requirements of this Declaration, whether or not any reference to this Declaration is contained in the instrument by which such Person acquired said interest.

Section 12.06. Liability for Non-Enforcement. Neither Declarant, the Architectural Review Board, the Board, the Association, or any Member thereof, nor their successors or assigns shall be liable for damages to any Owner, licensee, or occupant by reason of any mistake in judgment, negligence, nonfeasance, action, or inaction in the administration of the provisions of this Declaration or for the enforcement or failure to enforce this Declaration or any part thereof; and every Owner or occupant, by acquiring an interest in the Property, agrees that he will not bring any action or suit against Declarant, the Architectural Review Board or its members, the Board or its members, or the Association to recover damages or to seek equitable relief on account of their enforcement or non-enforcement of this Declaration.

Article XIII

Insurance: Repair and Restoration

Section 13.01. Right to Purchase Insurance. The Association shall purchase, carry, and maintain in force insurance covering any part or all of the Common Elements and any improvements thereon or appurtenant thereto and any other property of the Association, for the interest of the Association, the Board, its agents and employees, Declarant and its officers and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage as the Board shall consider to be good, sound insurance coverage for similar properties. Such insurance may include, but need not be limited to:

(a) Comprehensive public liability and property damage (hazard) insurance on a broad form basis with respect to the Common Element and/or Landscaped Rights-of-Way with coverage of at least Five Million and No/100 Dollars (\$5,000,000.00) for public liability and in an amount of at least eighty percent (80%) of replacement cost coverage for hazard insurance;

(b) Coverage for the personal liability (if any) of the Declarant (and its officers, agents, employees, and servants), the Board (and the individual members thereof), the officers of the Association, the ARB and other committees appointed by the Board, the Owners and Members;

(c) Fidelity bond for all officers and employees of the Association and other Persons having control over the receipt of disbursement of Association funds; and

(d) Such additional insurance as the Board in the prudent exercise of its business judgment determines advisable.

Section 13.02. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Association shall use the net proceeds of casualty insurance recovered to repair and/or replace any damage or destruction of property, real or personal, covered by such insurance. Any balance from the proceeds of casualty insurance paid to the Association remaining

after satisfactory completion of repair and replacement shall be retained by the Association as part of the general reserve fund for repair and replacement of the Common Element and/or Landscaped Rights-of-Way.

Section 13.03. Insufficient Proceeds. If the insurance proceeds are insufficient to repair or replace any loss or damage, the Association may levy a Special Assessment in the manner provided for in this Declaration, to cover the deficiency.

Article XIV Miscellaneous Provisions

Section 14.01. Duration. This Declaration and the terms, covenants, and provisions set forth herein shall run with and bind the Property and shall inure to the benefit of every Owner of a Unit in the Property, including Declarant, and their respective heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded and including December 31, 2036. Beginning on and including January 1, 2034, the easements, covenants, conditions, and restrictions herein shall be automatically extended for successive period(s) of ten (10) years each unless, at a duly called annual or special meeting of the Association at which a quorum is present held prior to the expiration of the applicable time period, termination of this Declaration is approved by the affirmative vote of seventy-five percent (75%) or more of the votes entitled to be cast by the Members present or represented by proxy. A vote by the membership on termination of this Declaration may be held only upon presentation to the Association of a petition for termination signed by Members possessing no less than twenty-five percent (25%) of the total eligible vote of the membership of the Association, which petition, in the case of an annual meeting of the Association, shall be presented to the Association prior to the date that notice of the annual meeting is sent to the Members. The Association shall give written notice of any annual or special meeting, at which termination of this Declaration is to be considered and voted upon, to all Owners at least thirty (30) days and no more than sixty (60) in advance of the date of such meeting, which notice shall set forth that termination of this Declaration will be considered and voted upon at such meeting. If the membership votes to terminate this Declaration, such termination shall be effective upon the expiration of the then- applicable time period for which the Declaration is in existence, or shall be effective on such date thereafter as may be specified in the resolution of termination passed by the membership as required herein (it being the intention of this Section, notwithstanding anything to the contrary appearing herein, that if the membership has voted to terminate this Declaration, the membership may set a date of termination that may result in this Declaration continuing to be in effect for a period of less than ten (10) years following the expiration of a preceding time period in which this Declaration was in effect. The quorum required at the annual or special meeting at which termination of this Declaration is to be considered by the membership pursuant to the petition filed with the Association shall be the presence of Members plus proxies entitled to cast sixty percent (60%) or more of the total vote of the membership. If such quorum is not present, subsequent meeting(s) may be called until a quorum is present, subject to the same notice requirements, and the required quorum at such subsequent meeting(s) shall be one-half (1/2) of the required quorum at the immediately preceding meeting.

If the Members vote to terminate this Declaration in accordance with the foregoing

requirements, then the President and Secretary of the Association shall execute in recordable form a certificate which shall set forth at least the following information: the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which time such resolution was adopted; the date that notice of such meeting was given; the total number of votes required to constitute a quorum at such meeting; the total number of votes present at such meeting; the total number of votes necessary to adopt the resolution terminating the Declaration; the total number of votes cast in favor of such resolution; and the total number of votes cast against the resolution. Such certificate shall be recorded in the Public Registry of Dare County, North Carolina no later than thirty (30) days following the date such resolution of termination is passed by the membership, and such certificate may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 14.02 Amendment. Subject to the limitations hereinafter contained, this Declaration or any Supplemental Declaration hereto may be amended or modified at any time prior to December 31, 2036, by an instrument signed by the Owners entitled to exercise not less than seventy five (75%) of the total votes in the Association as set forth in this Declaration provided, however, that no such amendment shall be effective without the written consent of Declarant so long as there is Class B Membership, and in no event shall any amendment limit the rights of Declarant under this Declaration so long as there is a Class B Membership.

In addition to the foregoing rights, and notwithstanding anything to the contrary that may appear herein, Declarant may (at Declarant's option) at any time and from time to time amend or modify this Declaration and any Supplemental Declaration without obtaining the consent or approval of the Members or any other person or entity if such amendment or modification is necessary for any one or more of the following purposes: to correct an obvious typographical error; to cause this Declaration or any such Supplemental Declaration to comply with the requirements of FHA (Federal Housing Administration), VA (Veterans Administration), Fannie - Mae (Federal National Mortgage Administration), Office Of Interstate Land Sales Registration of the Department Of Housing and Urban Development (OILSR) or other similar agency; or as may be necessary to establish or maintain the tax-exempt status of the Association under the laws of the United States or the State of North Carolina.

All amendments to this Declaration must be recorded in the Public Registry of Dare County, North Carolina and shall not become effective until recorded. With respect to amendments that require approval of the Owners, all such amendments also shall be executed by the Association, following determination by the Board that the amendment has been duly approved by the required percentage of Owners (for the purpose of this determination, the Board may rely on its most current membership list and shall not be required to conduct any title examination of any Unit to determine ownership thereof). The Board shall make its determination and cause the amendments to be recorded if the Board determines that the required number of Owners has executed the amendment(s) within thirty (30) days of receipt of the proposed amendment(s) purportedly signed by the required number of Owners. If the Board determines that the required number of Owners has executed the proposed amendment(s), the Board shall cause the amendment(s) to be recorded.

With respect to amendments by the Declarant that do not require the consent of the Owners, the Association also shall execute such amendments prior to the recordation thereof so that such amendments may be indexed in the Public Registry of Dare County, North Carolina in the name of the Association as well as in the name of the Declarant.

Section 14.03 Remedies. Declarant, the Association, the Neighborhood Associations, and every Owner shall have the right to enforce the terms, covenants, conditions, restrictions, easements, charges, and liens for which provision is made in this Declaration, which enforcement shall be by any proceeding at law or in equity (or otherwise, as provided in this Declaration) against any Person violating or attempting to violate any such term, covenant, condition, restriction, easement, charge, or lien either to restrain violation or to recover damages, and against the land, to enforce any lien created by these covenants; and failure by the Association, the Neighborhood Associations, Declarant, or any Owner to enforce any such term, covenant, condition, restriction, easement, charges, or liens shall in no event be deemed a waiver of the right to do so thereafter or a waiver of any other or future violation provided, however, each Neighborhood Association shall have the right to enforce the terms, covenants, conditions, restrictions, easements, charges, and liens set forth in this Declaration only with respect to Neighborhood Property which that particular Neighborhood Association was formed to control, pursuant to an Additional Declaration contemplating such Neighborhood Association's right to enforce this Declaration.

