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STATE OF
NORTH
CAROLINA



Department of The
Secretary of State

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

000248

ARTICLES OF INCORPORATION
OF
THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION,
INC.

the original of which was filed in this office on the 25th day of
June, 1997.

97 AUG 7 PM 4 28

RECORDED AND VERIFIED
MARY GEE GOOTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my official seal at the City of
Raleigh, this 25th day of June, 1997.



Elaine F. Marshall

Secretary of State

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ARTICLES OF INCORPORATION
OF

EFFECTIVE
ELAINE F. MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION,

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

NAME

The name of the Corporation is THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION, INC., hereinafter call the "Corporation".

ARTICLE II

REGISTERED OFFICE

The principal and registered office of the Corporation is located at A-4 Pleasure Island Plaza, Carolina Beach, New Hanover County, North Carolina.

ARTICLE III

REGISTERED AGENT

Robert Weinbach, whose address is A-4 Pleasure Island Plaza, Carolina Beach, North Carolina 28412, is hereby appointed the initial Registered Agent of this Corporation.

ARTICLE IV

NO PECCUNIARY GAIN

This Corporation does not contemplate pecuniary gain or profit to the members thereof, and no part of the Corporation's net income shall inure to the benefit of any of its officers, directors or members or any other private individual.

ARTICLE V

PURPOSES

The purposes for which the Corporation is organized are to engage in any lawful act or activity for which Corporations may be organized under Chapter 55A of the General Statutes of North Carolina.

ARTICLE VI

POWERS AND PRIVILEGES

The Corporation shall have all the powers and privileges granted to non-profit corporations under the law pursuant to which this Corporation is chartered.

ARTICLE VII

DURATION

The Corporation shall have perpetual existence.

ARTICLE VIII

MEMBERS

Until such time as the initial corporate meeting is held, the

membership of the Corporation shall be comprised of the individuals named in ARTICLE IX hereof as the initial Board of Directors of the Corporation, and each such individual shall be entitled to cast one (1) vote on all matters on which the membership shall be entitled to vote.

ARTICLE IX
BOARD OF DIRECTORS

The number of members of the initial Board of Directors of the Corporation, also referred to as the Executive Board and/or Board of Governors, shall be three (3). The number of members of succeeding Boards of Directors (Board of Governors) shall be as provided from time to time by the By-Laws. The members of the Board of Directors shall be elected by the members of the Corporation at the annual meeting of the membership as provided by the By-Laws.

The names and addresses of the initial Board of Directors, who, subject to the provisions of these Articles of Incorporation, the By-Laws, and the laws of the State of North Carolina, shall hold office until the first annual meeting of the membership or until their successors are elected and have qualified, are as follows:

<u>NAMES</u>	<u>ADDRESSES</u>
HERBERT WEINBACH	A-4 Pleasure Island Plaza Carolina Beach, NC 28428
DAVID GREER	A-4 Pleasure Island Plaza Carolina Beach, NC 28428
DAVE ROUEN	A-4 Pleasure Island Plaza Carolina Beach, NC 28428

ARTICLE XOFFICERS

The Board of Directors shall elect a President, a Secretary, and a Treasurer and as many Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors, but no other officer need be a Director. The same person may hold two (2) offices, the duties of which are not incompatible; provided, however, that the offices of President and Vice President or President and Secretary or Assistant Secretary shall not be held by the same person.

ARTICLE XICORPORATE AFFAIRS

The affairs of the corporation shall be managed by the President of the Corporation assisted by the Vice Presidents, Secretary and Treasurer, and, if any, the Assistant Secretaries and Assistant Treasurers, subject to the direction of the Board of Directors.

ARTICLE XIIBY-LAWS

The original By-Laws of the Corporation shall be adopted by a majority vote of the initial Board of Directors, and thereafter such By-Laws may be altered or rescinded only in such manner as said By-Laws may provide.

INDEMNIFICATION

Every Director and every Officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer of the Corporation, whether or not he is a Director or Officer at the time such expenses or liabilities are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer 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 such Director or Officer may be entitled.

