

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS made this 22nd day of December, 1987, by MAYS-OTT COMPANY, INC., a North Carolina corporation, hereinafter referred to as "Declarant";

W I T N E S S E T H :

WHEREAS, Declarant is the owner of the real property set forth and described in Exhibit A to this Declaration, which property is located in the Town of Nags Head, Nags Head Township, Dare County, and which property the Declarant intends to develop as a residential community of single family attached townhouses to be named "EIGHTEEN SOUTH"; and

WHEREAS, Declarant desires to insure the attractiveness of the development and to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all Properties within the development and to provide for the maintenance and upkeep of the exterior of all townhouse units and the Townhouse Common Area, as hereinafter defined; and, to this end desires to subject the real property shown on the plat referenced in the attached description shown in Exhibit A to this Declaration, together with such additions as may hereafter be made thereto to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each Owner thereof; and

WHEREAS, Declarant has deemed it desirable, for the efficient preservation, protection and enhancement of the values and amenities in said development and to insure the residents enjoyment of the specific rights, privileges and easements in the Townhouse Common Area, as hereinafter defined, and to provide for the maintenance and upkeep of the exterior of all townhouse units and the Townhouse Common Area, to create an organization to which will be delegated and assigned the powers of owning, maintaining and administering the Townhouse Common Area and the exterior of the townhouse units and administering, enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, Declarant has caused to be incorporated under North Carolina law, EIGHTEEN SOUTH OWNERS ASSOCIATION, INC., as a non-profit corporation for the purpose of exercising and performing the aforesaid functions;

NOW, THEREFORE, Declarant, by this Declaration of Covenants, Conditions and Restrictions, does declare that all of the property shown on the description of property contained in Exhibit A to this Declaration, being the description of EIGHTEEN SOUTH Townhouse Development,, and such additions thereto as may be hereafter made pursuant to Article II hereof, is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration which shall run with the real property and be binding on all parties owning any right, title or interest in said real property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

Section 3. "Properties" shall mean and refer to the "Existing Property" described in Article II, Section 1 hereof, and any additions thereto as are or shall become subject to this Declaration.

Section 4. "Townhouse Common Area" shall mean all the real property owned by the Townhouse Association for the common use and enjoyment of the Owners. The Townhouse Common Area to be owned by the Townhouse Association is described as all of the property subjected to this Declaration and described in Exhibit A hereto with the exception of individual Lots according to the Lot boundaries shown on the plat of the Townhouse Properties.

It is specifically understood that certain of the Townhouse Common Areas are subject to easements in common with other parties as defined in this Declaration and the rights of other parties set forth and described in this Declaration to the joint and mutual use of such Properties.

Section 5. "Lot" shall mean and refer to any plot of land, with delineated boundary lines, appearing on any recorded subdivision map of the Properties. The Townhouse Common Areas are not a portion of the areas designated as Lots.

Section 6. "Declarant" shall mean and refer to MAYS-OTT COMPANY, INC. and shall also mean and refer to any person, firm or corporation which shall hereafter become vested, at any given time, with title to two or more undeveloped Lots for the purpose of causing residence building(s) to be constructed thereon, and any such successor in title to MAYS-OTT COMPANY, INC. shall be a Declarant during such period of time as said party is vested with title to two or more such Lots (whether undeveloped or developed and un conveyed), but no longer.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Townhouse Association.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION AND WITHIN THE JURISDICTION OF THE EIGHTEEN SOUTH TOWNHOUSES

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration, and within the jurisdiction of the Townhouse Association is located in Nags Head Township, Dare County, North Carolina, and described fully in an attachment to this Declaration labeled Exhibit A.