Section 14.04 Severability of Provisions. If any paragraph, section, sentence, clause, or phrase of this Declaration shall be or becomes illegal, null, or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null, or void, the remaining sections, sentences, clauses, and phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that said remaining paragraphs, sections, sentences, clauses, and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses, or phrases shall become or be illegal, null, or void.

Section 14.05 Notice. Except as otherwise provided herein, whenever written notice to an Owner (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner appearing on the records of the Association. If notice is given in such manner, such notice shall be conclusively deemed to have been given by placing same in the United States mail properly addressed, with postage prepaid, whether received by the addressee or not. It shall be the duty of each Owner to keep the Association informed of such Owner's current mailing address and telephone number. The Association may use the address of such Owner as listed with the Dare County Tax Department.

Section 14.06. Interpretation. In all cases, the provisions set forth or provided for in this Declaration shall be construed together and given that interpretation or construction which, in the opinion of Declarant or Board, will best effect the intent of the general plan of development. The provisions hereof shall be liberally interpreted and, if necessary, they shall be so extended or enlarged by implication as to make them fully effective. The provisions of this Declaration shall be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive.

Section 14.07. No Trespass. Whenever the Association, Declarant, the ARB, and their respective successors, assigns, agents, or employees are permitted by this Declaration to enter upon or correct, repair, clean, maintain, preserve, or do any other action within any portion of Marshes Light, the entering thereon and the taking of such action shall not be deemed to be trespass.

Section 14.08. Successors of the Declarant. Any and all rights, reservations, easements, interests, exemptions, privileges, and powers of the Declarant hereunder, or any part of them, may be assigned and transferred (exclusively or non-exclusively) by the Declarant by instrument in writing and recorded in the Public Registry of Dare County, North Carolina.

Section 14.09. No Partition. Except as is permitted in the Declaration or amendments thereto, there shall be no judicial partition of the Common Elements or any part thereof, nor shall any Person acquiring any interest in the Property or any part thereof seek any judicial partition unless the Property or such portion thereof have been removed from the provisions of this Declaration. This Article shall not be construed to prohibit the Association from acquiring and disposing of tangible personal property nor from acquiring title to real property that may or may not be subject to this Declaration.

Section 14.10. Cumulative Effect: Conflict. The covenants, restrictions, and provisions of this Declaration shall be cumulative with the Neighborhood Associations, if any, any condominium association or other association, if any, having jurisdiction over any part of Marshes Light and the Association may, but shall not be required to enforce the latter provided, however, in the event of conflict between or among such covenants and restrictions and provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, those of any condominium or those Neighborhood Associations shall be subject and subordinate to the Governing Documents. The foregoing priorities shall apply, but not be limited to, the liens for assessments created in favor of the Association.

Section 14.11 Resubdivision or Recombination of Units. For so long as there is a Class B Membership, no Unit shall be subdivided without the written consent of Declarant. One or more Units may be combined into a single Unit with the written consent of Declarant and, upon such combination and consent of Declarant, the resulting Unit shall be considered as one Unit for the purposes of this Declaration, provided however, the foregoing shall not prohibit or restrict the right (which is hereby reserved) of Declarant to subdivide, combine, resubdivide, recombine, or re-record maps relating to any Units subject to this Declaration.

Section 14.12. Laws of North Carolina and the United States. This Declaration shall be subject to and construed in accordance with the laws of the State of North Carolina and all applicable laws and regulations of the United States of America.

IN WITNESS WHEREOF, the undersigned being the Declarant herein, has caused this Declaration to be signed in its company name the day and year below acknowledged.

DECLARANT:

MARSHES LIGHT, LLC, a North Carolina
Limited Liability Company

By: _____(SEAL)
Manager

STATE OF NORTH CAROLINA

COUNTY OF DARE

I, the undersigned, a Notary Public of the County and State aforesaid, certify that _____ personally came before me this day and acknowledged that he is Manager of Marshes Light, LLC, A North Carolina Limited Liability Company, and that by authority duly given and as the act and deed of the Limited Liability Company, the foregoing instrument was signed and sealed in its name by its Manager.

Witness my hand and official stamp or seal, this ____ day of _____, 2006.

My commission expires: _____

[SEAL/STAMP]

Notary Public

EXHIBIT A TO MASTER DECLARATION

MARSHES LIGHT PROPERTY OWNED BY DECLARANT

All those certain tracts or parcels of land lying and being situate in the Town of Manteo, Nags Head Townships, Dare County, North Carolina and being more particularly described as follows:

BEGINNING at a concrete monument located in the East margin of the 100 foot right of way of U.S. Highway 64-264, said point of beginning being also located South 66 deg. 33 min. 27 sec. West 93.44 feet from a set PK nail in the centerline of the newly dedicated 36' right of way of Uppowoc Street; thence from said point of beginning along the East margin or right of way of U.S. Highway 64-264 North 33 deg. 05 min. 05 sec. West 11.02 feet to a concrete monument or other marker located in the South line of property owned by County of Dare, a body politic as more particularly described in Deed Book 1642, Page 267 in the Public Registry of Dare County, North Carolina; thence North 53 deg. 37 min. 32 sec. East 244.31 feet to a point; thence cornering along the arc of a circular curve to the left having a radius of 232.00 and a chord of North 27 deg. 32 min. 47 sec. East 203.98 feet to a point situated in the Western margin of the 36 foot right of way of Uppowoc Street; thence cornering and proceeding North 53 deg. 38 min. 50 sec. East 33.64 feet to a point; thence North 01 deg. 53 min. 44 sec. East 12.98 feet to an iron pin or other marker located in an existing drill hole in concrete situated within the centerline of the dedicated 36 foot right of way for the extension of Uppowoc Street; thence continuing along the centerline of Uppowoc Street North 22 deg. 30 min. 48 sec. West 513.93 feet to a point formerly marking a point of tangency between the Western property line of Marshes Light, LLC and the Eastern property line of the County of Dare, a body politic prior to the dedication by Marshes Light, LLC and the County of Dare of the 36 foot right of way providing for the extension of Uppowoc Street South of Fernando Street; thence continuing along the centerline of Uppowoc Street along an arc with a circular curve to the left with a radius of 2228.00, the chord being North 30 deg. 57 min. 47 sec. West 654.76 feet to a point; thence continuing along the centerline of Uppowoc Street North 39 deg. 24 min. 45 sec. West 49.67 feet to an "X" set in concrete in the Southern margin of the 30 foot right of way of Fernando Street; thence cornering and proceeding along the Southern margin of the 30 foot right of way of Fernando Street North 51 deg. 42 min. 15 sec. East 114.98 feet to an existing drill hole in concrete set in the Southern margin of the 30 foot right of way of Fernando Street, said drill hole having N.C. Grid Coordinates of N = 244257.208 meters and E = 909769.422 meters; thence continuing along the Southern margin of the 30 foot right of way of Fernando Street North 51 deg. 41 min. 51 sec. East 826.34 feet, more or less, to the mean highwater mark of Shallowbag Bay, thence along and with the mean highwater mark of Shallowbag Bay in a general southerly direction to a point which is located at the eastern terminus of the southern line of the tract depicted as "Huldah B. Turner 7.17 Ac." on that map recorded in Map Book 2, Page 180, said point being located at the eastern terminus of the line depicted as "S70-09W-690.0" on the aforesaid Huldah B. Turner map; thence South 53 deg. 37 min. 32 sec. West a distance of 1,168.62 feet more or less to the place of beginning; same containing approximately 21.46 Acres more or less as shown on that survey captioned "Conveyance Survey for Marshes Light, L.L.C./Dare County" prepared by Seaboard Surveying & Planning, Inc. File No. 0203075, dated March 19, 2004, last revised July 5, 2005 and recorded July 20, 2005 in Plat Cabinet G, Slide 75, in the Public Registry of Dare County, North Carolina. The property herein conveyed is subject to the dedications of right of way of Uppowoc Street and Grenville Street as set forth on the afore-referenced Survey recorded in Plat Cabinet G, Slide 75, in the Public Registry of Dare County North Carolina.