ARTICLE XIVAMENDMENT TO ARTICLES

Any amendment to these Articles of Incorporation shall require the assent of seventy-five percent (75%) of the membership.

ARTICLE XV

DISSOLUTION OF CORPORATION

Upon dissolution of the corporation, the assets of the corporation shall be used to pay all debts and liabilities of the corporation, any remaining funds shall be paid pro-rata to the corporate members.

ARTICLE XVI

INCORPORATOR

The name and address of the Incorporator is ROBERT WEINBACH, A-4 Pleasure Island Plaza, Carolina Beach, North Carolina 28428.

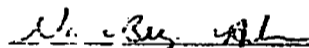
IN WITNESS WHEREOF, I, the undersigned Incorporator, have hereunto set my hand and seal, this 13th day of June, 1997.

 (SEAL)
ROBERT WEINBACH
INCORPORATOR

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

This is to certify that on this 13th day of June, 1997 before me, Y. A. Berry, a Notary Public of said County and State, personally appeared ROBERT WEINBACH, who I am satisfied is the person named in and who executed the foregoing ARTICLES OF INCORPORATION of THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION, INC. who acknowledged that he signed, sealed and delivered the same as his voluntary act and deed for the uses and purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and official stamp or seal, this 13 day of June, 1997.


NOTARY PUBLIC

My Commission Expires:
8/5/99

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BY-LAWS
OF
THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION
(A NON-PROFIT CORPORATION)

ARTICLE I

GENERAL

Section 1. TITLE TO TOWNHOUSE UNITS. Title to Townhouse Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants, or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 2. APPLICABILITY OF BY-LAWS. The provisions of these By-Laws are applicable to THE CHATHAMS AT BEACHWALK, and its common elements and to the use and occupancy thereof. The term "THE CHATHAMS AT BEACHWALK" and its common elements as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

Section 3. APPLICATION. All present and future owners, mortgagees, lessees and occupants of Townhouse Units and their employees and any other persons who may use the facilities in any manner are subject to these By-Laws, the Declaration and Rules and Regulations pertaining to the use and operation of the Townhouse Property. The act of occupancy of a unit shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 4. OFFICE. The Office of the Owner's Association and the Board of Governors shall be located at: A-4 Pleasure Island Plaza, Carolina Beach, North Carolina 28428.

ARTICLE II

BOARD OF GOVERNORS

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

- A. The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the common area;
- B. The right of the Association to limit the number of guests of members;
- C. The right of the Association to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for an infraction of its published rules and regulations;
- D. The right of the Association to dedicate or transfer all or part of the 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. Except for the grant or conveyance of a standard utility easement in order to obtain utility service to

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the common area, no such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded, provided, however, that the Association has the authority to dedicate the streets to the public. With respect to a standard utility easement permitting utility service to the common area, the Board of Governors may authorize the officers to execute such a grant or conveyance of the standard utility easements to the utility company without a vote of the membership of the association;

- E. The right of the Association to impose regulations for the use and enjoyment of the Common Area and improvements thereon, which regulations may further restrict the use of the Common Area;
- F. The Declarant for itself, its heirs, successors and assigns, hereby waives any and all actions, causes of actions or claims that may or could arise from any structures located on said maps as hereinabove referenced that encroach onto the common area, and by acceptance of a deed the grantees/unit owners acknowledge and waive any claim or cause of action that may exist as a result of any encroachment of any structure onto the common area as hereinabove referenced.

