

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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HOUSE DRH40291-MQ-35 (2/26)

Short Title: Real Property/Technical Corrections. (Public)

Sponsors: Representatives Bryan and Stevens (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CONFORMING  
3 CHANGES TO THE GENERAL STATUTES CONCERNING REAL PROPERTY.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 45-36.10(c) reads as rewritten:

6 "(c) ~~The~~ Unless the satisfaction expressly states that the underlying obligation secured  
7 by the security instrument has been extinguished, the recording of a satisfaction of a security  
8 instrument does not by itself extinguish any liability of a person for payment or performance of  
9 the secured obligation."

10 SECTION 2. G.S. 47C-3-104 reads as rewritten:

11 "§ 47C-3-104. **Transfer of special declarant rights.**

12 (a) No special declarant right (G.S. 47C-1-103(23)) created or reserved under this  
13 chapter may be transferred except by an instrument evidencing the transfer recorded in every  
14 county in which any portion of the condominium is located. ~~The~~ Except for the transfer of  
15 declarant rights pursuant to subsection (c) of this section, the instrument is not effective unless  
16 executed by the transferee.

17 (b) Upon transfer of any special declarant right, the liability of a transferor declarant is  
18 as follows:

- 19 (1) A transferor is not relieved of any obligation or liability arising before the  
20 ~~transfer, including, but not limited to, liability or obligations relating to~~  
21 ~~warranties.~~ transfer and remains liable for warranty obligations imposed  
22 upon the transferor by this Chapter. Lack of privity does not deprive any unit  
23 owner of standing to ~~bring~~ maintain an action to enforce any obligation of  
24 the transferor.
- 25 (2) If the successor to any special declarant right is an affiliate of a declarant  
26 (G.S. 47C-1-103(1)), the transferor is jointly and severally liable with the  
27 successor for any obligation or liability of the successor which relates to the  
28 condominium.
- 29 (3) If a transferor retains any special declarant right, but transfers other special  
30 declarant rights to a successor who is not an affiliate of the declarant, the  
31 transferor is liable for any obligations or liabilities imposed on a declarant by  
32 this chapter or by the declaration relating to the retained special declarant  
33 rights and arising after the transfer.
- 34 (4) A transferor has no liability for any act or omission or any breach of a  
35 contractual or warranty obligation arising from the exercise of a special



1 declarant right by a successor declarant who is not an affiliate of the  
2 transferor.

3 (c) ~~Unless otherwise provided in a mortgage instrument or instrument, deed of trust, or~~  
4 ~~other agreement creating a security interest, in case of foreclosure of a mortgage, security~~  
5 ~~interest, sale by a trustee under an agreement creating a security interest, tax sale, judicial sale,~~  
6 ~~sale by a trustee under a deed of trust, or sale under Bankruptcy Code or receivership~~  
7 ~~proceedings, of any units owned by a declarant, or real estate in a condominium subject to~~  
8 ~~development rights, or real estate subject to development rights for a condominium, a person~~  
9 ~~acquiring title to all the real estate property being foreclosed or sold, but only upon his request,~~  
10 ~~the person's request in an instrument recorded with the register of deeds in every county where~~  
11 ~~any portion of the condominium is located, succeeds to all special declarant rights~~  
12 ~~(G.S. 47C-1-103(23)) related to that real estate the property held by that declarant, or only to~~  
13 ~~any rights reserved in the declaration and held by that declarant to maintain models, sales~~  
14 ~~offices and signs. declarant and requested by the person acquiring title. The judgment or~~  
15 ~~instrument conveying title shall provide for transfer of only the special declarant rights~~  
16 ~~requested. The mortgage, deed of trust, tax lien, or other conveyance to be foreclosed under this~~  
17 ~~subsection shall not be required to contain specific reference to an assignment of special~~  
18 ~~declarant rights but shall be deemed to include the special declarant rights as part of the right,~~  
19 ~~title, and interest encumbered by the mortgage, deed of trust, tax lien, or other conveyance.~~

20 (d) ~~Upon foreclosure, tax sale, judicial sale, sale by a trustee under a deed of trust, or~~  
21 ~~sale under Bankruptcy Code or receivership proceedings, of all units and other real estate in a~~  
22 ~~condominium owned by a declarant the declarant ceases to have any special declarant~~  
23 ~~rights. foreclosure of a security interest, sale by a trustee under an agreement creating a security~~  
24 ~~interest, tax sale, judicial sale, or sale under Bankruptcy Code or receivership proceedings of all~~  
25 ~~units and other real estate in a condominium owned by a declarant, the declarant ceases to have~~  
26 ~~any special declarant rights and the period of declarant control (G.S. 47C-3-103(d)) terminates~~  
27 ~~unless either of the following applies:~~

