

COPY

SECOND AMENDMENT TO DECLARATION OF UNIT OWNERSHIP
OF PINE KNOLL TOWNES PHASE II

THIS SECOND AMENDMENT TO DECLARATION OF UNIT OWNERSHIP OF PINE KNOLL TOWNES PHASE II ("Second Amendment") by and among Pine Knoll Townes Phase II Association, an unincorporated association ("the Association"); and all UNIT OWNERS of Units within Pine Knoll Townes Phase II, a condominium established and described by the "DECLARATION OF UNIT OWNERSHIP UNDER THE PROVISIONS OF CHAPTER 47A OF THE GENERAL STATUTES OF NORTH CAROLINA AND OF COVENANTS, CONDITIONS, AND RESTRICTIONS OF PINE KNOLL TOWNES PHASE II, recorded in Book UO-1, at Page 96 in the office of the Register of Deeds of Carteret County, North Carolina (the "Declaration").

R E C I T A L S :

A. Paragraph 23 of the Declaration, entitled Amendment of Declaration, provides that the Declaration may be amended by the vote of the majority in number and common interest of all Unit Owners cast in person or by proxy at a meeting duly held in accordance with the provisions of the By-Laws.

B. At a duly noticed and held meeting of the Unit Owners on July 29, 2000, a majority of the Unit Owners in number and in common interest voted to approve the amendments to the Declaration as hereinafter set forth in this Second Amendment.

NOW, THEREFORE, the Association, acting pursuant to the provisions of the Declaration and the By-Laws of the Association, does hereby declare that the Declaration shall be and is hereby amended as specifically hereinafter set forth.

1. Section 1 (Definitions) of the Declaration is deleted and new Section 1 as hereinafter set forth is adopted:

1. Definitions. Except as may be otherwise specifically defined in this Declaration, the definitions set forth in N.C. Gen. Stat. § 47A-3 are incorporated herein by reference.

✓ PREPARED BY
Ward and Smith, P.A.
Attorneys at Law
University Corporate Center
127 Racine Dr.
Wilmington, N.C. 28406-7068

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2. Section 5 of the Declaration is amended by (a) changing the title thereof to Unit/Unit Designation, and (b) inserting the following as part of Section 5:

The walls, floors and ceilings of the Units are designated as boundaries of the Units; provided, however, all exterior doors, door frames, windows, window frames, window panes, door screens and screens shall be part of the respective Units, but the finish and color of exterior surfaces of any such exterior doors, door frames, windows and window frames shall be subject to provisions and regulations adopted from time to time by the Board of Directors.

3. Section 6 (Common Areas and Facilities), subsection (h) is deleted.

4. Section 7 is deleted and new Section 7 is adopted as follows:

7. Limited Common Areas and Facilities. Door steps, stoops, decks, patios (together with screening/fencing installed around the patios) and porches designed to serve a single Unit but located outside the Unit's boundaries are Limited Common Areas and Facilities allocated exclusively to that Unit.

Any improvements constructed by a Unit Owner, with the prior consent of the Board of Directors of the Association, located outside the boundaries of the Unit (hereinafter referred to as "Permitted Improvements") shall be allocated exclusively to the Unit benefitted or utilizing such Permitted Improvements. Permitted Improvements currently include the decks/patios adjacent to and adjoining Unit 47 and Unit 92 on the side of each respective Unit facing the Atlantic Ocean.

5. Section 11 (Person to Receive Service of Process) is deleted and new Section 11 is adopted as follows:

Section 11. Person to Receive Service of Process. The duly elected President of the Association is hereby designated to receive any service of process in any action which may be brought against or in relation to the Condominium or the Association. The place or business address to which service of process should be directed, to the attention of the President of the Association, is 221 Ronaldsby Drive, Cary, North Carolina 27511. The address to which service of process should be sent may be changed from time to time by an amendment to this Declaration, which amendment may be adopted by a majority vote of the Board of Directors of the Association. To be effective, such amendment changing the address to which service of process is to be sent shall not be effective until recorded in the office of the Register of Deeds of Carteret County, North Carolina.