Section 2. Additions to Existing Property. The plat of the EIGHTEEN SOUTH Townhouse Project designates Units A, B, C, D, E and F as Lots and unit designations. To the extent that any building has not been constructed on any of the designated Lots, the Declarant or the Lot Owner for such Lots shall be entitled to construct improvements on such Lots consistent with the provisions of this Declaration. It is not contemplated that any additional land other than the property described in Exhibit A will be added to the Townhouse Project. The construction of additional buildings on the designated Lots as shown on the map referred to herein and included within the property described in Exhibit A shall not constitute additions to the existing property.

ARTICLE III

shall be used for computations and votes.

Section 2. The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be one classes of Lots with respect to voting rights. Each Lot shall be entitled to one vote to be cast by the Owner of each Lot. When more than one person owns an interest in a Lot, all such persons shall be Members and the voting rights appurtenant to said Lot shall be exercised by them, among themselves, as they may determine but in no event shall more than one vote be cast with respect to any Lot.

ARTICLE IV

PROPERTY RIGHTS

Section 1. Owner's Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Townhouse Common Area which shall be appurtenant to and pass with the title to every Lot, subject to the following provisions:

(a) The right of the Townhouse Association to charge reasonable admission and other fees for the use of any recreational facilities situated upon the Townhouse Common Area and to limit the use of said facilities to Owners who occupy a residence on the Properties in Dare County, North Carolina, and to their families, tenants, contract purchasers and guests as provided in Section 2 of this Article IV;

(b) The right of the Townhouse Association to suspend the voting rights and right to use of the recreational facilities of an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty days for any infraction of its published rules and regulations;

(c) The right of the Townhouse Association to dedicate or transfer all or any part of the Townhouse Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless the Members entitled to at least two-thirds (2/3) of the votes agree to such dedication or transfer and signify their agreement by a signed and recorded written instrument, provided that this subsection shall not preclude the Board of Directors of the Townhouse Association from granting easements to public authorities or others for the installation and maintenance of sewerage, utilities and drainage facilities upon, over, under and across the Townhouse Common Area without the assent of the membership when, in the sole opinion of such Board, such easements do not interfere with the use and enjoyment of the Properties or are necessary for the convenient use and enjoyment of the Properties;

(d) The rights of Owners to the exclusive use of parking spaces as provided in Section 3 of this Article IV;

(e) The right of the Townhouse Association, with the written assent of Members entitled to at least two-thirds (2/3) of the votes to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

Section 2. Delegation of Use.

(a) Family. The right and easement of enjoyment granted to every Owner in Section 1 of this Article IV may be exercised by Members of the Owner's family.

Association, as may be established by its Board of Directors, governing said use.

Section 3. Parking Rights.

(a) Assigned Parking Spaces. Ownership of each Lot shall entitle the Owner(s) thereof to the use of automobile parking spaces, in the area adjacent to the individual Lots, together with the right of ingress and egress in and upon said parking area.

(b) Visitor Parking. Parking spaces designated for the exclusive use of visitors to the Properties (if any) shall not be used by any Owner for the parking of his vehicles, but may be used by persons visiting Owners for a period not to exceed one week in time.

(c) Recreational Vehicles. No campers, trucks, vans, or recreational vehicles may be parked or kept within the Properties, except at locations specifically designated for such parking by the Townhouse Association. The Townhouse Association may make reasonable charges for parking of such vehicles in designated areas and may in its sole discretion refuse to allow any such parking within the confines of the Properties. No tractors may be parked or kept within the Properties, except for maintenance equipment owned by the Townhouse Association or except with permission of the Board.

(d) Boats. Notwithstanding paragraph c above, the owners of units within the townhouse project shall be entitled to park or keep recreational boats on movable trailers in the parking area adjacent to each lot.

