

PUBLIC OFFERING STATEMENT
FOR
THE NAUTICAL CLUB PHASE 1 CONDOMINIUM

THIS PUBLIC OFFERING STATEMENT CONTAINS IMPORTANT MATTERS TO BE CONSIDERED IN DECIDING WHETHER TO ACQUIRE A CONDOMINIUM UNIT, AND IS REQUIRED TO BE DELIVERED TO EACH PURCHASER OF A UNIT PURSUANT TO CHAPTER 47C OF THE NORTH CAROLINA GENERAL STATUTES, THE NORTH CAROLINA CONDOMINIUM ACT.

THE STATEMENTS CONTAINED HEREIN ARE ONLY SUMMARY IN NATURE. IN ADDITION TO READING THIS PUBLIC OFFERING STATEMENT, A PROSPECTIVE PURCHASER SHOULD CAREFULLY REVIEW ALL DOCUMENTS REFERRED TO HEREIN, ALL EXHIBITS HERETO AND THE CONTRACT DOCUMENTS.

ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING THE REPRESENTATIONS OF THE DECLARANT. REFER TO THIS PUBLIC OFFERING STATEMENT AND ITS EXHIBITS FOR CORRECT REPRESENTATIONS.

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**PUBLIC OFFERING STATEMENT
FOR THE NAUTICAL CLUB PHASE 1 CONDOMINIUM**

This Public Offering Statement, effective as of June 26, 2012, is being offered to contract purchasers of condominium units in The Nautical Club Phase 1 Condominium (the "**Condominium**"), as required by Chapter 47C of the North Carolina General Statutes, the North Carolina Condominium Act (the "**Act**"). The Condominium is created within a unit of a master condominium known as The Nautical Club Master Condominium (the "**Master Condominium**"). The Condominium and the Master Condominium together shall be referred to herein as the "**Development**." This Public Offering Statement contains a summary of the important features of the Development, and must by law be delivered to each purchaser prior to the execution of a sales contract.

1. Name and Address of Declarant, Condominium and Master Condominium:

(a) The declarant of both the Condominium and the Master Condominium is RBC Real Estate Finance Inc., a Delaware corporation, as Agent for itself and for First Bank pursuant to an Agency Agreement, as defined in and evidenced by Memorandum of Agency Agreement recorded in Book 1411, Page 28, Carteret County Registry ("**Declarant**"). Declarant's address is 10375 Richmond Avenue, Suite 1010, Houston, TX 77042. The original developer of the Development is Shearin Family Investments, LLC ("**SFI**"), whose address is P.O. Box 8315, Rocky Mount, NC 27804.

(b) The name of the Condominium is The Nautical Club Phase 1 Condominium. The address of the Condominium is 1550 Salter Path Road, Indian Beach, NC 28512.

(c) The name of the Master Condominium is The Nautical Club Master Condominium. The address of the Master Condominium is 1550 Salter Path Road, Indian Beach, NC 28512.

2. General Description of the Development.

(a) *Condominium.* The Condominium is located in Unit 1 of the Master Condominium. The Condominium includes the land designated as Unit 1 of the Master Declaration, the interest in the Master Condominium common elements allocated to Unit 1 and the building (the "**Building**") that is located in Unit 1. Construction of the Building is complete, and no other building will be included in the Condominium. The Condominium contains seventy (70) individual residential condominium units (the "**Units**"), which are located in the Building. The owner, from time to time, of a Unit shall be referred to herein as a "**Unit Owner**." The Building is constructed as shown on the plans for the Condominium, which are recorded in Map Book 10T, Pages 482 through 500, Carteret County Registry (the "**Plans**"). The Condominium includes the following amenities shown on the Plans and located on the clubhouse level of the Building: several common rooms, restrooms, a service bar and warming kitchen. Although two of the rooms on the clubhouse level are labeled "workout" and "game," Declarant makes no representation or warranty that any exercise or game equipment shall be located in either

such room, or the type or quality of any such equipment. No other amenities are currently planned for the Condominium.

(b) *Master Condominium.* The Master Condominium includes all of the land defined as the "NC Property" and "DQ Property" in the Master Declaration (as hereinafter defined). Additional land, defined as the "Adjacent Property" in the Master Declaration, may be added to the Master Condominium in the future. The Master Condominium, and the configuration of the units therein, are shown on the plat for the Master Condominium, which is recorded in Map Book 10T, Pages 477 through 481, Carteret County Registry (the "Plat"). However, it is contemplated that some or all of the following *may* be constructed in the Master Condominium in the future: (i) residential or commercial buildings in Unit 2, Unit 3, Unit 4, Unit 5, Unit 6 and/or Unit 7 of the Master Condominium, and/or (iii) marina improvements in Unit 8 of the Master Condominium. Declarant makes no representation or warranty as to whether any of the improvements described in the preceding sentence will, or will not, be constructed. The Unit Owners will have access to the following amenities located in the Master Condominium, subject to the terms and conditions of the Master Declaration: a pier and boat ramp in Bogue Sound and a swimming pool located in the common elements of the Master Condominium. No other amenities are currently planned for the Master Condominium.