EXHIBIT B TO MASTER DECLARATION

Section 2.01 Property made subject to Declaration

1. Lots 4, 5 and 6 as more particularly described on that exempt subdivision plat prepared by Seaboard Surveying & Planning, Inc. and filed in the Public Registry of Dare County, North Carolina to which reference is made for a more particular description; and
2. Easements and boardwalks recorded in Book 1688 at page 128 of the Dare County Registry

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BY - LAWS

OF

MARSHES LIGHT MASTER ASSOCIATION, INC.

ARTICLE I

NAME, PURPOSE , APPLICABILITY, AND ASSENT

1.1 Name. The name of this non-profit, non-stock membership corporation shall be Marshes Light Master Association, Inc., hereinafter referred to as "the Association."

1.2 Purpose. The purpose of the Association shall be to administer and manage the affairs of those properties situated in the Marshes Light development in the historic Town of Manteo on Roanoke Island consisting of mixed residential and commercial neighborhoods of Single-Family Residential Lots, Marshes Light Townhouses, Marshes Light Inn, Marshes Light Marina, Retail Cottages, Main Corner Quads, and Marina Condominiums ("Marshes Light" and/or the "Property"), established pursuant to the terms of the Master Declaration of Covenants, Conditions, and Restrictions for Marshes Light filed in the Public Registry of Dare County, North Carolina as amended, supplemented, or restated (the "Declaration") in accordance with the North Carolina Planned Community Act (the "Act") and the Governing Documents as defined in Section 1.20 of the Declaration, as may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of the Property and the Owners' responsibility with respect to the same.

1.3 Applicability. These By-Laws are applicable to the operation of Marshes Light Master Association, Inc. and its operation of the development known as Marshes Light, as such property is described in Exhibit "A" attached to the Declaration.

1.4 Assent. These By-Laws are binding on all present and future Owners, tenants, guests, residents, or other persons occupying or using the facilities of Marshes Light. The mere acquisition, rental, or act of occupancy of any part of Marshes Light will signify that these By-Laws are accepted, ratified, and will be complied with by those Owners, tenants, guests, residents, or other persons occupying or using the facilities of Marshes Light. The provisions of the Declaration regarding the governing and administration of the Association are incorporated herein by reference. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a Unit shall constitute an agreement that these Bylaws (and any Rules of Conduct made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II DEFINITIONS

2.1 Definitions The definition of words contained in the Declaration, Article I, shall apply to those words and terms as used in these By-Laws.

ARTICLE III OFFICES, REGISTERED AGENT, FISCAL YEAR, POWERS

3.1 Principal Office, Registered Office. The principal office of the Association shall be located at the offices of Kitty Hawk Land Company, 3628 North Croatan Highway, Kitty Hawk, North Carolina, 27949, or such other places as the Board of Directors may designate from time to time.

3.2 Registered Agent. The initial Registered Agent for the Association is Daniel D. Khoury, whose address is Post Office Box 2, Kitty Hawk, North Carolina, 27949. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the Association.

3.3 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31.

3.4 Powers. The Association shall have all the common law and statutory powers of non-profit corporations. The Association shall also have all the powers necessary to implement the purposes of the Association and to provide for the general health and welfare of its membership.

ARTICLE IV MEMBERSHIP

4.1 Qualification. Membership in the Association shall be confined to and consist of the Owners of Marshes Light. Membership shall be appurtenant to and inseparable from unit ownership. No Owners shall be required to pay any consideration whatsoever for his membership. Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title, whether encumbered or not, to any one or more Units. The date of registration of the conveyance in the Dare County Registry of the Unit in question shall govern the date of ownership of each particular Unit and will be the date that membership in the Association shall begin for the Owner. However, in the case of death, the transfer of ownership shall occur on the date of death in the case of intestacy, or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

4.2 Annual Meeting. There shall be a regular annual meeting of the Owners held each year during the same month of each succeeding year, for the purpose of electing members of the Board and for the transaction of such other business as may be properly brought before the meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting. The first meeting of the membership, whether a regular or Special Meeting, shall be held within ninety (90) days after the expiration of one year from the date of recordation of the Declaration in the Public Registry of Dare County, North Carolina and shall be set by the Declarant.

4.3 Place of Meetings. Meetings of the Association shall be held at a designated place within the Town of Manteo, or such other place as determined by the Board.

4.4 Special Meetings. Special meetings of the Association may be called at any time by the President of the Association, or by a majority of the Board of Directors, by the Declarant during the Declarant Control Period, or upon written request of Members who are collectively entitled to vote at least 20% of all the votes in the Association. The Notice of any Special Meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a Special Meeting except as stated in the Notice.

4.5 Notice of Meetings. Written notice stating the place, day, and hour of the meeting and the agenda for the meeting will be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, personally or by mail, or sent via electronic mail to those Owners and authorized recipients who have given consent for electronic transmission or otherwise as permitted by the Act, by or at the direction of the President, or the Secretary, or the persons calling the meeting as provided in these Bylaws, to the registered mailing address for notice of each Member entitled to vote at such meeting.

4.6 Quorum. A quorum is deemed present throughout any meeting of the Association if Members entitled to cast (or proxies entitled to cast) 20% of the votes of the Association are present at the beginning of the meeting. If, however, such quorum is not present or represented at the meeting, the Members entitled to vote at the meeting will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented by proxy.

4.7 Majority of Owners. As used in these Bylaws, the term “majority” will mean those votes, Owners, or other groups as the context may indicate totaling more than 50% of the total number.

4.8 Voting by Mail. Voting by mail is permitted for election of the Board of Directors, amendment of the Articles of Incorporation, adoption of a proposed plan of merger, consolidation, or dissolution pursuant to the provisions of the Act and the North Carolina Nonprofit Corporation Act, each as amended from time to time, or other questions that come

before the Association. In the case of a vote by mail, the Secretary of the Association will give written notice to all Members, which notice will include a proposed written resolution setting forth a description of the proposed action, a statement that the Members are entitled to vote by mail for or against such proposal, a statement of a date not less than 20 days after the date such notice will have been given by which all votes must be received, and the specified address of the office to which all votes must be sent. Votes received after that date will not be effective. Delivery of a vote in writing to the designated office will be equivalent to receipt of a vote by mail at such address for the purpose of this section.

4.9 Proxies. Any Member may cast such Member's vote in person or by proxy, but no proxy will be valid if it is not dated or if it purports to be revocable without notice. Further, no proxy will be valid after eleven months from the stated date of its execution unless otherwise provided in the proxy or unless voluntarily revoked upon notice, amended, or sooner terminated by operation of law. Finally, no proxy will be valid unless filed with the Secretary of the Association at or before the appointed time of the meeting at which the proxy will be voted.

4.10 Actions Binding on Members. A majority of votes intended to be cast by Members constituting a quorum in person or by proxy will be sufficient to make decisions binding on all Owners, unless a different number or method of voting is expressly required by statute or by the Declaration, the Articles of Incorporation or these Bylaws.

4.11 Designation of Voting Representative by Non-Individual Owners – Requirement for Proxy. If title to a Unit is held in whole or in part by a firm, corporation, partnership, association, limited liability company, or other legal entity, the voting privilege appurtenant to that ownership may be exercised only by a proxy executed on behalf of such party or parties, filed with the Secretary of the Association, and appointing and authorizing one person or alternate persons to attend all annual and special meetings of the Members and to cast the vote allocated to that Unit at the meeting.

4.12 Designation of Voting Representative by Multiple Owners – Use of Proxy. If more than one Owner holds title to a Unit, each Owner may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy, and if a majority of the Owners for a Unit cannot agree, then the Owners of such Unit will not be entitled to vote. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association.

4.13 Waiver of Notice. Waiver of notice of a meeting of the Members will be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, will be deemed waiver by such Member of notice of the time, date, and place of the meeting unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting will also be deemed waiver of notice

of all business transacted at the meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

4.14 Action Without a Meeting. Any action that may be taken by the vote of the Members at a regular or special meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the members.