(e) Rules and Regulations Regarding Parking. The Board of Directors of the Townhouse Association may make such reasonable rules and regulations as it may elect with respect to the parking of vehicles as aforesaid and may amend and vary the requirements of (b) and (c) above without the consent of the Members of the Townhouse Association.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Townhouse Association: (1) annual assessments or charges and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purposes of Assessments. The assessments levied by the Townhouse Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the maintenance, repair and reconstruction of the exterior of townhouse units and for the acquisition, improvement and maintenance of Properties, services and facilities devoted to this purpose and related to the use and

addition, expenditures by the Townhouse Association for the landscaping, planting and maintenance of areas within Lots, but lying outside of residence buildings and enclosed patio areas, shall be deemed expenditures for the recreation, health, safety and welfare of the residents of the Properties and are hereby authorized.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$2,520 per Lot. Assessment periods for the annual assessments may be made on a monthly basis or on such other periodic basis as may be established by the Board of Directors.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessments above established may be increased, effective January 1 of each year, without a vote of the membership, but subject to the limitation that any such increase shall not exceed five percent (5%) of the maximum assessment for the previous year without a vote of the membership. If the annual assessment is not increased by the maximum amount permitted under terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the assessment may be increased by that amount in a future year at the election of all Board of Directors without a vote of the membership in addition to the maximum increase permitted under the terms of the preceding sentence.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, said maximum annual assessments may be increased without limitation if such increase is approved by Members entitled to no less than two-thirds (2/3) of the votes represented in person or by proxy at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessments at amounts not in excess of the maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Townhouse Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Townhouse Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the same assent of the Members as provided in Section 3(b) of this Article.

Section 5. Assessment Rate. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis, or on such other basis as the Board may determine.

Section 6. Notice and Quorum for any Action Authorized under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast two-thirds (2/3) of the votes appurtenant to the Lots shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

written notice of such fixed assessment to every Owner subject thereto. The due dates for the payment of annual and special assessments shall be established by the Board of Directors. The Townhouse Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Townhouse Association setting forth whether the assessments on a specified Lot have been paid.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Townhouse Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of six percent (6%) per annum or the maximum interest rate permitted to be legally charged under the laws of the State of North Carolina at the time of such delinquency, provided, however, that the interest charge hereunder shall not exceed ten percent (10%) per annum. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors of the Townhouse Association to defray the costs of late payment. The Townhouse Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, late payment fee, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Townhouse Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage, mortgages, first deed of trust or deeds of trust on a Lot. Sale or transfer of any Lot shall not affect any assessment line. However, the sale or transfer of any Lot which is subject to any any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessment thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage, mortgages, deed of trust or deeds of trust.

Section 10. Exempt Property. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE VI

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made, including the erection of antennas, aerials, awnings, and including the enclosure of areas at grade, the placement of reflective or other material in the windows of a townhouse unit or other exterior attachment, until the plans and specifications showing the nature, kind, shape, heights, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Townhouse Association, or by an architectural control committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or

Control Committee shall approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of any Lot or the Townhouse Common Area. Nothing herein contained shall be construed to permit interference with the development of the Properties by the Declarant in accordance with its general plan of development. It is understood that the construction by the Declarant of buildings substantially similar to the existing building on the project on any unimproved Lots is considered to be in compliance with the provisions of this paragraph and that approval by the Board of Directors or by the Architectural Control Committee shall not be required for such construction.

ARTICLE VII

EXTERIOR MAINTENANCE

In addition to maintenance upon the Townhouse Common Area, the Townhouse Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: Paint, repair, replace and care of walks, roofs, gutters, downspouts, exterior building surfaces, trees, shrubs and other exterior improvements, including grass and other vegetation in those portions of each Lot lying outside of the residence building and patio. Such exterior maintenance shall not include glass surfaces and each Owner shall be required to maintain his own glass and his own railing, deck and fence. In order to enable the Townhouse Association to accomplish the foregoing, there is hereby reserved to the Townhouse Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

In the event that the need for maintenance, repair or replacement is caused through the willful or negligent act of the Owner, his family guests or invitees, the cost of such maintenance, replacement or repairs incurred by the Townhouse Association shall be added to and become a part of the assessment to which such Lot is subject.