3. Copies of Declaration, Master Declaration, Bylaws, and other Documents.

(a) *Declaration and Master Declaration.* A copy of the recorded Declaration of Condominium for the Condominium (the "**Declaration**") is attached hereto as Exhibit A and incorporated herein. Copies of the recorded Amended and Restated Declaration of Condominium for the Master Condominium and an Amendment thereto (collectively, the "**Master Declaration**") are attached hereto as Exhibit B and incorporated herein. Declarant reserves the right to amend the Declaration and/or Master Declaration in accordance with their terms.

(b) *Association Documents.* A copy of the Bylaws of Nautical Club Phase 1 Condominium Association, Inc., a North Carolina non-profit corporation (the "**Association**"), is attached as Exhibit C to the Declaration. A copy of the Bylaws of Nautical Club Condo Owners Association, Inc., a North Carolina non-profit corporation (the "**Master Association**"), is attached as Exhibit C to the Master Declaration. Declarant reserves the right to amend the Bylaws of the Association and Master Association in accordance with their terms and the terms of the Declaration and Master Declaration.

(c) *Rules or Regulations.* There currently are no rules or regulations of the Association or Master Association. However, the Association and/or Master Association may promulgate rules or regulations in the future in accordance with the terms of the Declaration and Master Declaration.

(d) *Contracts to be Signed.* The terms of the purchase and sale of a Unit shall be as set forth in an Offer to Purchase and Contract in the form attached hereto as Exhibit C and incorporated herein, which shall be entered into by Declarant and the purchaser of a Unit prior to closing. There will be no contracts or leases to be signed by the purchaser at closing.

(e) *Contracts and Leases Subject to Cancellation by the Association or Master Association.* There currently are no contracts or leases that will or may be subject to cancellation by the Association or Master Association under N.C.G.S. § 47C-3-105.

(f) *Recorded Covenants, Conditions, Restrictions and Reservations Affecting the Development.* The following recorded covenants, conditions, restrictions and reservations affect the Development:

(1) **Joint Wastewater Agreement.** Agreement dated July 15, 2008 between SFI and Summer Winds Condominiums, Inc. ("**Summer Winds**"), which is recorded in Book 1282, Page 96, Carteret County Registry, as amended by an Addendum #1 dated August 7, 2008 between SFI and Summer Winds, as further amended by an Addendum #2 dated September 22, 2009 between SFI and Summer Winds, and as further amended by Amendment of Agreement dated December 16, 2011 between SFI and Summer Winds recorded in Book 1394, Page 314, Carteret County Registry. Attached as Exhibit D. This Agreement addresses the construction and operation of a joint wastewater treatment plant (the "**Joint Wastewater Plant**") for the Development and Summer Winds Condominium. Among other things, this Agreement requires that a fee of \$500 per Unit per year be paid to Summer Winds by the owner of each Unit other than Units that are owned by Declarant and are unoccupied.

(2) **Wastewater Master Declaration.** Master Declaration of Covenants for SWNC Master Owners Association, Inc. between Summer Winds, the Association, SWNC Master Owners Association, Inc. (the "**Wastewater Association**") and SFI recorded in Book 1394, Page 319, Carteret County Registry. Attached as Exhibit E. The Wastewater Association is a non-profit corporation formed by SFI, the Master Association and Summer Winds to lease and operate the Joint Wastewater Plant for the Development and Summer Winds Condominium. Among other things, this Master Declaration establishes the specific terms for the operation of the Joint Wastewater Plant and the fees to be paid by the Development and Summer Winds Condominium to the Wastewater Association for wastewater treatment service.

(3) Agreement recorded in Book 1394, Page 321, Carteret County Registry. Attached as Exhibit F. This Agreement is between SFI, Summer Winds, the Master Association, the Wastewater Association and the Carteret County Health Department, and establishes certain obligations of SFI, Summer Winds, the Master Association and the Wastewater Association regarding the Joint Wastewater Plant, for the benefit of the Carteret County Health Department.