Section 2. POWERS AND DUTIES. The Board of Governors shall have the powers and duties necessary for the administration of the affairs of the Townhouse and Common Elements except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Governors by the unit owners. The powers and duties to be exercised by the Board of Governors shall include, but not be limited to, the following:

- A. Operation, care, upkeep and maintenance of the common elements;
- B. Determination of the amounts required for operation, maintenance and other affairs of the Townhouse and Common Elements;
- C. Collection of the common charges from the unit owners;
- D. Employment and dismissal of personnel as necessary for efficient maintenance and operation;
- E. Adoption and amendment of rules and regulations covering the details of the operation and use of the Townhouse and Common Elements;
- F. Opening of bank accounts on behalf of the Owners Association and designating the signatures required therefor;
- G. Obtaining insurance for the Townhouse Units and Common Elements pursuant to the provisions of Article V, Section 2 hereof; and
- H. Making repairs, additions and improvements to, or alterations of, the property and repairs to and restoration of the property in accordance with the provisions of these By-Laws, after damage or destruction

by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

Section 3. ELECTION AND TERM OF OFFICE. The Board of Governors shall be elected at the first annual meeting of the unit owners, the term of office of the members of the Board of Governors shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Governors, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Governors shall hold office until their respective successors shall have been elected by the unit owners.

Section 4. VACANCIES. Vacancies in the Board of Governors caused by any reason shall be filled by vote of a majority of the owners at a special meeting of the unit owners held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a member of the Board of Governors for the remainder of the term of the member so removed.

Section 5. REGULAR MEETINGS. Regular meetings of the Board of Governors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Governors, but at least one such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Governors shall be given to each member of the Board of Governors, by mail or telegraph, at least three (3) business days prior to the day named for such meeting.

Section 6. SPECIAL MEETINGS. Special meetings of the Board of Governors may be called by any Board member on three (3) business days' notice to each member of the Board of Governors given by mail or telegraph, which notice shall state the time, place and purpose of the meetings.

Section 7. WAIVER OF NOTICE. Any member of the Board of Governors may, at any time, waive notice of any meeting of the Board of Governors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Governors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Governors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. QUORUM OF BOARD OF GOVERNORS. At all meetings of the Board of Governors, all members thereof must attend to constitute a quorum for the transaction of business and the votes of all of the members of the Board of Governors shall constitute the decision of the Board of Governors. If at any meeting of the Board of Governors there shall be less than a quorum present, the Board members present may conduct any business which might have been transacted at the meeting originally called and any action consented to by the absent manager in writing within ten (10) days of said meeting, shall be deemed valid.

Section 9. COMPENSATION. No member of the Board of Governors shall receive any compensation from the Association for acting as such.

Section 10. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE III

MEETINGS OF UNIT OWNERS

Section 1. PLACE. All meetings of the unit owners shall be held at the office of the Association or such other place as may be stated in the notice.

Section 2. ANNUAL MEETINGS.

a. The annual meeting of the unit owners shall be held at Carolina Beach, North Carolina, in each year commencing in 1997; provided, however, that the first annual meeting will be held on the second Saturday in October, 1997. At such meeting each unit owner shall vote to elect the members of the Board of Governors. Regular annual meetings subsequent to 1997 shall be held on the first Saturday in October of each succeeding year unless otherwise determined by the Board of Governors.

b. All annual meetings shall be held at such hour as is determined by the Board of Governors.

c. At the annual meeting, the members shall elect the new members of the Board of Governors and transact such other business as may properly come before the meeting.

Section 3. SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners if so directed by resolution of the Board of Governors or upon a petition signed and presented to the Secretary by unit owners owning a total of at least fifty percent (50%) of the common interest. The notice of any special meeting shall state the time, place and purpose of the meeting. The business transacted at all special meetings shall be confined to the objects stated in the notice unless the Board of Governors unanimously consents to the transaction of business not stated in the notice.

Section 4. NOTICE OF MEETINGS. The Secretary shall mail to each unit owner of record a notice of each annual or special meeting of the unit owners at least ten (10) days but not more than twenty (20) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, at the building or at such other address as such unit owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 5. ADJOURNMENT OF MEETINGS. If any meeting of unit owners cannot be held because a quorum has not attended, a majority in common interest of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

Section 6. ORDER OF BUSINESS. The order of business at all meetings of the Unit Owners shall be as follows:

- a. Roll call;
- b. Proof of notice of meeting;
- c. Reading of minutes of preceding meeting;
- d. Reports of Officers;
- e. Report of Board of Governors;
- f. Reports of Committees;
- g. Election of members of the Board of Governors (when so required);
- h. Unfinished business;
- i. New business; and
- j. Adjournment.