ARTICLE VIII

INTERIOR MAINTENANCE

Each Owner shall maintain, repair and replace at his expense all interior portions of the improvements on his Lot which shall need repair, including rails, fencing and decks located on the Lot, if any, and all bathroom and kitchen fixtures, light fixtures or other electrical, mechanical or plumbing equipment, pipes and fittings serving an Owner's unit including those which are located in a party wall, if any. Further, each Owner shall repair, maintain and replace at his own expense when necessary the heating and air conditioning systems servicing his dwelling, whether located on his Lot or in the Townhouse Common Area adjacent to the Lot.

ARTICLE IX

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall separating units which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of

Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE X

USE RESTRICTIONS

Section 1. Land Use. All Lots shall be used for residential purposes only and only one family may occupy a Lot as a principal residence at any one time. Declarant may maintain a sales office, models and construction office in one or more units until all units to be located on the Properties have been sold.

Section 2. Nuisance. No noxious or offensive activity shall be conducted upon any Lot or in any dwelling nor shall anything be done thereon or therein which may be or may become an annoyance or nuisance to the neighborhood.

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

Section 4. Temporary Structures. No structure of a temporary nature shall be erected or allowed to remain on any Lot unless and until permission for the same has been granted by the Townhouse Association, or its designated agent or representative.

Section 5. Use of Townhouse Common Area. The Townhouse Common Area shall not be used in any manner except as shall be approved or specifically permitted by the Townhouse Association.

Section 6. Access to Lot. The Townhouse Association, its agents or employees shall have access to all Lots from time to time during reasonable working hours, upon oral or written notice to the Owner, as may be necessary for the maintenance, repair or replacement of any portion of the Townhouse Common area, or facilities situate upon such Lot which serve another Owner's Lot. The Association or its agent shall also have access to each Lot at all times without notice as may be necessary to make emergency repairs to prevent damage to the Townhouse Common Area or another Lot.

Section 7. Clothes Drying. No drying or airing of any clothing or bedding or other items shall be permitted on the grounds or outside of any unit including porches or decks except by and

facilities thereon, without prior written permission of the Townhouse Association. Declarant, however, may post temporary for sale signs on the Properties until such time as all units owned by Declarant have been sold.

Section 9. Garbage Disposal. All garbage shall be stored within the residence of each Owner or in the storage facilities provided for said residence at the time same is constructed. No Owner may change or supplement the garbage disposal facilities provided for such Owner's residence on the date of completion of construction thereof unless the Board of Directors of the Townhouse Association shall first approve in writing the change or addition to the method of storage. It is provided, however, that if the public health authorities, or other public agency, shall require a specific method of garbage disposal, nothing herein contained shall prevent the compliance by Owners with obligatory public rules and regulations.

Section 10. Regulations. Reasonable regulations governing the use of the Townhouse Common Area and external appearance of the townhouse units may be made and amended from time to time by the Board of Directors of the Townhouse Association; provided, however, that all such regulations and amendments thereto shall be approved by a majority vote of the Owners before the same shall become effective. Copies of such regulations and amendments thereto shall be furnished to each Member by the Townhouse Association upon request.

ARTICLE XI

EASEMENTS

Easements for the installation and maintenance of driveway, walkway, parking area, water line, gas line, telephone, electric power line, sanitary sewer and storm drainage facilities and for other utility installations are reserved as shown on the recorded plat. The Townhouse Association may reserve and grant easements for the installation and maintenance of sewerage, utility and drainage facilities over the Properties as provided in Article IV, Section 1(c) of this instrument. Within any such easements above provided for, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation of sewerage disposal facilities and utilities, or which may change the direction of flow or drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels in the easements. In addition, the Townhouse Association shall have the continuing right and easement to maintain all sewer and water lines located on the Lots, including the right to go into townhouse units and disturb the structure and floors thereof in order to maintain those lines located within or under said units.