(4) The following matters affect only Unit 7, the Access/Parking Tract and the Adjacent Property, as such terms are defined in the Master Declaration:

a. Covenants, conditions, restrictions and assessments as set forth in instrument recorded in Book 263, Page 630, as amended by Book 461, Page 287, Carteret County Registry. Attached as Exhibit G. These

covenants establish certain use and development restrictions on Unit 7, the Access/Parking Tract and the Adjacent Property, but expressly permit multi-family residential development, including condominiums. These covenants also establish a five foot wide utility easement along Highway 58.

b. Covenants, conditions, restrictions and assessments as set forth in instrument recorded in Book 665, Page 8, Carteret County Registry. Attached as Exhibit H. These covenants impose upon Unit 7, the Access/Parking Tract and the Adjacent Property the obligation to contribute toward the maintenance cost for the access drive that crosses the Access/Parking Tract and that serves the Tradewinds Mobile Home Park, which adjoins the Development.

c. Matters shown on plat recorded in Map Book 28, Page 871, Carteret County Registry. Attached as Exhibit I. This plat establishes a ten foot wide buffer around the perimeter of portions of Unit 7, the Access/Parking Tract and the Adjacent Property, and establishes an access easement through the Access/Parking Tract for the benefit of Tradewinds Mobile Home Park.

4. Projected Budgets.

(a) The projected budget for the Master Association is attached hereto as Exhibit J.

(b) The projected budget for the Association is attached hereto as Exhibit K.

(c) The budgets were prepared by Declarant and its consultants, based on good faith estimates of expenses for the Development, and are based on: (i) an occupancy level in the Condominium of 100%; (ii) Units 2 through 8 of the Master Condominium being undeveloped; and (iii) a collection rate of 100%.

(d) The Master Association projected budget includes \$6,000.00 as a reserve for repairs and replacement. The Association projected budget includes \$59,640.00 as a reserve for repairs and replacement. No other reserves are included in the budgets.

5. Future Common Expenses. Declarant currently pays for property management for the Development, and this expense is not included in the budgets. If the Master Association or Association choose to utilize third-party property management, then the budgets will need to be amended to include that additional expense. Declarant does not provide any other services and does not pay for any other expenses that are not reflected in the budgets and that Declarant anticipates may become a subsequent Common Expense of the Association or Master Association.

6. Fee Due From Purchaser at Closing. At closing the purchaser will reimburse Declarant for the premiums prepaid by Declarant for the insurance policies that insure the Development. \$1,920.00 per unit will be prorated over the year from June 1, 2012 to May 31, 2013, and the

purchaser will pay Declarant at closing the prorated portion applicable to the period of time from the day of closing through May 31, 2013. In addition, at closing the purchaser will pay a fee of \$200.00 to D & B Investments, LLC for transaction processing services related to the auction of the Units.

7. Known or Recorded Liens, Encumbrances or Defects Affecting the Title to the Development.

(a) *Deed of Trust Liens.* The Development is subject to the following liens:

- (1) Deed of Trust from SFI to Spruillco, Ltd., trustee for RBC Real Estate Finance Inc., recorded in Book 1301, Page 50, Carteret County Registry;
- (2) Deed of Trust from SFI to Spruillco, Ltd., trustee for RBC Real Estate Finance Inc., recorded in Book 1301, Page 51, Carteret County Registry; and
- (3) Deed of Trust from SFI to Spruillco, Ltd., trustee for RBC Real Estate Finance Inc., recorded in Book 1301, Page 52, Carteret County Registry.

Each Unit will be released from the foregoing liens at the closing of the sale of the Unit.

(b) *Tax Lien.* Each Unit will be conveyed subject to the lien of Carteret County and Town of Indian Beach real property taxes for the year of closing, which will be prorated between Declarant and the buyer of a Unit at the closing of the purchase of a Unit. The buyer's prorated portion will be debited to the buyer, and Declarant will pay the entire tax bill for the Unit for the year of closing prior to delinquency.

(c) *Encumbrances.* Each Unit will be conveyed subject to the Declaration, the Master Declaration, the matters described in Section 3(f) above, and the following:

- (1) Cross Easement recorded in Book 1337, Page 281, Carteret County Registry, as amended by instrument recorded in Book 1394, Page 313, Carteret County Registry. This Cross Easement establishes an easement on portions of Units 5 and 6 of the Master Condominium for the disposal of treated wastewater from the Joint Wastewater Plant.
- (2) Declaration of Wastewater Utility Easement recorded in Book 1394, Page 347, Carteret County Registry. This Declaration establishes an easement on portions of the Master Condominium for wastewater disposal lines and a wastewater lift station.
- (3) Declaration of Water Utility Access Easement recorded in Book 1411, Page 29, Carteret County Registry. This Declaration grants an access easement to Bogue Banks Water Corporation for the purpose of accessing and inspecting the reduced pressure zone valves in the Development.

(4) Matters shown on Plat entitled "The Nautical Club Sound Side," sheets 1 and 2, recorded in Map Book 32, Page 130, Carteret County Registry. This Plat shows the easements described in Sections 7(c)(1) and (2) above.

(5) Matters shown on Plat entitled "Property of Shearin Family Investments," recorded in Map Book 32, Page 83, Carteret County Registry. This Plat shows the access easement and ten foot wide buffer described in Section 3(f)(4)c. above and the easement described in Section 7(c)(6) below.