Robert's Rules of Order shall be applicable to the conduct of all meetings of unit owners.

Section 7. VOTING. The owner or owners of each Unit, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such Unit at all meetings of unit owners. The designation of any such proxy shall be made in writing to the Secretary and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. Each unit shall be entitled to cast one (1) vote at all meetings of the unit owners. A fiduciary shall be the voting member with respect to any Townhouse Unit owned in a fiduciary capacity.

Section 8. MAJORITY OF UNIT OWNERS. As used in this By-Laws the term "majority of unit owners" shall mean those unit owners having one hundred percent (100%) of the total authorized votes of all unit owners in person or by proxy and voting at any meeting of the unit owners, determined in accordance with the provisions of Section 7 of this Article.

Section 9. QUORUM. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Unit Owners having sixty percent (60%) of the total authorized votes of all unit owners shall constitute a quorum at all meetings of the unit owners.

Section 10. MAJORITY VOTE. The vote of a majority of unit owners at a meeting at which a quorum shall be present shall be binding upon all unit owners for all purposes.

Section 11. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE IV

OFFICERS

Section 1. DESIGNATION. The principal officers of the Owners Association shall be the President and Secretary and Treasurer, all of whom shall be elected by the Board of Governors. The Board of Governors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and Secretary and Treasurer must be members of the Board of Governors.

Section 2. ELECTION OF OFFICERS. Officers shall be elected annually by the Board of Governors.

Section 3. REMOVAL OF OFFICERS. Upon the affirmative vote of a majority of the members of the Board of Governors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Governors called for such purpose.

Section 4. PRESIDENT. The President shall be the chief executive officer of the Owners Association. He shall preside at all meetings of the unit owners and Board of Governors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Law of the State of North Carolina including, but not limited to, the power to appoint from among the unit owners any committee which he decides is appropriate to assist in the conduct of the affairs of the Owners Association.

Section 5. SECRETARY. The Secretary shall keep the minutes of all meetings of the unit owners and of the Board of Governors; he shall have charge of such books and papers as the Board of Governors may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 6. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Board of Governors, and he shall, in general, perform all the duties incident to the office of Treasurer of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 7. AGREEMENTS, CONTRACTS, DEEDS, CHECKS, ETC. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by the President and Secretary of the Association and checks are to be executed by such person or persons as may be designated by the Board of Governors.

Section 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

ARTICLE V

OPERATION OF THE PROPERTY

Section 1. DETERMINATION OF COMMON EXPENSES AND COMMON CHARGES. The Board of Governors shall have from time to time and at least annually, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association and allocate and assess such common charges against the unit owners according to their respective common interests. The common expenses shall include, among other things, all insurance premiums and expenses related thereto required to be maintained by the Board of Governors pursuant to the provisions of Section 9 of this Article V. The common expenses may also include such amounts as the Board of Governors may deem proper for the operation, maintenance, repair or replacement of the Common Elements including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year, and any other expenses designated by the Board of Governors as common expenses. In addition thereto, each unit owner shall be liable for and pay the annual assessment to the Beachwalk Homeowners Association for maintenance and upkeep of the common area of Beachwalk.

Section 2. LIABILITY FOR COMMON CHARGES. All unit owners shall be obligated to pay the common charges assessed by the Board of Governors pursuant to the provisions of Section 1 above at such times and in such manners as may be directed by the Board.

A. SELLER'S LIABILITY. No unit owner shall be liable for the payment of any part of the common charges assessed against his Unit from and after the date of closing of the sale, transfer, or other conveyance by him of such unit.