4.15 Conduct of Meetings. The President shall preside over all meetings and the Secretary shall keep minutes of the meeting in a record in a minute book with all resolutions adopted at a meeting, as well as a record of all transactions occurring thereat.

ARTICLE V BOARD OF DIRECTORS, SELECTION, TERM OF OFFICE

5.1 Number, Qualification, and Initial Board. The affairs of the Association will be managed by a Board of not less than three and not more than five Directors. Except as provided below regarding Directors appointed by Declarant during the Declarant Control Period, the Directors will be Members of the Association or the delegates of Members appointed by proxy under Article IV above. The number of the Board of Directors will be established from time to time by amendment to these Bylaws.

The initial number of members of the Board of Directors will be three. The names and addresses of the three persons who are to serve on the initial Board of Directors until their successors are appointed are as follows:

Mickey Hayes	PO Box 229, Kitty Hawk, NC, 27949
Bobby Howsare	PO Box 229, Kitty Hawk, NC, 27949
Lee Whitley	PO Box 229, Kitty Hawk, NC, 27949

5.2 Directors During Declarant Control Period. During the Declarant Control Period the Board of Directors will be selected by Declarant and will serve at the sole discretion of Declarant, subject, however, to the provisions of the Act. The Directors selected by Declarant need not be Members of the Association, and the initial Board of Directors members selected by the Declarant are those set forth in Section 5.1 above.

5.3 Election of Directors After Declarant Control Period. Upon termination of the Declarant Control Period in accordance with the Declaration, a special meeting of the Association will be called, at which Declarant will turn control of the Association over to the other Members as provided in the Act. The Members will elect a new Board of Directors, and any terms of Directors appointed by Declarant that have not expired will terminate at that time. Subsequently, Directors will be elected by the Members at each annual meeting of the Members.

5.4 Term of Office of Directors After Declarant Control Period. The term of office for the initial full slate of Directors elected by the Members will be fixed at the time of their election as they themselves will determine in order to establish a system of three-year terms in which at least one-third of the Board is elected each year, and the Board will identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the initial Board is set at three pursuant to Section 5.1 above, one Director will serve for a one-year term, one Director will serve for a two-year term, and one Director will serve for a three-year term. At the expiration of the initial term of office of each respective Director, a successor will be elected to serve three years. Each Director will hold office until such Director's successor is elected by the Members and qualified to take over the office.

5.5 Removal of Directors. Any Director other than one appointed by Declarant may be removed, with or without cause, at any regular or special meeting of the Members by 67% of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is proposed by the Members will be given notice of the proposed removal at least 10 days prior to the date of such meeting and will be given an opportunity to be heard at such meeting.

5.6 Vacancies.

(a) During Declarant Control Period. During the Declarant Control Period, if a Director appointed by Declarant dies, becomes disabled, or resigns, Declarant will appoint a new Director to serve the balance of the term of the resigning, disabled, or deceased Director; if a Director elected by the Members dies, becomes disabled, or resigns, the remaining Directors will appoint a new Director from among the Members other than Declarant to serve the remainder of the term of the resigning, disabled, or deceased Director representing Members other than Declarant.

(b) Following Declarant Control Period. After the expiration or termination of the Declarant Control Period, any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. The term of the Director so elected will be coincident with the term of the replaced Director.

5.7 Compensation. No Director will receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties as a Director.

ARTICLE VI MEETING OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Board of Directors will be held at such regular times as set by the Board of Directors, at such place and hour as may be fixed from time to time by resolution of the Board, but such meetings will be held no less frequently than annually. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting will be held at the same time on the next day that is not a legal holiday.

6.2 Special Meetings. Special meetings of the Board of Directors will be held when called by the President of the Association, or by any two Directors, after not less than three days' notice to each Director.

6.3 Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast 50% of the votes on the Board are present at the beginning of the meeting.

6.4 Actions Binding on Directors. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board.

6.5 Waiver of Notice. Attendance of a Director at any meeting will constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Before, at, or after any meeting of the Board of Directors, any member of the Board may waive in writing notice of such meeting, and such waiver will be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the waiver of notice of such meeting.

6.6 Action Taken Without a Meeting. The Directors will have the right to take any action that they could take at a meeting in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved will have the same effect as though taken at a meeting of the Directors.

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 General. The Board of Directors will have the powers and duties necessary for the administration of the affairs of the Association. Except as provided by these Bylaws, the Declaration, or the Act, the Board of Directors may do all such acts and things which are not specifically required to be done by the Members and may otherwise act in all instances on behalf of the Association.

7.2 Specific Powers and Duties. Without limiting the generality of powers and duties set forth in Section 7.1 above, the Board of Directors will have the following powers and duties, in each case subject only to applicable requirements of the Act:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations, and all other provisions set forth in the Declaration.

(b) To establish, make, amend from time to time, and enforce compliance with such reasonable Restrictions and Rules as are necessary for the operation, use, and occupancy of the Project, subject to the provisions of the Declaration. A copy of such Restrictions and Rules as established by the Board of Directors will be delivered or mailed to each Member promptly after adoption.

(c) To keep in good order, condition, and repair all the Common Elements and all items of personal property, if any, used in the enjoyment of the Common Elements. No approval of the Members is required for expenditures for these purposes, except as otherwise required by the Declaration or these Bylaws.

(d) To fix, determine, levy, and collect the prorated Base Assessments to be paid by each of the Members towards the gross expenses of the Property, and to adjust, decrease, or increase the amount of the Assessments, and to credit any excess of Assessments over expenses and cash reserves to the Members against the next succeeding Assessment period.

(e) To levy and collect Special Assessments per Section 7.03(b) of the Declaration whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All Special Assessments will be in statement form and will set forth in detail the various expenses for which the Special Assessments are being made.

(f) To levy and collect Individual Assessments per Section 7.03(c) of the Declaration for violation of the Governing Documents or because the Association has incurred an expense on behalf of a Member under the Governing Documents.

(g) To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these Bylaws, and to exercise other remedies for delinquent Assessments as set forth in the Declaration.

(h) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, the Bylaws, or Rules and Restrictions established by the Association, all in accordance with Section 7.5 below and the Act.

(i) To enter into contracts within the scope of their duties and powers.

(j) To establish a bank account for the operating account of the Association and for all separate funds as required or deemed advisable by the Board of Directors.

(k) To cause to be kept and maintained full and accurate books and records showing all of the receipts, expenses, or disbursements and to permit examination thereof by Members or their Mortgagees during convenient weekday business hours.

(l) To cause to be maintained the insurance coverages (including without limitation fidelity insurance, or in its place, a bond covering the Manager, the Board, the officers, and any other persons charged with handling Association funds) as may be necessary to comply with the requirements of the Declaration, these Bylaws, and the Act.

(m) To delegate to the Manager or any other person or entity such of the Association's duties or responsibilities as may be more conveniently or efficiently performed by someone other than by the Association, and to agree to assess to the Members a reasonable fee for such services, except that the duties set forth in subparagraphs (b), (e), (f), and (g) of this Section 7.2 and duties reserved to the Board by law will not be so delegated.

(n) To prepare a budget before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act.

7.3 Manager. The Board of Directors may employ for Marshes Light a professional management agent or agents as Manager for compensation established by the Board of Directors to perform such duties and services as authorized by the Board of Directors. During the Declarant Control Period, the Manager may be an affiliate of the Declarant. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (e), (f), and (g) of Section 7.2 of this Article and duties reserved to the Board by law. Declarant, or an affiliate or employee of Declarant, may be employed as Manager, subject to the limitations of the Act. If the Board delegates powers of the Board or officers of the Association relating to collection, deposit, transfer, or disbursement of Association funds to the Manager (other than Declarant):

(a) The Manager will maintain fidelity insurance coverage or a bond as required by the Declaration;

(b) The Manager will maintain all funds and accounts of the Association separate from the funds and accounts of other Associations managed by the Manager and will maintain all reserve accounts of each Association so managed separate from operational accounts of the Association, each with appropriate access controls, and the bank where the accounts are

located must send copies of monthly bank statements directly to the Association, and the Manager will not have authority to draw checks on, or to transfer funds from, the Association's reserve account; and

(c) An annual accounting for Association funds and a financial statement will be prepared and presented to the Association by any one of the following: the Manager, a public accountant, or a certified public accountant.