(6) Deed of Easement in favor of Tradewinds Marina recorded in Book 978, Page 464, Carteret County Registry. This Deed of Easement establishes an easement on a portion of the Adjacent Property for parking and underground utilities.

(7) Easements in favor of Carteret-Craven Electric Membership Corporation recorded in Book 1239, Pages 465, 466 and 467, of the Carteret County Registry. These easements are for the placement and maintenance of lines and equipment for the transmission of electricity and communications.

(8) Five (5) foot wide utility easement along Highway 58 recorded in Book 263, Page 630, Carteret County Registry. This easement is for the placement and maintenance of utility lines and equipment.

(9) Ten (10) foot permanent right of way and easement recorded in Book 486, Page 285; Book 445, Page 70 and Book 814, Page 161, Carteret County Registry. This easement is located along a portion of the East property line of Unit 7, and is for utilities and drainage.

(d) *Defects.* To the best knowledge of Declarant there are no defects affecting title to the Development.

8. Warranties.

(a) *Disclaimer of Warranties.*

(1) EXCEPT AS EXPRESSLY STATED IN WRITING DECLARANT MAKES NO EXPRESS WARRANTIES WITH RESPECT TO THE DESIGN, CONSTRUCTION, SALE, FURNISHING, FITNESS, MERCHANTABILITY, CONDITION OR EQUIPPING OF THE DEVELOPMENT OR ANY UNITS OR COMMON ELEMENTS INCLUDED THEREIN. DECLARANT DISCLAIMS ALL IMPLIED WARRANTIES EXCEPT TO THE EXTENT REQUIRED UNDER § 47C-4-114 OF THE ACT, WHICH PROVIDES THAT CONDOMINIUM UNITS ARE SUBJECT TO THE LAW RELATING TO IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES "THAT THE PREMISES ARE FREE FROM DEFECTIVE MATERIALS, CONSTRUCTED IN A WORKMANLIKE MANNER, CONSTRUCTED ACCORDING TO SOUND ENGINEERING AND

CONSTRUCTION STANDARDS AND . . . MAY BE USED FOR A PARTICULAR PURPOSE.”

(2) WITHOUT LIMITING ANY OF THE ABOVE, AND SUBJECT TO § 47C-4-114 OF THE ACT, DECLARANT EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES (EXPRESS OR IMPLIED), INCLUDING BUT NOT LIMITED TO WARRANTIES OF FITNESS, MERCHANTABILITY OR CONDITION, WITH REGARD TO THE DEVELOPMENT OR ANY UNITS OR COMMON ELEMENTS INCLUDED THEREIN, INCLUDING BUT NOT LIMITED TO WARRANTIES WITH RESPECT TO THE APPLIANCES, HEATING AND AIR CONDITIONING SYSTEMS, ELEVATORS, STAIRWELLS, WATER HEATERS, WATER OR WASTEWATER DISPOSAL AND TREATMENT SYSTEMS, ELECTRICAL SYSTEMS, PLUMBING SYSTEMS, LIGHTING FIXTURES, STRUCTURAL ELEMENTS OF ANY BUILDINGS (INCLUDING BUT NOT LIMITED TO THE EXTERIOR SKIN OF THE BUILDING AND THE WINDOW SYSTEMS IN THE BUILDING), DESIGN FLAWS, EQUIPMENT, PERSONAL PROPERTY LOCATED IN THE CONDOMINIUM, VIEWS FROM UNITS, SOUND AND/OR ODOR TRANSMISSION, THE EXISTENCE OF MOLD, MILDEW, SPORES, FUNGI AND/OR OTHER TOXINS WITHIN THE BUILDING, STATEMENTS OR REPRESENTATIONS MADE BY SALES CENTER REPRESENTATIVES AND REPRESENTATIONS CONTAINED IN SALES OR MARKETING MATERIALS (WHICH MATERIALS DO NOT INCLUDE THIS PUBLIC OFFERING STATEMENT AND THE CONDOMINIUM DOCUMENTS) DISTRIBUTED BY DECLARANT OR ITS SALES REPRESENTATIVES (INCLUDING BUT NOT LIMITED TO REPRESENTATIONS REGARDING POTENTIAL APPRECIATION OR RESALE VALUE; CURRENT OR FUTURE “VIEWS” FROM A UNIT; TRAFFIC CONDITIONS IN, NEAR OR AROUND THE DEVELOPMENT; DISTURBANCES FROM NEARBY PROPERTIES OR FROM AIR OR VEHICULAR TRAFFIC OR FUTURE USE(S) OF ADJACENT PROPERTIES). IN ADDITION, DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION OR HEALTH OF ANY SHRUBS, TREES OR PLANTINGS LOCATED WITHIN THE DEVELOPMENT.