6. Section 17 (Unpaid Common Expenses Constitute Lien) is amended by adding the following:

The Board of Directors of the Association may adopt, amend, repeal and restate, from time to time, policies and procedures for the payment and collection of assessments levied against the Units for the payment of common expenses. The policies and procedures may include provisions for (a) imposition of charges for late payment of assessments, (b) charging interest on any common expense assessments or installment thereof in default at a rate established by the Board of Directors not exceeding eighteen percent (18%) per year, (c) acceleration of unpaid installments of annual common expense assessments or other assessments which are in default, and (d) collection of all costs and expenses, together with reasonable attorneys' fees, incurred by the Association in any action to collect assessments.

7. The Declaration is amended by adding new Section 17A as follows:

Section 17A. Common Expenses/Limited Common Areas. Common expenses incurred by the Association shall be assessed as provided in N.C. Gen. Stat. § 47A-12. If any common expense is caused by the misconduct of any Unit Owner, his family, guests, tenants or invitees, the Association may assess that expense exclusively against his Unit.

Any expense associated with the maintenance, repair or replacement of Permitted Improvements shall be paid solely by the owner of the Unit which utilizes and enjoys those Permitted Improvements.

8. Section 18 (Insurance) is deleted and new Section 18 is hereinafter set forth is adopted:

18. Insurance.

(a) The Association shall maintain, to the extent available:

(1) Property insurance on the Common Areas and Facilities insuring against all risks of direct physical loss commonly insured against including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from the property policies; and

(2) 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 Common Areas and Facilities.

(b) The insurance maintained under subdivision (a)(1), to the extent reasonably available, shall include the Units and shall be "all in" coverage, as such term is commonly used in the insurance industry, but need not include improvements and betterments installed by Unit owners.

(c) If the insurance described in this section is not reasonably available, the Association promptly shall cause notice of the fact to be hand-delivered or sent prepaid by United States mail to all Unit owners. The declaration may require the association to carry any other insurance, and the Association in any event may carry any other insurance it deems appropriate to protect the Association or the Unit owners.

(d) Insurance policies carried pursuant to subsection (a) must provide that:

(1) Each Unit owner is an insured person under the policy with respect to liability arising out of his interest in the Common Areas and Facilities or membership in the Association;

(2) The insurer waives its right to subrogation under the policy against any Unit owner or members of his household;

(3) No act or omission by any Unit owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy; and

(4) If, at the time of a loss under the policy, there is other insurance in the name of a Unit owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

(e) Any loss covered by the property policy under subsections (a)(1) and (b) shall be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the Association shall hold any insurance proceeds in trust for Unit owners and lienholders as their interests may appear. Subject to the provisions of subsection (h), the proceeds shall be disbursed first for the repair or restoration of the damaged property, and Unit owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the Condominium is terminated.

(f) An insurance policy issued to the Association does not prevent a Unit owner from obtaining insurance for his own benefit.

(g) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Unit owner, mortgagee, or beneficiary under a deed of trust. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Unit owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(h) Any portion of the Condominium for which insurance is required under this section which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (1) the Condominium is terminated, (2) the repair or replacement would be illegal under any State or local health or safety statute or ordinance, or (3) a majority of the Unit Owners in number and common interest vote not to rebuild the damaged portion of the Condominium including Units or Limited Common Areas and Facilities which have been so damaged or destroyed. The cost of repair or

replacement in excess of insurance proceeds and reserves is a common expense. If the entire Condominium is not repaired or replaced, (1) the insurance proceeds attributable to the damaged Common Areas and Facilities shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium, (2) the insurance proceeds attributable to Units and Limited Common Areas and Facilities which are not rebuilt shall be distributed to the owners of those Units and the owners of the Units to which those Limited Common Areas and Facilities were allocated or to lienholders, as their interest may appear, and (3) the remainder of the proceeds shall be distributed to all the Unit owners or lienholders, as their interest may appear, in proportion to their interest in the Common Areas and Facilities.

If the Unit Owners vote not to rebuild any Unit, (i) the insurance proceeds attributable to that Unit and its undivided interest in the Common Areas and Facilities shall be paid to the Unit Owner in full compensation for his Unit and his interest in the Common Areas and Facilities, (ii) the Unit Owner shall execute and deliver to the Association such documentation as may be reasonably requested to transfer or convey the interest, of any, of the Unit Owner in the Unit and its interest in the Common Areas and Facilities and, (iii) the Unit's allocated interest shall be automatically reallocated as if the Unit had been condemned under N.C. Gen. Stat. § 47C-1-107(a), and the Association promptly shall prepare, execute and record an amendment to the Declaration reflecting the reallocation. Notwithstanding the provisions of this Section, N.C. Gen. Stat. § 47C-2-118 governs the distribution of insurance proceeds if the Condominium is terminated.