If a professional manager is employed, the management agreement must be for a specified term (not to exceed three years) and must contain specific termination provisions. Such termination provisions may not require the payment of any penalty for termination or require advance notice of termination in excess of 90 days. Declarant may enter into a management agreement before the expiration of the Declarant Control Period, but the management agreement must provide that the Association has the right to terminate the management agreement without cause and such right may be exercised by the Association at any time after the expiration of the Declarant Control Period.

7.4 Abatement and Enjoinment of Violations by Owners. The violation of any Rule of Conduct adopted by the Board or the breach of any bylaw contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which, or as to which, such violation or breach exists, and to make any repairs, and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing, or condition which may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass, or, (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Owner; (c) in any case of flagrant or repeated violation by an Owner, to require such Owner to give sufficient sureties for his future compliance with the Governing Documents; or (d) after notice and an opportunity to be heard (as provided in Section 7.5 below), to levy reasonable assessments and fines in accordance with the Act for such violations, and further in accord with the hearing procedures of Section 7.5 below. The failure of the Board to so act with respect to any such violation or breach shall not be deemed a waiver of the Board's right to act with respect to the same or any other breach or violation.

7.5 Hearing Procedure. The Board will not impose a fine, suspend voting, or suspend any rights of a Member or other occupant of the Property for violations of Rules and Restrictions or of the provisions of the Governing Documents unless and until the procedure below is followed:

(a) Demand. Written demand to cease and desist from the alleged violation will be served upon the alleged violator specifying:

- (i) The alleged violation;
- (ii) The action required to abate the violation; and

(iii) A time period of not less than 10 days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

(b) Notice. At any time within 12 months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate will serve the violator with written notice of a hearing to be held by the Board. The notice will contain the following:

(i) The nature of the alleged violation;

(ii) The time and place of the hearing, which time will be not less than 10 days from the giving of the notice;

(iii) An invitation to attend the hearing and produce any statement, evidence, and witness on the Member's behalf; and

(iv) The proposed sanction to be imposed.

(c) Hearing. The hearing will be held pursuant to the notice, affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction under these Bylaws, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement will be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed. Written and oral evidence may be presented. The presenting party will provide copies of any written evidence to the other party or parties. The decision of the Board will be final.

(d) Appeal. The Board may in its discretion appoint a Hearing Committee to hear the matter. In such event the above procedure will apply except that either party may appeal the decision of the Hearing Committee to the Board by written notice to the Hearing Committee, the other party, and the Board. The Board will consider the minutes of the hearing and report the decision of the Board within a reasonable period of time not exceeding 60 days after receipt of the notice. The decision of the Board will be final.

The foregoing procedures will not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent Assessment.

7.6 Remedies Cumulative. All rights, remedies, and privileges granted to the Association or the Owner pursuant to any terms, provisions, covenants, or condition of the Governing Documents, shall be cumulative, and the exercise of any one or more shall not constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other additional rights, remedies, or privileges as may be available to such party at law or in equity.

7.7 Nonwaiver of Remedies.

(a) The failure of the Association or any Owner to enforce any right, provision, covenant, or condition which may be granted by the Declaration or the other above-mentioned documents shall not constitute a waiver of the right of the Association or the Owner to enforce such right, provision, covenant, or condition in the future.

(b) The failure of a First Mortgagee to enforce any right, provision, privilege, Covenant, or condition which may be granted to it or them by the Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such right, privilege, covenant, or condition in the future.

ARTICLE VIII OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers. The officers of the Association will be a President, Vice President, Secretary, and Treasurer, and such other officers as the Board may from time to time create by resolution. Following the expiration of the Declarant Control Period, all officers of the Association must be Owners of Units in Marshes Light.

8.2 Election of Officers. The election of officers will take place at the first meeting of the Board of Directors following each annual meeting of the Members.

8.3 Term. The officers of the Association will be elected annually by the Board, and each will hold office for one year or until his successor is duly elected and qualified, unless he sooner resigns, or is removed, or is otherwise disqualified to serve.

8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom will hold office for such period, have such authority, and perform such duties as the Board may determine from time to time.

8.5 Resignation and Removal. Any officer maybe removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation will take effect on the date of receipt of such notice or at any later time specified in the notice, and unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make it effective.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy will serve for the remainder of the term of the officer replaced.

8.7 Multiple Offices. The same person may hold any -two or more offices except the offices of President and Secretary.

8.8 Duties. The duties of the officers are as follows:

(a) President. The President will preside at all meetings of the Association and the Board of Directors; see that orders and resolutions of the Board are carried out; sign all leases, mortgages, deeds, and other written instruments; cause to be prepared and execute, certify, and record amendments to the Declaration on behalf of the Association; and exercise and discharge such other duties as may be required of the President by the Board.

(b) Vice President. The Vice President will act in the place and stead of the President in the event of his absence, inability, or refusal to act, and will exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary will record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and place it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records listing the Members together with their addresses; and perform such other duties as required by the Board.

(d) Treasurer. The Treasurer will receive and deposit in appropriate bank accounts all monies of the Association and will disburse such funds as directed by resolution of the Board of Directors; sign all checks of the Association unless the Board specifically directs otherwise; keep proper books of account; at the direction of the Board, cause an annual audit of the Association books to be made by a public accountant at least once in every three fiscal years; and prepare an annual budget and a statement of income and expenditures to be presented to the Members at their regular annual meeting, and deliver or make copies available to each of the Members.

**ARTICLE IX
FINANCIAL RECORDS AND STATEMENTS**

9.1 Reports. The Board shall keep records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Association, and financing records and books of account of the Property, including a chronological listing of receipts and expenditures for each Unit, which, among other things, shall contain the amount of each Assessment against each Unit, the date when due, the amounts paid, and the balance remaining unpaid. The financial records and books of account shall be available for examination by all Owners, their duly authorized agents or attorneys, and all lien holders, their attorneys and authorized agents, upon reasonable request. A written annual summary of all receipts and expenditures of the Association shall be rendered by the Board to all Owners on or before the 15th day of March of each fiscal year.

9.2 Operating Expense Funds. All sums collected by the Association may be commingled in a single account, but they shall be held for the Owners for the purposes for which they are paid, and shall include the following funds:

(a) General Common Expense Fund, to which shall be credited collection of that portion of the Common Expense Assessments received for defraying the costs of operating the Property on a day-to-day basis, including normal maintenance and repairs, insurance, and related charges; and

(b) Capital Improvement Fund, to which shall be credited, all sums collected which are to be allocated for capital expenditures for the reconstruction, repair, and replacement of Common Elements at a future date.

**ARTICLE X
COMMITTEES**

10.1 Appointment. The Board of Directors may appoint a Hearing Committee as described in Section 7.5 above, and other committees as the Board deems appropriate in carrying out its purposes.

**ARTICLE XI
INDEMNIFICATION**

11.1 Indemnification of Directors and Officers. To the extent permitted by law and consistent with the Articles of Incorporation, the Association will indemnify every member of the Board of Directors, and every officer, employee, and agent of the Association and every person who serves at the request of the Association as a director, officer, employee, fiduciary, or agent of any other foreign or domestic corporation or of any partnership, joint venture, trust, or

other enterprise or employee benefit plan against liability asserted against or incurred by such person in such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article will not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of such actions or omissions in the performance of such person's duties for the Association. The foregoing rights will not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost, and expense arising out of or in connection with the foregoing indemnification provisions will be treated and handled by the Association as a Common Expense.

ARTICLE XII NONPROFIT CORPORATION

12.1 Nonprofit Status. The Association is not organized for profit. No Member of the Association, member of the Board of Directors, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Board of Directors.

ARTICLE XIII AMENDMENTS TO BYLAWS

13.1 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of a meeting at which a proposed amendment is to be considered.

13.2 Adoption. A resolution for the adoption of a proposed amendment may be proposed by any voting Member of the Association. Members of the Association not present in person or by proxy at the meeting considering the amendment may express their approval in writing, provided that such approval is delivered to the Secretary at or prior to the meeting. The approval must be a vote of not less than 67% of the Members, but any amendment during the Declarant Control Period shall require the written consent of the Declarant to be effective.