(3) AS TO ANY WARRANTY THAT CANNOT BE DISCLAIMED ENTIRELY, AND AS TO OTHER CLAIMS, IF ANY, THAT CAN BE MADE AS TO THE AFORESAID MATTERS, ALL SECONDARY, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE AND SPECIAL DAMAGES, AND ALL CLAIMS FOR TREBLE DAMAGES, ARE SPECIFICALLY EXCLUDED AND DISCLAIMED. ALL UNIT OWNERS, BY VIRTUE OF ACCEPTANCE OF TITLE TO THEIR RESPECTIVE UNITS (WHETHER FROM DECLARANT OR ANOTHER PARTY), AUTOMATICALLY SHALL BE DEEMED TO HAVE WAIVED ALL OF THE AFORESAID DISCLAIMED WARRANTIES AND CLAIMS FOR INCIDENTAL AND CONSEQUENTIAL DAMAGES, SUBJECT TO § 47C-4-114 OF THE ACT.

(b) *Original Declarant Responsible for Implied Warranties.* Declarant is the successor declarant of the Development. The original declarant, and the actual developer of the Development, is SFI, which is not an affiliate of Declarant. SFI constructed, or caused the construction of, all the improvements currently existing at the Development, including but not limited to the Building and all the Units, except the pier, which was repaired and/or reconstructed by Declarant. Pursuant to § 47C-3-104(e)(2) of the Act, Declarant is not subject to any warranty obligations on improvements made by any previous declarant, or made before the Condominium or Master Condominium was created, including but not limited to improvements made by SFI, which include the Building, all the Units and all other improvements currently existing at the Development, except the pier, which was repaired and/or reconstructed by Declarant.

9. Purchaser's Right to Cancel. The purchaser of a Unit must receive this Public Offering Statement before signing a contract for purchase. No conveyance of title to a Unit can occur until seven (7) calendar days following the signing of a contract for purchase. The purchaser has the absolute right to cancel the contract to purchase during that seven (7) calendar day period without penalty. Under the Act, a purchaser electing to cancel a contract may do so by hand-delivering notice to Declarant or by mailing notice by prepaid United States mail to Declarant at the address specified above, or to Declarant's agent for service or process.

10. Judgments and Pending Suits. There are no known or recorded unsatisfied judgments or pending suits against the Association or Master Association. There are no pending suits material to the Development of which Declarant has actual knowledge.

11. Escrow Deposit. Any down payment or deposit made by a purchaser in connection with the purchase of a Unit will be held in an escrow account pursuant to § 47C-4-110 of the Act. The name and address of the escrow agent is as follows: Beswick & Goines, PLLC ("Escrow Agent"), 911 Arendell Street, Morehead City, NC 28557.

12. Restraints on Alienation. The Development is subject to the following restraints on alienation:

(a) *Timeshares Prohibited.* No Unit or any interest in a Unit may be subjected to a time share program, as that term is defined in N.C.G.S. § 93A-41(10).

(b) *Leasing of Units.* Any lease of a Unit shall be in writing and shall provide that the terms of the lease shall be subject in all respects to the Declaration, Master Declaration, the Plat, the Plans, the Bylaws and Articles of Incorporation of the Association and Master Association, and any and all rules and regulations of the Association and Master Association (collectively, the "Condominium Instruments"), and that any failure by the lessee to comply with all of the terms of the Condominium Instruments shall constitute a default under the lease. The Association shall have the right to promulgate a standard rental or property management agreement which must be utilized as to form and content by any Unit Owner electing to lease a Unit, provided that during the Declarant Control Period (as defined in the Declaration) Declarant shall not be required to use such form when leasing any Unit owned by Declarant. Any Owner electing to lease a Unit must provide in writing to the Association a statement indicating that the Owner intends to lease the Unit and, if the Owner will lease the Unit through an agent or property manager,

the notice shall specify the agent or property manager responsible for leasing the Unit and in whom is vested the responsibility for the conduct of the renters. When an Owner is represented by such an agent, any communications between the Association and such agent are deemed communications between the Association and such Owner. All tenants shall be obligated to comply with the Condominium Instruments, and the Unit Owner shall be responsible for assuring compliance. Each Unit Owner grants to the Association the right to evict any tenant who does not comply with the Condominium Instruments, and shall reimburse the Association upon demand for all costs in connection therewith.

13. Insurance Coverage.

(a) *Property Insurance.* The Association or Master Association shall maintain, to the extent available, property insurance upon the Building (exclusive of improvements and betterments installed by the Unit Owners). The total amount of such insurance after the application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the Building at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies. The Association or Master Association shall maintain, to the extent available, flood insurance upon the Building (exclusive of improvements and betterments installed by the Unit Owners) in such amount and with such deductible as may be determined by the Board of Directors of the Association or Master Association. Such policies shall conform in all respects to the requirements of the Act. The Master Association shall maintain, to the extent available, property insurance upon the Master Condominium common elements, which shall conform in all respects to the requirements of the Act. The total amount of such insurance after the application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the Master Condominium common elements at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies.