28 (1) ~~The judgment or instrument conveying title provides for transfer of all~~  
29 ~~special declarant rights held by that declarant to a successor declarant.~~

30 (2) ~~The declarant transferred special declarant rights related to the appointment~~  
31 ~~of executive board members to another person pursuant to this section prior~~  
32 ~~to the foreclosure or sale.~~

33 (e) The liabilities and obligations of persons who succeed to special declarant rights are  
34 as follows:

35 (1) A successor to any special declarant right who is an affiliate of a declarant is  
36 subject to all obligations and liabilities imposed on the transferor ~~related to~~  
37 ~~the condominium by this Chapter or by the declaration.~~

38 (2) ~~A successor to any special declarant right, other than a successor described~~  
39 ~~in paragraphs (3) and (4) who is not an affiliate of a declarant, is subject to~~  
40 ~~all obligations and liabilities. Unless otherwise specified by the declaration as~~  
41 ~~to the holder of a mortgage instrument, deed of trust, or other agreement~~  
42 ~~creating a security interest, in case of foreclosure of a security interest, sale~~  
43 ~~by a trustee under an agreement creating a security interest, tax sale, judicial~~  
44 ~~sale, or sale under Bankruptcy Code or receivership proceedings, a successor~~  
45 ~~to any special declarant right who is not an affiliate of a declarant, other than~~  
46 ~~a successor described in subdivision (3) or (4) of this subsection, is subject~~  
47 ~~to the obligations and liabilities expressly imposed by this Chapter or the~~  
48 ~~declaration:~~

49 a. On a declarant which relate to ~~his~~ the successor's exercise or  
50 nonexercise of special declarant rights; or

- 1                   b.    On ~~his~~the declarant's transferor, other ~~than~~than any of the  
2                   following:
- 3                   (i) 1.    Misrepresentations by the transferor or any prior  
4                   declarant; declarant.
- 5                   (ii) 2.    Warranty obligations on improvements made by the  
6                   transferor or any previous declarant, or made before the  
7                   condominium was ~~created~~created.
- 8                   (iii) 3.    Breach of any fiduciary obligation by the transferor or any  
9                   previous declarant or ~~his~~the declarant's appointees to the  
10                   executive ~~board~~or board.
- 11                   (iv) 4.    Any liability or obligation imposed on the transferor or any  
12                   previous declarant as a result of the transferor's acts or  
13                   omissions after the transfer.
- 14                   5.    Obligations and liabilities arising out of contractual  
15                   agreements between the transferor or any previous declarant  
16                   and third parties other than those contained in the declaration.

17           (3)    A successor to only a right reserved in the declaration to maintain models,  
18           management offices, sales offices, and signs advertising the condominium  
19           (G.S. 47C-2-115), if ~~he~~the successor is not an affiliate of a declarant, may  
20           not exercise any other special declarant right, and is not subject to any  
21           liability or obligation as a declarant, except the obligation to provide a public  
22           offering statement, and any liability arising as a result thereof.

23           (4)    A successor to all special declarant rights held by ~~his~~a transferor who is not  
24           an affiliate of that declarant and who succeeded to those rights pursuant to a  
25           deed or other instrument of conveyance in lieu of foreclosure or a judgment  
26           or instrument conveying title to units under subsection ~~(e)~~(c) of this section,  
27           may declare ~~his intention~~ in a recorded instrument the intention to hold those  
28           rights solely for transfer to another person. Thereafter, until transferring all  
29           special declarant rights to any person acquiring title to any unit owned by the  
30           successor, or until recording an instrument permitting exercise of all those  
31           ~~rights~~rights, that successor may not exercise any of those rights other than  
32           the right held by ~~his~~the successor's transferor to control the executive board  
33           in accordance with the provisions of G.S. 47C-3-103(d) for the duration of  
34           any period of declarant control, and any attempted exercise of those rights is  
35           void. So long as a successor declarant ~~may~~does not have the right to  
36           exercise special declarant rights under this subsection, ~~he~~the successor  
37           declarant is not subject to any liability or obligation as a declarant other than  
38           liability for ~~his~~the successor declarant's acts and omissions under  
39           G.S. 47C-3-103(d).

40           (f)    Nothing in this section subjects any successor to a special declarant right to any  
41           claims against, or other obligations of, a transferor declarant other than claims and obligations  
42           expressly arising under this Chapter or the declaration.

43           (g)    For the purposes of this section, "assignment of declarant rights" shall include any  
44           assignment by the declarant of special declarant rights to a person, including, without  
45           limitation, an assignment pursuant to this section."

46           **SECTION 3.** This act is effective when it becomes law.