B. PURCHASER'S LIABILITY. A purchaser of a Unit shall be liable for payment of any common charges assessed against such unit prior to its acquisition by him, except that a mortgagee or a purchaser of a Unit at a foreclosure sale shall not be liable for and shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 3. COLLECTION OF ASSESSMENTS. The Board of Governors shall at least annually take prompt action to collect from a unit owner any assessment for common charges which remains unpaid by him for more than thirty (30) days from the due date for its payment.

Section 4. DEFAULT IN PAYMENT OF COMMON CHARGES. In the event of default by any unit owner in paying to the Board of Governors the assessed common charges, such unit owner shall be obligated to pay interest at the legal rate on such common charges from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board of Governors in any proceeding brought to collect such unpaid common charges. The Board of Governors shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action brought against such unit owner, or by foreclosure of the lien on such Unit which is hereby granted by all unit owners in favor of the Association for the enforcement of payment of delinquent common charges.

Section 5. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES. In any action brought by the Board of Governors to foreclose a lien on a Townhouse Unit because of unpaid common charges, the unit owner shall be required to pay a reasonable rental for the use of his Townhouse Unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect such rental. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

Section 6. STATEMENT OF COMMON CHARGES. The Board of Governors shall promptly provide any unit owner who makes a request in writing with a written statement of his unpaid common charges.

Section 7. ABATEMENT AND ENJOINING OF VIOLATIONS. The violation of any rule or regulation adopted by the Board of Governors or the breach of any By-Law contained herein shall give the Board of Governors the right, in addition to any other rights the Board of Governors to enter the unit owners unit to remedy the violation and they shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

Section 8. MAINTENANCE AND REPAIR.

A. COMMON ELEMENTS. All maintenance, repairs and replacements to the common elements, whether located inside or outside of the Townhouse Units (unless necessitated by the negligence, misuse, or neglect of a unit owner, in which case such expense shall be charged to such unit owner), shall be made by the Board of Governors and be charged to all the unit owners as a common expense.

Section 9. INSURANCE. The Board of Governors on behalf of the Association, at its common expense, shall at all times keep THE COMMON AREAS of the Beachwalk insured against loss or damage by fire, flood or other hazards normally insured against at one hundred percent (100%) of replacement cost, and such other risks, including public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the property; any insurance shall be payable in case of loss to the Board or It's Designee as Trustee for all unit owners. The Trustee so named shall have the authority on behalf of the association and unit owners to deal with the insurer in the settlement of claims.

Each unit owner shall keep his unit insured against loss and damage by fire, tornado, wind storm and flood and against such other hazards as the Board of Governors may require in an amount equal to the replacement cost for said unit. Each unit owner agrees upon request of the Board, to provide the Board with satisfactory proof of said insurance. If the unit owner fails or refuses to keep said premises so insured the Board of Governors may obtain such insurance and the cost of said insurance shall be a lien against said unit as hereinabove set out.

The Association is to be made an additional loss payee on any and all insurance policies covering the units in The Chatham at Beachwalk. All insurance proceeds are to made payable to the unit owner, all mortgage holders and the Association.

Section 10. USE OF UNITS. In order to provide for congenial occupancy of the Units and for the protection of their values the use of the Units shall be subject to the following limitations:

- A. The Units shall be used for residential purposes only.
- B. No portion of the Unit other than the entire unit may be rented, and rentals shorter in length than twelve (12) continuous months are prohibited.

Section 11. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY UNIT OWNERS. No unit owner shall make any structural addition, alteration, or improvement in or to his Unit without prior written consent thereto of the Board of Governors. The Board of Governors shall have the obligation to answer any written request by a unit owner for approval of a proposed structural addition, alteration, or improvement in such unit owner's Unit within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Governors to the proposed addition, alteration, or improvement. Any association to any governmental authority for a permit to make an addition, alteration, or improvement in or to any Unit shall be executed by the Board of Governors. The Board of Governors shall not be liable to any contractor, subcontractor, or materialman or to any person sustaining personal injury or property damage, for any claim arising in connection with such addition, alteration, or improvement.