(b) *General Liability Insurance.* The Association shall maintain liability insurance in reasonable amounts covering all occurrences commonly insured, against death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Condominium common elements and other portions of the Condominium that the Association is responsible for maintaining. The Master Association shall maintain liability insurance in reasonable amounts covering all occurrences commonly insured, against death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Master Condominium common elements.

14. Fees for Use of Common Elements. Other than assessments as provided in the Declaration and Master Declaration, there are no current or known future fees or charges to be paid by Unit Owners for the use of the common elements and other facilities related to the Development, except the following:

(a) Each Unit Owner shall pay a fee of \$500 per Unit per year to Summer Winds for connection to the Joint Wastewater Plant, provided that Declarant shall pay the fee only for Units owned by Declarant that are actually occupied. In addition, each Unit Owner

shall pay a share of the actual fixed and variable costs associated with the operation of the Joint Wastewater Plant. The foregoing fee and costs shall be assessed against each Unit by the Association.

(b) If Declarant designates an area of the Master Condominium common elements for the storage of trailered boats and boat trailers owned by Unit Owners, then the Master Association shall have the right to establish and collect a fee for the use of such area. Any such fee shall be uniform among the users of the boat storage area, except that the fee may vary based on the size and number of boats stored in the boat storage area.

15. Completion of Improvements. Declarant is not obligated to construct any improvements in the Development that are not already complete and shown on the Plat or Plans. Accordingly, no financial arrangements have been provided for the completion of any improvements in the Development.

16. Zoning and Land Use Requirements. The land on which the Development is situated is zoned B-1 (General Business) under the Zoning Ordinance of the Town of Indian Beach. This zoning classification permits, among other things, multifamily residential condominiums, retail and office uses. In addition to restrictions imposed by the Town of Indian Beach Zoning Ordinance, the Development is subject to use restrictions set forth in Article VII of the Master Declaration, and the Condominium is subject to additional use restrictions set forth in Article VI of the Declaration. Each prospective purchaser of a Unit is encouraged to carefully review the restrictions set forth in Article VII of the Master Declaration and Article VI of the Declaration.

17. Alienation of Common Elements. Under the Act and the terms of the Master Declaration and Declaration, portions of the common elements of the Condominium may be conveyed or subjected to a security interest by the Association if agreed to by persons entitled to cast at least eighty percent (80%) of the votes in the Association allocated to Units not owned by Declarant, and portions of the common elements of the Master Condominium may be conveyed or subjected to a security interest by the Master Association if agreed to by persons entitled to cast at least eighty percent (80%) of the votes in the Master Association allocated to Master Condominium units not owned by Declarant.

18. Number of Units; Density.

(a) There currently are eight (8) units in the Master Condominium. Declarant reserves the right to create up to four (4) additional units in the Master Condominium, for a cumulative total of twelve (12) units. The Master Condominium is 12.19 acres. Accordingly, the maximum density of the Master Condominium units is 0.98 unit per acre. Each Master Condominium unit may be subjected to a second-tier condominium structure, which may create second-tier condominium units within the Master Condominium unit (similar to the division of Unit 1 of the Master Condominium into the seventy second-tier units of the Condominium by the Declaration). There is no limit to the number of second-tier condominium units that may be created in units 2, 3, 4, 5, 6, 7 and 8 of the Master Condominium, except that no more than a total of two hundred (200) second-tier residential units may be created in Units 1, 2 and 3 of the Master Condominium, inclusive of the existing seventy (70) Units of the Condominium.

(b) There currently are seventy (70) Units in the Condominium. Declarant does not reserve the right to create additional Units in the Condominium. The Condominium is located in Unit 1 of the Master Condominium, which is 0.66 acre. Accordingly, the maximum density of the Condominium is 106.06 units per acre of Unit 1 of the Master Condominium, and 5.74 units per acre of the entire Master Condominium.

19. Residential Use. Unit 1 of the Master Condominium is restricted exclusively to residential use, except that Declarant has certain rights to establish and maintain sales or management offices and model units in Unit 1 of the Master Condominium. Units 2, 3, 4, 5, 6, 7 and 8 of the Master Condominium are not restricted to residential use, and no representations are made regarding the use of those units. All of the seventy Units of the Condominium are restricted exclusively to residential use, except that Declarant has certain rights to establish and maintain sales or management offices and model units in the Condominium. The maximum percentage of the real estate areas and floor areas of units 2, 3, 4, 5, 6, 7 and 8 of the Master Condominium (and any second-tier units that may be created in any of those units) that is not restricted exclusively to residential use is 100%.