Every portion of a Lot and each single-family attached townhouse constructed thereon and contributing to the support of an abutting townhouse shall be burdened with an easement of support for the benefit of such abutting townhouse. Further, all attachments to the exterior walls of a townhouse which are a part thereof but which protrude beyond the delineated boundaries of the Lot upon which the dwelling is located, and which were constructed in conformity with the plans and specifications, shall be deemed to be included within said delineated boundaries and there is hereby reserved an easement to permit the construction of and continued existence of any such protruding attachment.

ARTICLE XII

INSURANCE

11000.

Each Owner, at Owner's expense, shall secure and maintain in full force and effect comprehensive personal liability insurance for damage to person or property of others occurring on Owner's Lot, not less than the amount designated by the Association. Owner shall provide the Townhouse Association with satisfactory evidence that such insurance as herein required is in full force and effect and the Association will be given thirty (30) days notice prior to the expiration or cancellation of any Owner's insurance coverage. In the event Owner fails or refuses to maintain such insurance coverage as herein required, the Townhouse Association may, but shall not be obligated to, through its agent or representative, secure and maintain such insurance coverage for Owner's benefit, and the cost or expense thereof shall be deemed a special assessment levied by the Townhouse Association against Owner and Owner's Lot in accordance with the other provisions of this Declaration, and Owner covenants and agrees to pay to the Townhouse Association such special assessment upon demand.

This insurance provision may be modified or amended to substitute one comprehensive insurance policy covering all units provided the approval of a majority of the unit Owners is obtained and approval by sixty-six percent (66%) of the Owners and holders of first deeds of trust on the Lots is obtained. Such approvals shall be in writing but need not be acknowledged and shall be attached to an amendment to this Declaration which amendment shall be executed only by the Townhouse Association and recorded in the Dare County Public Registry.

ARTICLE XIII

FINANCING PROVISIONS

Section 1. Approval of Owners and Holders of First Deeds of Trust. Unless at least fifty percent (50%) of the Owners and holders of first deeds of trust on Lots located within the property described in Exhibit A have given their prior written approval, the Townhouse Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Townhouse Association. The granting of easements for utilities or other purposes shall not be deemed a transfer within the meaning of this clause.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner.

(c) By act or omission change, waive or abandon any plan of regulation, or enforcement thereof pertaining to the architectural design or the exterior appearance of residences located on Lots, the maintenance of party walls or common fences and driveways or the upkeep of lawns and plantings in the subdivision.

(d) Fail to maintain fire and extended coverage insurance on insurable improvements in the Townhouse Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value.

(e) Use the proceeds of any hazard insurance policy covering losses to any part of the Townhouse Common Area for other than the repair, replacement or reconstruction of the damaged improvements.

Section 2. Books and Records. Any Owner and holder of a

Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for property owned by the Townhouse Association and the persons, firms or corporations making such payments shall be owed immediate reimbursement therefor from the Association.

ARTICLE XIV

GENERAL PROVISIONS

Section 1. Enforcement. The Townhouse Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Townhouse Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provision which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty-five (25) year period by an instrument signed by the Owners of not less than sixty-six percent (66%) of the Lots, and thereafter by an instrument signed by the Owners of not less than fifty percent (50%) of the Lots. Any amendment must be properly recorded.

Section 4. Easement. The Declarant is or has been the owner of certain property adjacent to the property described herein and located west of the Old Oregon Inlet Road. A pedestrian right of access crossing the townhouse property which is described in this Declaration from Old Oregon Inlet Road to the Atlantic Ocean along the access ways, streets and walkways of the townhouse project is and shall be reserved for such adjacent properties and the successors and assigns of the Developer in and to such property. This access right is limited to pedestrian use only and shall be used only by the owners, tenants, guests and invitees of improved residential dwelling structures located upon such adjacent property and shall not extend to other properties except that property located within the extended north and south property lines of the townhouse properties. The use of this pedestrian right of access shall be subject to reasonable rules and regulations which shall be set forth and promulgated by the Eighteen South Owners Association, Inc.