Section 12. LIMITED COMMON ELEMENTS. Those areas designated as Limited Common Elements on the recorded plat of THE CHATHAMS AT BEACHWALK will be treated in all respects as common elements except that the sole use and control of said Limited Common Elements shall be in the owner of the unit to which said Limited Common Elements are appurtenant as designated on said map.

Section 13. DESCRIPTION OF COMMON ELEMENTS. The Common Elements consist of the entire property not located within any unit. They include, without limitation, the following:

- A. All land, lawns, gardens, roads, parking and other improved or unimproved areas not within or directly under

the units, except for those areas designated as limited common areas.

B. All installations of power, lights and water existing for common use and all other parts of the property necessary or convenient to its existence, maintenance and safety or normally in common use;

C. All sewer and drainage pipes;

D. All other apparatus, equipment and installations existing without the Units for common use or necessary or convenient to the existence, maintenance, or safety of the building and/or common elements.

Section 14. RIGHT OF ACCESS. A unit owner shall grant a right of access to his Unit to any person authorized by the Board of Governors, to make inspections; to correct any condition originating in his Unit and threatening another Unit or a common element; to install, alter or repair mechanical or electrical services or other common elements in his Unit or elsewhere in the building; and to correct any condition which violates the provisions of any mortgage covering another Unit. Requests for such entry shall be made in advance and such entry shall be scheduled for a time reasonably convenient to the Unit Owner. However, in case of an emergency, such right of entry shall be immediate whether the unit owner is present at the time or not.

ARTICLE VI.

SALES AND LEASES OF UNITS

Section 1. NO SEVERANCE OF OWNERSHIP. No unit owner shall execute any deed, mortgage, or other instrument conveying or mortgaging title to his Unit without including therein the appurtenant interests, it being the intention hereof to prevent any severance of such combined ownership. Any such deed, mortgage, or other instrument purporting to affect one or more of such interests, without including all such interest, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the appurtenant interests of any Unit may be sold, transferred, or otherwise disposed of, except as part of a sale, transfer or other disposition of the Unit to which such interests are appurtenant, or as part of a sale, transfer, or other disposition of such part of the appurtenant interests of all Townhouse Units.

Section 2. PAYMENT OF ASSESSMENTS. No unit owner shall be permitted to convey, mortgage, pledge, hypothecate, sell or lease his Unit unless and until he shall have paid in full to the Board of Governors all unpaid common charges theretofore assessed by the Board of Governors against his Unit and until he shall have satisfied all unpaid liens against such Unit, except permitted mortgages.

ARTICLE VII.

CONDEMNATION

Section 1. CONDEMNATION. In the event of a taking in condemnation or by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Board of Governors who shall disburse the net proceeds of such award in the same manner as they are required to distribute insurance proceeds where there is no repair or restoration of damage, as provided in Section 10 of Article V of these By-Laws.

ARTICLE VIII.

MISCELLANEOUS

Section 1. NOTICES. All notices to the Board of Governors shall be sent by registered or certified mail, to the office of the Board of Governors, c/o ROBERT WEINBACH at A-4 Pleasure Island Plaza, Carolina Beach, North Carolina 28428, or to such other address as may have been designated by him from time to time, in writing, to the Board of Governors. All notices to mortgagees of Townhouse Units shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Governors. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

Section 2. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability, or effect the balance of these By-Laws.

Section 3. CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 4. GENDER. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 5. WAIVER. No restrictions, conditions, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE IX.

RECORDS

Section 1. RECORDS AND AUDITS. The Board of Governors shall keep detailed records of the actions of the Board of Governors, minutes of the meetings of the Board of Governors, minutes of the meetings of the unit owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each Townhouse Unit which, among other things, shall contain the amount of each assessment of common charges against such Townhouse Unit, the date when due, the amounts paid thereon and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the Association shall be rendered by the Board of Governors to all unit owners at least annually. All of the above records and information shall be made available to either owner at any time upon reasonable notice.

ARTICLE X.