20. Development Rights Reserved by Declarant. Without limiting any other “development rights” or “special declarant rights” (as defined in the Act) that are reserved in the Declaration or Master Declaration, and in addition to other development rights or special declarant rights described herein (whether expressly labeled as such or not), Declarant reserves the following development rights, which Declarant may or may not exercise in its sole discretion, subject to the provisions of the Declaration and Master Declaration (the “**Development Rights**”):

(a) Declarant reserves the following development rights with respect to the Master Condominium, which rights may be exercised during the Declarant Control Period (as defined in the Master Declaration):

(1) Declarant has the right to complete any improvements shown on the Plat.

(2) At any time that Declarant is either the Owner of Unit 8 of the Master Condominium or the owner of all Master Condominium units located South of the LCE Boundary (as shown on the Plat), Declarant shall have the right to amend the Master Declaration, without the joinder or consent of any other party, to delete Section 10.10 thereof and eliminate the easement set forth therein.

(3) Declarant has the right to construct any amenities desired by Declarant on any land located North of the LCE Boundary (as shown on the Plat) and not included in Units 1, 2, 3 or 8 of the Master Condominium, and to designate any such amenities as limited common elements.

(4) All land not included in any of the Master Condominium units is subject to the following development rights:

a. Declarant has the right to construct any additional Fire Suppression Equipment (as defined in the Master Declaration) necessary or desirable for any improvements hereafter constructed in the Master Condominium.

b. Declarant has the right to relocate any Utility Facilities (as defined in the Master Declaration) located in the Master Condominium common elements or on any Master Condominium unit owned by Declarant, including relocation from a Master Condominium unit owned by Declarant to the Master Condominium common elements.

(5) Certain parking areas indicated on the Plat are subject to the right of Declarant to designate such areas as limited common elements allocated exclusively to Master Condominium Units 2, 3, 4, 5, 6 and/or 7 and/or any unit established by the subdivision of any such units.

(6) Declarant has the right to add the Adjacent Property (as defined in the Master Declaration) to the Master Condominium, and to establish one or more new Master Condominium units on the Adjacent Property, subject to the cumulative maximum of twelve Master Condominium units.

(7) Declarant has the right to withdraw all or any portion of the Access/Parking Tract (as defined in the Master Declaration) or Master Condominium units 4, 5, 6 or 7 from the Master Condominium, subject to certain limitations described in Section 3.9 of the Master Declaration.

(8) Declarant has the right to subdivide Master Condominium units 2, 3, 4, 5, 6, 7 and 8, and to create additional units thereby, subject to the cumulative maximum of twelve Master Condominium units.

(9) Declarant has the right to combine Master Condominium Units 2 and 3 into a single Master Condominium unit, and/or to alter and relocate the common boundary between Master Condominium Units 2 and 3.

(10) Declarant has the right to combine Master Condominium Units 5 and 6 into a single Master Condominium unit, and/or to alter and relocate the common boundary between Master Condominium Units 5 and 6.

(11) Declarant has the right to combine Master Condominium Units 6 and 7 into a single Master Condominium unit, and/or to alter and relocate the common boundary between Master Condominium Units 6 and 7.

(12) Declarant has the right to convert all or any portion of Master Condominium Units 2, 3, 4, 5, 6, 7 and/or 8 into common elements, and to designate any such common elements as limited common elements.

(b) Declarant reserves the following development rights with respect to the Condominium, which rights may be exercised during the Declarant Control Period (as defined in the Declaration):

(1) Declarant has the right to relocate the boundaries between any Units owned by Declarant.

(2) Declarant has the right to convert all or any portion of any Unit owned by Declarant into common elements, and to designate any such common elements as limited common elements.

21. Extent of Possible Change of Allocated Interests. The maximum extent to which each unit's allocated interests may be changed by the exercise of any development right is as follows:

(a) *Master Condominium.*

(1) The Common Element Interest currently allocated to Unit 1 of the Master Condominium under the Master Declaration is 12.5%. The Common Element Interest allocated to Unit 1 of the Master Condominium could be reduced to as low as 8.33% if Declarant exercises its development right to create the maximum of twelve Master Condominium units. The Common Element Interest allocated to Unit 1 of the Master Condominium could be increased to as high as 100% if Declarant exercises its development right to eliminate all Master Condominium units except Unit 1.

(2) The Share of Common Expenses currently allocated to Unit 1 of the Master Condominium under the Master Declaration is 96.5%. The Share of Common Expenses allocated to Unit 1 of the Master Condominium could be increased to as high as 100% if Declarant exercises its development right to eliminate all Master Condominium units except Unit 1. The Share of Common Expenses allocated to Unit 1 of the Master Condominium could be decreased to as low as 19.25% if Declarant exercises its development right to create the maximum of twelve Master Condominium units and if the maximum of one hundred thirty (130) additional second-tier residential units are created in Units 2 and 3 of the Master Condominium.