IN WITNESS WHEREOF, the undersigned MAYS-OTT COMPANY, INC., Declarant, by virtue of the provisions of Article I, Section 6 of the aforesaid Declaration of Covenants, Conditions and Restrictions, has caused this instrument to be executed by the signature of its President, attested by its Secretary and its corporate seal to be hereunto affixed, the day and year first above written.

MAYS-OTT COMPANY, INC.

BY: [Signature]
President



ATTEST:

The following is a description of the property upon which the Eighteen South Co-Ownership Project is located:

Beginning at a point located in the Eastern margin or right of way of the Old Oregon Inlet road, also known as NCSR 1243; said road having a 100 foot right of way at this point, and said point of beginning being located at the Southern boundary line of the property known as "Dunes South" as shown in Plat Cabinet A at Slide 259 in the Dare County Registry, and running thence from the point of beginning a distance of 200 feet along the eastern right of way of the said state road on a bearing of South 21 deg. 51 min. 21 sec. East to a point; thence turning and running North 68 deg. 45 min. 04 sec. East a distance of 474.41 feet more or less to the high water mark of the Atlantic Ocean, crossing on such call a point located 403.41 feet from the right of way of the state road in the approximate first line of natural stable vegetation; thence turning and running along the high water mark of the Atlantic Ocean to a point in the Southern line of the Dunes South property as it intersects the Atlantic Ocean high water mark, which point is located a course of North 68 deg. 45 min. 04 sec. East a distance of 485.41 feet, more or less, from the point or place of beginning; thence turning and running South 68 deg. 45 min. 04 sec. West a distance of 485.41 feet, more or less to the point or place of beginning, crossing in such call a point marked by an iron pin located 403.41 feet from the right of way of the state road and the approximate first natural stable vegetation line.

Same being all of the property located to the east of the NCSR 1243 North Carolina State Road known as the Old Oregon Inlet Road as described in a deed to Mays-Ott Company, Inc., which is recorded in Book 391 at page 116 of the Dare County Registry. Same being the Eastern portion of the property shown on a plat prepared by David Cox, Jr. and entitled survey for K.S. Williams dated April 10, 1958 which is recorded as an attachment to the deed referenced above. Same also being the property shown on a survey prepared by C. P. Lewis, Surveyor, entitled Plan for Mays-Ott Company, Inc.

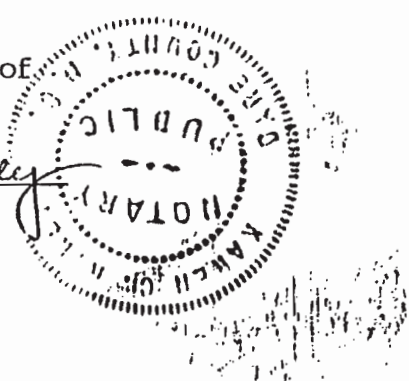
Same being all that certain portion of land as shown in Plat Cabinet C, Slide 37A of the Dare County Public Registry, North Carolina to which same is being incorporated herein by reference as if fully set out.

I, Karen C. Riley, a notary public in and for the aforesaid state and county, do hereby certify that Danny L. Daniels personally appeared before me this day and acknowledged that he/~~she~~ is Secretary of MAYS-OTT COMPANY, INC. and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him/~~herself~~ as its _____ Secretary.

WITNESS my hand and notarial seal, this the 31st day of _____ December, 1987.

My commission expires:
10-26-91

Karen C. Riley
Notary Public



NORTH CAROLINA
DARE COUNTY

The foregoing certificate(s) of Karen C. Riley,
notary public of Dare Co., NC

is/are certified to be correct. This instrument and this certificate are duly registered this 6th day of January, 1988, at 9:15 A.M./P.M., Book 546, page 0380.

Doris A. Fry _____ Register of Deeds

By: Mary B Scarborough _____ Deputy/Assistant - Register of Deeds.