AMENDMENT TO BY-LAWS

Section 1. AMENDMENT TO BY-LAWS. At any time prior to December 31, 1999, these Restrictions may be amended by the developer/declarant at its discretion, but not to impair the property value of the lot owners. Thereafter, these restrictions may be amended by vote of the owners of two-thirds (2/3) of the members of the Homeowners Association, provided, however, no amendment shall be made to the last paragraph of Article IV Section 1 without unanimous consent of the Homeowners Association and the declarant/developer.

The foregoing were adopted as the By-Laws of THE CHATHAMS AT BEACHWALK HOMEOWNERS ASSOCIATION at the meeting of its Board of Governors held on the ____ day of _____, 19____.

Certified to be correct, this the ____ day of _____, 19____.


Secretary of First Meeting of
Board of Governors of
THE CHATHAMS AT BEACHWALK
HOMEOWNERS ASSOCIATION

SCHEDULE B

RULES AND REGULATIONS
OF
THE CHATHAMS AT BEACHWALK

1. The walkways in front of the Townhouse and the entranceways to the Building and the common areas shall not be obstructed or used for any purpose other than ingress to and egress from the Units.

2. No exterior of any Unit shall be decorated by any owner in any manner without prior consent of the Board of Governors.

3. No boats, trailers, bicycles, scooters, baby carriages, or similar vehicles or toys or other personal articles shall be allowed to stand in any of the common areas without consent of the Board of Governors.

4. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the Units in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of other owners.

5. Each owner shall keep such owner's Unit in a good state of preservation and cleanliness and shall not sweep or throw or permit anything to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

6. No shades, awnings, window guards, ventilators, fans, or air conditioning devices shall be used in or about the building except such as shall have been approved by the Board of Governors.

7. All garbage and refuse from the Units shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Governors may direct.

8. Nothing shall be altered or constructed in or removed from the General Common Area or Elements, except upon the written consent of the Board of Governors.

9. All radio, television or other electrical equipment of any kind or nature installed or used in each unit shall fully comply with all rules, regulations, requirements, or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the unit owner alone shall be liable for any damage or injury caused by any radio, television, or other electrical equipment in such unit.

10. The agents of the Board of Governors and any contractor or workman authorized by the Board of Governors may enter any room or unit in the building at any reasonable hour of the day after notification (except in case of emergency) for the presence of any vermin, insects, or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests.

11. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such a manner as to impede or prevent ready access to another owner's unit. The owners, their employees, servants, agents, visitors, licensees and the owner's family will obey the parking regulation posted on the private streets and drives and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the owners.

12. All damage to the Units caused by the moving or carrying of any article therein shall be paid by the owner responsible for the presence of such article.

13. No owner shall use or permit to be brought into the Units any inflammable oils or fluids such as gasoline, kerosene, naphtha, or benzene or other explosives or articles deemed extra hazardous to life, limb or property, without in each case obtaining written consent of the Board of Governors.

14. The owners shall not be allowed to put their names on any entry of the Units except in the proper places provided for such purpose.

15. No owner shall do any painting of the exterior of the Units without the written consent of the Board of Governors.

16. Draperies, blinds, or curtains must be installed by each Unit Owner on all windows of his unit and must be maintained in such windows at all times.

17. Any owner wishing to plant flowers, trees or shrubs outside of his Limited Common Area must obtain written permission from the Board of Governors before doing so.

18. Any damage to the buildings, recreational facilities, or other common areas or equipment caused by children or their guests shall be repaired at the expense of the unit owner/parent.

19. Any consent or approval given under these Community rules by the Board of Mangers shall be revocable at any time.

20. These Community Rules may be added to or repealed at any time by the Board of Governors.

21. No rentals or subrentals of any units will be permitted for a period of less than twelve (12) consecutive months.

22. The Board of Governors must be given a copy of all leases prior to units being occupied by tenants, to ensure the enforcement of regulation 21.

23. No commercial business may be conducted from any unit in accordance with the Kure Beach Town ordinances.