(3) The vote in the Master Condominium currently allocated to Unit 1 is one of eight votes, or 12.5%. The vote in the Master Condominium allocated to Unit 1 of the Master Condominium could be reduced to as low as one of twelve votes, or 8.33%, if Declarant exercises its development right to create the maximum of twelve Master Condominium units. The vote in the Master Condominium allocated to Unit 1 of the Master Condominium could be increased to as high as 100% if Declarant exercises its development right to eliminate all Master Condominium units except Unit 1.

(b) *Condominium.* The Common Element Interest, Share of Common Expenses and votes in the Condominium are allocated among the Units based on square footage. Declarant has the right to convert any Units owned by Declarant to Common Elements, in which case the Common Element Interest, Share of Common Expenses and votes in the Condominium would be re-allocated among the remaining Units based on square footage, thereby increasing the Common Element Interest, Share of Common Expenses and vote allocated to each remaining Unit. If Declarant owns all of the Units except one, and converts all such Units owned by Declarant to Common Elements, then the Common Element Interest, Share of Common Expenses and vote allocated to the one remaining unit would be 100%.

22. Compatibility of Existing Improvements With New Improvements Created Pursuant to Development Rights. Except to the extent that the Development Rights are expressly limited in the Declaration or Master Declaration, no assurances are made regarding the extent to which any buildings or other improvements that may be erected in any part of the Development pursuant to any Development Right will be compatible with existing buildings and improvements in the Development in terms of architectural style, quality or construction and size.

23. Descriptions of Improvements and Limited Common Elements Created Pursuant to Development Rights. Except to the extent that the Development Rights are expressly limited in the Declaration or Master Declaration, no assurances are made regarding descriptions of other improvements that may be made and limited common elements that may be created within any part of the Development pursuant to any Development Right.

24. Locations of any Improvements Created Pursuant to Development Rights. Except to the extent that the Development Rights are expressly limited in the Declaration or Master Declaration, no assurances are made regarding any limitations as to the locations of any building or other improvement that may be made within any part of the Development pursuant to any Development Right.

25. Limited Common Elements Created Pursuant to Development Rights. Except to the extent that the Development Rights are expressly limited in the Declaration or Master Declaration, no assurances are made regarding whether any limited common elements created pursuant to any Development Right will be of the same general types and sizes as the limited common elements within other parts of the Development.

26. Proportion of Limited Common Elements to Units Created Pursuant to Development Rights. Except to the extent that the Development Rights are expressly limited in the Declaration or Master Declaration, no assurances are made regarding whether the proportion of limited common elements to units created pursuant to any Development Right will be approximately equal to the proportion existing within other parts of the Development.

27. Applicability of Use, Occupancy and Alienation Restrictions to Units Created Pursuant to Development Rights. Except to the extent of any applicable amendments of the Master Declaration in accordance with its terms, all restrictions in the Master Declaration affecting use, occupancy and alienation of units will apply in accordance with their terms to any units created in the Master Condominium pursuant to any Development Right. No additional units will be created in the Condominium pursuant to any Development Right.

28. Applicability of Assurances. Any assurances made in Sections 18 through 27 above shall not apply in the event that any Development Right is not exercised by Declarant.

29. Payment of Purchaser's Attorney's Fees by Declarant. If the purchaser uses Escrow Agent as its attorney for the settlement and closing of the purchase of a Unit, then Declarant will pay up to \$300.00 of the purchaser's attorney's fees due to Escrow Agent for the settlement and closing. The purchaser is advised that Escrow Agent may charge the purchaser more than \$300.00 for the settlement and closing of the purchase of a Unit.

30. List of Exhibits. The following exhibits are attached to and are incorporated into this Public Offering Statement:

- (a) Exhibit A: Declaration of Condominium for the Condominium
- (b) Exhibit B: Amended and Restated Declaration of Condominium for the Master Condominium
- (c) Exhibit C: Offer to Purchase and Contract
- (d) Exhibit D: Joint Wastewater Agreement
- (e) Exhibit E: Wastewater Master Declaration
- (f) Exhibit F: Agreement recorded in Book 1394, Page 321, Carteret County Registry
- (g) Exhibit G: Instruments recorded in Book 263, Page 630, and Book 461, Page 287, Carteret County Registry
- (h) Exhibit H: Instrument recorded in Book 665, Page 8, Carteret County Registry
- (i) Exhibit I: Plat recorded in Map Book 28, Page 871, Carteret County Registry
- (j) Exhibit J: Projected Budget for Master Association
- (k) Exhibit K: Projected Budget for Association