9. Section 19 (Damage and Destruction) is deleted and new Section 19 as hereinafter set forth is adopted:

Section 19. Damage and Destruction.

(a) Except as provided in Section 17A of this Declaration, the Association is responsible for causing the Common Areas and Facilities to

be maintained, repaired and replaced when necessary and to assess the Unit Owners as necessary to recover the costs of such maintenance, repair or replacement. Each Unit owner is responsible for maintenance, repair and replacement of his Unit.

(b) If damage, for which a Unit owner is legally responsible and which is not covered by insurance provided by the Association pursuant to Section 18 is inflicted on any Common Areas and Facilities, the Association may direct such Unit owner to repair such damage or the Association may itself cause the repairs to be made and recover the cost thereof from the responsible Unit owner.

(c) If damage is inflicted on any Unit by an agent of the Association in the scope of his activities as such agent, the Association is liable to repair such damage or to reimburse the Unit owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Unit owner.

(d) Any reconstruction or repair under this Section or Section 18 (Insurance) shall be made in accordance with plans and specifications of the original buildings and, if not, then according to plans and specifications, and subject to conditions, approved by the Board of Directors of the Association.

10. New Section 28 is adopted as follows:

Section 28. Powers of Association. Subject to the provisions of this Declaration, the Association shall have all powers necessary, desirable or appropriate to perform its obligations pursuant to the Declaration and the Bylaws including, but not limited to, those powers specifically enumerated in N.C. Gen. Stat. § 47C-3-102 and N.C. Gen. Stat. § 55A. In addition to the foregoing, the Association, acting by and through its Board of Directors, shall have the power to assign

its right to future income including the right to receive common expense assessments.

11. The Declaration is amended by adding new Section 29 as follows:

Section 29. Effect of Violations on Rights of Action; Attorney's Fees. If any person subject to this Declaration fails to comply with any provision hereof or any provision of the Bylaws, and Rules and Regulations, the same may be adopted, amended and restated from time to time, such person or class of persons adversely affected by that failure has a claim for appropriate relief. The Court may award reasonable attorney's fees to the prevailing party or parties.

12. The Declaration is amended by adding new Section 30 as follows:

Section 30. Liens Affecting the Condominium. A judgment for money against the Association is not a lien on the Common Areas and Facilities, but if docketed is a lien in favor of the judgment lienholder against all of the Units in the Condominium. No other property of a Unit Owner is subject to the claims of creditors of the Association.

A judgment against the Association shall be indexed in the name of the Condominium and the Association and, if so indexed, is a notice of the lien against the Units.

The undersigned officer certifies on behalf of the Association that this Second Amendment was duly adopted as aforesaid and that the Declaration is amended as herein set forth.

PINE KNOLL TOWNES PHASE II ASSOCIATION

By: Tina B. Arnold
Tina B. Arnold, President

STATE OF NORTH CAROLINA
COUNTY OF Wake

I, Natvarlal C. Prajapati, a Notary
Public in and for said County and State, do hereby certify that
TINA B. ARNOLD, President personally appeared before me this day
and acknowledged the due execution of the foregoing instrument.

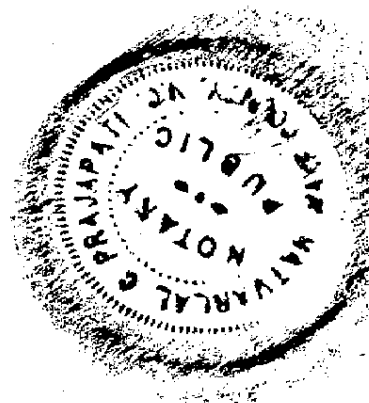
WITNESS my hand and notarial seal, this the 8th day of
August, 2000.

Natvarlal C. Prajapati
Notary Public

My Commission Expires:

Oct. 29, 2000

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Melanie Arthur 10P
Carteret County Register of Deeds
CS Date 08/17/2000 Time 10:05:00
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NORTH CAROLINA, CARTERET COUNTY

The foregoing certificate(s) of Notary Public(s) is/are
certified to be correct. This instrument and this certifi-
cate are duly registered at the date and time and in
the Book and Page shown on the first page hereof.

Melanie Arthur, Register of Deeds

By Joy Lawrence
Asst. Register of Deeds