13.3 Limitation. No amendment may be adopted which would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges, or priorities granted or reserved to the First Mortgagees without the consent of said First Mortgagees in each instance. No amendment shall be made that is in conflict with the Articles of Incorporation of

the Association or Declaration without satisfaction of the requirements therein contained. No amendment to this Section shall be valid.

13.4 Execution. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted as an amendment to the Bylaws, which certificate shall be executed by the President and attested by the Secretary.

ARTICLE XIV MISCELLANEOUS

14.1 Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control, and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.

14.2 Use of Electronic Mail or Meeting. Any action or vote which may be taken or entered by a Director, Owner, or Member in person, or by proxy, other than a vote on amendment of the Declaration, may, in the alternative, be accomplished by the use of electronic mail or electronic meeting utilized in accordance with rules promulgated by the Board of Directors establishing reasonable safeguards as to the genuineness of the action and notice to the other participants. The action shall be evidenced by a written record describing the action taken, signed before or after such action by all members utilizing said method, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

14.3 Dissolution. The Association may be dissolved in accordance with the terms of the Declaration and the creation and execution of a plan of dissolution that is in full compliance with all terms of the North Carolina Nonprofit Corporation Act. Any Association assets remaining after satisfying all Association debts will be distributed in accordance with the plan of dissolution and in a manner complying with the North Carolina Nonprofit Corporation Act.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Marshes Light Master Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by written consent of all directors of the Association, effective as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association, this ____ day of _____, 2006.

BY: _____
Secretary

NORTH CAROLINA
DARE COUNTY

I, _____ a Notary Public of the aforesaid County and State do hereby certify that _____, Secretary of Marshes Light Master Association Inc., a North Carolina corporation, appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and notarial seal this ____ day of _____, 2006.

Notary Public

My Commission Expires: _____

(SEAL)

EXHIBIT D
to Master Declaration

MARSHES LIGHT
ARCHITECTURAL GUIDELINES

ARTICLE I - POLICIES AND PROCEDURES

1.1 ARCHITECTURAL STANDARDS AND POLICY STATEMENT

Marshes Light is part of the historic community of the Town of Manteo on Roanoke Island that patterns itself after elements found in the traditional style of the Town of Manteo way of building. Consistent with this style of architecture, the extended use of gables, dormers and wrap-around porches and decks are encouraged with exterior sidings having the standard cedar shake or horizontal lap siding look with exteriors stained or painted with soft earth tones such as grey, black brown or taupe. The architectural review process will encourage a consistency in character of the preferred architecture and quality of all improvements. Toward fulfillment of these policies, only high quality in architecture, design and landscaping features will be approved. The architectural guidelines have been developed to provide each Owner with protections for the longevity of their investment.

1.2 AUTHORITY TO ESTABLISH GUIDELINES AND CONDUCT DESIGN REVIEW

The Declaration has established an Architectural Review Board (ARB) to implement the Architectural Guidelines. The ARB will make determinations using this document as a guideline. Although the Guidelines will contain a list of specific requirements, the ARB will have the authority to make subjective variance determinations based on the concept that no two lots are alike. The design solution for one lot may not be appropriate for another. The ARB shall judge compliance with these provisions in relation to appearance, aesthetics or infringement of design upon the rights of other owners in Marshes Light. The ARB reserves the right to require modifications or deletions to proposed designs to achieve compliance with these policies.

1.3 AMENDMENT

ARB reserves the right to amend any provision of the Architectural Guidelines from time to time.

1.4 RESPONSIBILITY FOR OBTAINING ARB APPROVAL

1.4.1 Property Owner is Responsible: Each property owner within Marshes Light is responsible for his or her property's compliance with these Architectural Guidelines. Any proposed improvements to be made to that property may affect that compliance, and the Declarant requires that the Owner obtain approvals from the ARB prior to making the improvements. This is true regardless of whether or not the work is being performed by the Owner directly or by a Contractor.

1.4.2 Property Owner to Comply with other Laws: In addition to approval from the ARB, other approvals and permits may be required by the Dare County, such as a building permit. It is not the responsibility of the Association, the ARB, or the Declarant to obtain any other permits for you, nor to provide any guarantees or waive any legal requirements for compliance with any state, county or Town of Manteo law, with the Declaration or with these Architectural Guidelines.

1.5 PREPARATION OF SUBMITTALS

1.5.1 Submittals to be Complete and Accurate: Submittals prepared for consideration by the ARB need to be complete and accurate. Submittals for design review must include drawings prepared as described below. The ARB may require that color chips accompany color applications. All requested information on the application forms need to be furnished. The ARB will reject applications that are incomplete or inaccurate.

1.5.2 Summary of Submittal Requirements: Proper submittals include drawings that are accurate, drawn to scale, and with sufficient detail to adequately explain the entire design. Insufficient explanation of a design, including all visible details, is cause for rejection of an application. The ARB, at its discretion, may accept plans that are marked-up in red with late changes to design features. However, the ARB may require that the marked-up sheets be corrected, revised and re-submitted. As a minimum requirement, copies of each of the following drawings shall be submitted:

NEW HOMES: Site Plan 1:30 Scale
Site Drainage Plan
Foundation Plan
Scaled Floor Plans
All Exterior Elevations (Show actual ground level. Indicate finish materials.) ¼" = 1' Scale
Exterior Color Selection with color chips (Submit with New Home application)
Finish Landscaping Plan (Submit with New Home Application)

ADDITIONS: Site Plan 1:30 Scale - Showing addition location, distances to property lines, and tree(s), if any, to be removed. Show any changes in landscaping.
Floor plan(s) of Addition ¼" = 1' Scale
All Exterior Elevations of Addition including existing house (Show finish materials)

ACCESSORY STRUCTURES:
Site Plan 1:30 Scale - Showing location of new structure and existing house with distances between each, distances to property lines, and tree(s), if any, to be removed
Floor Plan(s)
All Exterior Elevations (Show finish materials)

OTHER SITE IMPROVEMENTS: Site Plan 1:30 Scale - Showing location of improvement, existing structures, distances to property lines, and tree(s), if any, to be removed. Plan of improvement (i.e. deck, patio, swimming pool, etc.).

FENCES: Site Plan 1:30 Scale - Showing location, extent of fence, and tree(s), if any, to be removed. Drawing of fence with heights, materials and sizes identified.

HOUSE COLOR CHANGES: For changes to existing house colors, submit application form with manufacturer's names and color names. Submit color chips with application.

1.5.3 Fees: The design review fee of \$300.00 must be submitted with the application along with a security deposit of \$1,000.00. The security deposit will be returned following completion of the improvements of the approved application.

1.6 REVIEW MEETINGS

The ARB reviews on an "as needed" basis and schedules review meetings within twenty-one (21) days of receipt of completed application.

1.7 REVIEW BASIS

The ARB bases its review of each application on its interpretation of the Declaration, these Guidelines as well as the graphic and written information presented. Due to time constraints, ARB review of all applications occurs without personal presentations by the applicants. Therefore, it is the applicant's responsibility to provide in writing sufficient and accurate information to the ARB for proper consideration. If, in the applicant's opinion, extenuating circumstances exist which would justify a variance from stated guidelines, this information should be presented with the application.

1.8 APPROVALS

An application is approved when the ARB or its designated representative gives notice to the applicant in writing. No verbal approvals are given. The ARB may issue any of the following four decisions:

"Approved": means approved as submitted.

"Approved with Limiting Conditions": means approved only if stated conditions in the approval letter are met.

"Not Approved": means not approved for construction. Reasons for disapproval will be given in writing. The ARB may also provide suggestions for revisions but does not provide design solutions. A disapproval action requires a re-submittal by the applicant for review before any approvals can be given.

"Preliminary Review": means a review of early design drawings to give the applicant direction as to what the concerns of the ARB are likely to be regarding that design. Comments are given to the Applicant but no approval to proceed is granted without ARB review of a complete submittal in accordance with the above requirements.

1.9 APPEALS

- 1.9.1 Appeals to the ARB: Should an application be denied on the basis of the Architectural Guideline, and the applicant feels that the submittal was misinterpreted, or that there are extenuating circumstances that could qualify them for an exception from these requirements then the applicant may request an appeal pursuant to the procedures addressing non-compliance in Section 7.5 of the Association Bylaws. If the ARB agrees that a second review is in order, the application will be sent to an architect for a third party review.

1.10 CONSTRUCTION CHANGES

All construction must be completed in accordance with the application and the plans as approved. Exterior changes to any Improvements must receive prior written approval by the ARB. Applicants requesting design change approvals should consult with the ARB to determine if additional plans and specifications are required.

ARTICLE II-LOT DEVELOPMENT GUIDELINES.

2.1 CLEARING AND HOMESITE PREPARATION

2.1.1 Site Clearing:

ABSOLUTELY NO CLEARING WITHOUT APPROVAL: No clearing or work of any kind shall commence on any homesite until plans and specifications, as defined in these guidelines, have been submitted and approved by the ARB. For new homes, an on-site stakeout review must be completed and written approval of the stakeout received.

2.1.2 Grading and Erosion Control:

- a) **PREVENT EROSION DURING CONSTRUCTION:** The Applicant must Comply with applicable government regulations and code requirements in preventing silt runoff. Erosion control devices shall be installed prior to construction. Any mud or silt runoff onto adjoining properties or streets shall be immediately stopped and removed.
- b) **GRADING FOR DRAINAGE: Responsibility for the grading for drainage lies with the Owner.** Where necessary, the site must be graded to direct water away from residence and prevent ponding, standing water, or poorly drained areas. Do not direct drainage across adjacent properties.

- c) TERRACING AND RETAINING WALLS: Where necessary to stabilize slopes, applicant shall provide retaining walls, stepped terraces, or other forms of permanent erosion control as may be required by the ARB. Any structures constructed for erosion control, such as retaining walls must be approved in writing by the ARB.

2.1.3 Construction Site Management :

- a) TRASH CONTAINMENT: A trash containment area shall be provided on each site during construction. Trash shall not be dumped on other sites or on common areas within the Marshes Light Community.
- b) HAZARDOUS AND TOXIC WASTE: No petroleum based products or other potentially hazardous or toxic substances may be disposed of on any property within the Marshes Light Community.
- c) PORTABLE TOILETS: During construction of new homes, every builder shall maintain portable construction site toilets.

2.2 MINIMUM REQUIRED IMPROVEMENTS TO SINGLE FAMILY HOMESITES

2.2.1 Minimum Required Improvements: The following minimum improvements will be required on lot in Marshes Light:

- a) HOUSE: Any development or improvement of a Lot in Marshes Light must include, as part of the initial approval, a single-family house that meets the minimum Guidelines in this document, including any neighborhood addenda.
- b) PAVED DRIVEWAY, SIDEWALK, AND FRONT WALK: All homesites developed in Marshes Light will include a paved driveway and a walk to the front door, in accordance with Pavement Guidelines, paragraph 2.5, specified in this document.

2.2.2 Equipment and Utilities Screening: Exterior HVAC equipment shall be screened in accordance with Guidelines in this document.

2.2.3 Finished and Landscaped Yard: Every improved homesite shall be landscaped in accordance with landscape Guidelines in this document. Required landscaping may include trees or shrubs for screening certain views.

2.2.4 Proximity of Similar Houses: The ARB reserves the right to reject the placement of houses with the same or substantially similar elevations side-by-side, directly across or diagonally across from each other. The ARB shall make final judgment as to the degree of acceptable similarities permitted in each neighborhood.

2.3 LANDSCAPING

2.3.1 Landscape Plan Required: Stabilization of the soil is a high priority with the goal of having natural plant materials to be disturbed as little as possible and restored, if disturbed. In the event of any disturbance, a restoration plan shall be presented and approved by the ARB.

Specifications. Builders may submit a generic landscape plan as follows:

- (a) The plan submitted shall be drawn accurately with property lines, house and drive shown, with plantings located and labeled for identification.
- (b) A plant list is required noting the types of plants to be used and the sizes (container size, height, etc.).

2.3.2 Changes in Topography, Water Features: Any earthwork creating changes in topography, site drainage, creation of ponds, pools, or other water features must be approved by the ARB. Exterior fountains and ponds are not permitted in front yards unless approved by the ARB.

2.3.3 Trees and Shrubs: Every improved yard shall have minimum required trees and shrubs as approved by the ARB. Homeowners shall be required to maintain required trees and shrubs in healthy condition, and from time to time replace any diseased or dead items, with new nursery grown items with all shrubbery indicated on the landscape plan to be a minimum 3-gallon container size.

2.4 LANDSCAPE ACCESSORIES

2.4.1 Signs: No signs shall be permitted at any time during the Declarant Control Period without the prior written approval of the Declarant.

2.4.2 Decorative Ornaments and Other Landscape Accessories:

- a) **DEFINITION**: Landscape accessories including gazebos, firewood sheds, green house, arbors, trellises, benches, fountains, flagpoles, permanent barbecues, and decorative objects must be approved by the ARB as to design and location.
- b) **PLACEMENT**: In general, landscape accessories are neither permitted farther forward nor closer to side property lines than the rear corners of the house. The ARB may consider accessories that are part of an overall landscape plan, in the front yard areas on a case-by-case basis.

2.5 PAVEMENTS

2.5.1 Driveways: Every improved lot in Marshes Light shall have a single driveway with approved pavement materials to include exposed aggregate, brick pavers, interlocking concrete pavers, patterned concrete, or a pre-approved stamped asphalt.

2.6 MECHANICAL, ELECTRICAL AND COMMUNICATIONS EQUIPMENT

2.6.1 Condenser Screening: Required screening of heat pump or air conditioning condensers must be by finished and paint vertical board fence enclosures, or lattice enclosures, properly supported, trimmed, level and plumb. Equipment shall be screened on all sides with allowance for one 3' wide opening, not visible from the street. Spaces between vertical boards shall be 2" max. The height of the screening enclosure shall be at least as high as the equipment screened, but not more than 1' higher. Landscaping may be used as a screening alternative and in such event must be approved by the ARB.

2.6.2 Satellite Antennas

- a) **PERMITTED ANTENNAS**: The following antennas are permitted by the Federal Telecommunications Act of 1996:
 1. An antenna that is designed to receive direct broadcast satellite service, including direct-to-home satellite services, that is one meter (39") or less in diameter.
 2. An antenna that is designed to receive video programming services via multi point distribution services, including multi-channel, multi point distribution services, instructional television fixed services, and local multi point distribution services, and that is one meter (18") or less in diameter or diagonal measurement.
- b) **LOCATION**: The ARB shall approve Antenna locations. The following priorities shall be observed in determining antenna locations:
 1. Mounted directly on the rear of the house, on a roof plane facing the rear, or on the backside of a chimney.
 2. Mounted on the ground in the rear yard.
 3. Mounted on a pole, an existing other structure, or a tree in the rear yard.

4. If no clear signal may be obtained in any of the above locations, mounted on the ground or, if necessary, on a pole, in the front yard, or on the front plane of the house.
- c) APPEARANCE AND SCREENING: Visibility of antennas should be minimized using one or both of the following methods:
 1. Screen the antenna from view from the street with natural plantings, trees and shrubs, to the extent they do not compromise the signal reception.
 2. Use antennas with a dark or muted color, or paint the antenna a muted color to blend with the background surface or with the surrounding landscape.
- d) NO ADDITIONAL REGULATION BY THE ASSOCIATION: Under Federal law, antennas that meet the requirements of this section may not be further regulated by the Association as to type or placement. Residents are encouraged to use care in the selection and placement of antennas to preserve the appearance Guidelines and character of Marshes Light.

2.7 EXTERIOR LIGHTING AND FIXTURES

2.7.1 Permitted Fixtures

- a) GENERAL TYPES PERMITTED: Exterior light fixtures shall be limited to lights at entrances, at garage doors, low intensity landscape or driveway lights, and side or rear (only) eave-mounted floodlights directed completely within the applicant's homesite area.
- b) STYLES: Light fixtures, except for floodlights, shall be compatible in style with the style of the house.
- c) FACADE FLOODLIGHTING: Floodlighting of front facades may be allowed, but only as approved by the ARB and on the condition that floodlights use only incandescent fixtures.

2.7.2 Prohibited Fixtures

High intensity house or pole mounted area or security lights are prohibited. "High intensity" refers to ballasted light fixtures using high or low-pressure sodium, mercury vapor, or metal halide lamps.

2.8 FENCES

2.8.1 Fences

- a) DEFINITION: An approved decorative fence can be a picket fence, framed lattice fence, framed board fence, or a fence that combines any of these, if it meets the specifications of this paragraph. A decorative fence should consist of three primary defining elements:
 1. All parts shall be sanded and painted (or stained) decay resistant wood. Cedar is recommended. Color should be white unless otherwise approved by the ARB. Fences of synthetic materials designed to look like wood will be considered on a case-by-case basis.
 2. All posts shall be square or turned decorative styles with post caps or decorative tooled tops. Oversize posts or piers shall be used at all terminations, gates and openings.
 3. All supported fences shall be centered on posts and piers. Fence runs may not pass on one side of the post or pier. For picket fences, the supporting rails shall be supported at the center of each post, with pickets facing to the outside of the homesite. For framed fences, the framed structure shall be centered on the posts or piers.
- b) LOCATION AND USE: Approved decorative fences may be located on side and rear areas of the lot.

- c) HEIGHTS: Fences extending into the corner side yards should not exceed 48" in height (average) to the top of the pickets. Posts and piers may be higher as required by the design.
- d) LANDSCAPING: Fence submittals to the ARB may require additional landscaping.

2.9 PLAY EQUIPMENT AND STRUCTURES

2.9.1 Play Equipment: Play equipment is often highly visible, and depending on its design and application, may defeat many of the aesthetic and environmental goals that the community has sought to achieve. For this reason, the Association requires approval of all exterior play equipment prior to placement on the lot. For the purposes of this article, play structures and equipment shall include, but not be limited to, the following:

- SWING SETS
- SLIDING BOARDS
- JUNGLE GYMS - CLIMBING STRUCTURES
- SKATE BOARD RAMPS, STRUCTURES
- BASKETBALL GOALS
- TRAMPOLINES

2.9.2 Placement and Screening

- a) PLACEMENT: Play equipment shall be located in rear yards only, away from property lines adjacent to other houses or streets, and away from neighbors’ direct view where possible.
- b) SCREENING: The ARB may require that certain play equipment be screened from view. The standard requirement for screening will be to provide densely shaped evergreen shrubs or trees of a height, when planted, of at least 2/3 the height of the structure, and so placed as to provide a continuous screen on the stipulated side. Planting can be in a continuous row or staggered. A variety of shrubs/trees may be used in addition to single species solutions. It shall be the responsibility of the homeowner to submit to the ARB a plan and proposed plant types for review.

2.10 LOT COVERAGE

Lot coverage restrictions exist on all lots and are specified on a lot by lot basis per the North Carolina Stormwater Management Permit issued by the Division of Water Quality.

2.11 HOURS OF CONSTRUCTION

All work will be done during the hours of 8 a.m. to 7 p.m. Monday through Saturday. The use of drugs or alcohol or playing of loud music is strictly prohibited on a construction site. Unleashed dogs are not permitted.

ARTICLE III- DESIGN GUIDELINES

3.1 APPEARANCE

- 3.1.1 Appearance: All homes in Marshes Light must be aesthetically pleasing to all views. Exterior colors must be approved by the Committee.
- 3.1.2 Exterior Wallcoverings: Cedar shake, either original or equivalent is preferred; however, products such as “Channel Rustic” or “Hardi Plank” or equivalent will be approved as well depending on aesthetic considerations. Vinyl or aluminum siding will not be allowed.
- 3.1.3 Exterior Trim: Cedar trim is to be supreme clear grade. All exposed finishes, including pressure or salt treated wood is, to be painted or stained as part of the house schedule except for stair treads and decking. Pilings at ground level to be covered with wood lattice of checkerboard pattern or otherwise masked. All exposed pilings

must be wrapped. Balance that cannot be covered with lattice, to be finished grade, chamfered, trimmed with decorative wood, brick, or natural stone. Gable-end treatments are important. Use of rake board or frieze board is encouraged.

- 3.1.4 Windows: Wood frame, vinyl-clad windows with white finish is preferred. Baked on finishes or extruded aluminum by Anderson, Pella, Eagle, Kohler and Marvin will be considered. Lower quality, all vinyl frames will not be approved. Windows and doors shall have a one- by four-inch minimum exterior trim surround casing.
- 3.1.5 Entry: Entry from driveways and garages or carports are encouraged. Under-roof main entry portico of proper scale. Exterior entry door to be wood or fiberglass of solid or six panel design and may include glass inserts. Main entry may not be metal or sliding glass.
- 3.1.6 Roofing: Gables and hips with minimum 6/12 slopes, except as incidental to primary design. Fascia boards to be constructed of vinyl or of wood and painted. Soffits are preferred to be built of wood, but vinyl or aluminum will be considered. Fire retardant wood shakes or heavy weight (300 lb minimum) composition/fiberglass architectural shingle, slate or tile. Roof colors contemporary to house plan. Roof colors of yellow and gold not likely to be approved. Roof colors of red, green and blue-gray will be considered on a limited basis. No metal chimneys will be permitted. Roof stacks, sky lights, plumbing vents and solar panels to be placed on rear slopes and painted black or color of roof shingles.
- 3.1.7 Porches: Open or screened, be sure that proportions balance with floor below. No cross bracing of exposed decks. Joist bands are to be painted. Pickets to be nailed to rails from behind. Porches (including wrap-around) are very much encouraged.
- 3.1.8 Pools: Outdoor pools are not permitted.
- 3.1.9 Parking: One parking place required per bedroom. All driveways must be grey standardized stamped concrete as a minimum decorative treatment. Any impervious parking surfaces must be as approved as in the landscaping plan.

ARTICLE IV - OTHER GUIDELINES

4.1 PROPERTY MAINTENANCE

- 4.1.1 Property maintenance includes the upkeep of lots, buildings and other improvements consistent with good property management, proper trash disposal and animal control.
- 4.1.2 Each property owner has the following responsibilities:
 - a) General Property and Plant Care
 - 1. Seeding, weeding, regular cutting, and watering of plants.
 - 2. Pruning and care of all trees and shrubbery.
 - 3. Painting and external care of structures and other improvements.
 - b) Trash
 - 1. Disposal of trash and other refuse on a weekly basis.
 - 2. No accumulation or storage of trash or bulk materials on any lot.
 - 3. Screening of any trash containers kept outside of the house or garage.

4.2 YARD STORAGE

- 4.2.1 Vehicles. The following vehicles may not be parked or stored on any homesite (except in an approved garage), common area, or street in Marshes Light: campers, house trailers, horse and utility trailers, recreational vehicles, boats, boat trailers, motorcycles, school buses, or commercial vehicles over 6,000 lbs. net vehicle weight or with dual wheels, inoperable vehicles, vehicles without current registration, or similar items. Major vehicle repairs may not be undertaken except in enclosed garages. Minor emergency repairs such as battery charging or changing; replacing a flat tire, and jump-starting are permitted in the open on any lot.

APPENDIX "G"
to Public Offering Statement

Marshes Light Master Association, Inc.
Proposed Operating Budget 2007

Income:

Member Assessments (56 units @ \$1,250)	\$ 70,000.00
Landscape maintenance contributions from neighborhood Associations	<u>6,000.00</u>
Total Income	\$ 76,000.00

Expenses:

Accounting, audit and tax preparation	\$ 2,000.00
Electricity	6,000.00
Contingency/miscellaneous	8,000.00
General maintenance	10,000.00
Property and liability insurance	12,000.00
Landscape maintenance	12,000.00
Legal fees	2,000.00
Management at 10 percent of income	7,600.00
Newsletter	0.00
Sign repair and replacement	0.00
Telephone	500.00
Water for irrigation	2,500.00
Director's insurance	<u>2,000.00</u>
Total Expenses	\$ 64,600.00

Transfers to Reserves:

Regular member assessments (70,000) x 15 percent	\$ 10,500.00
Repairs from reserves	<u>0.00</u>
Total Reserves	10,500.00
Total Expenses and Reserves	<u>75,100.00</u>
Excess of Reserves over Expenses	\$ 900.00