

WJP

FILED

BK 2954 PG 294

06 MAY 10 PM 4: 17

JOYCE M. SWICEGOOD
REGISTER OF DEEDS
PENDER COUNTY, NC

Recorded and Verified
Joyce M. Swicegood
Register of Deeds
Pender County, NC

DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS FOR

CASTLE BAY SUBDIVISION

THIS DECLARATION, made on the date hereinafter set forth by Randy L. Blanton with his principal office located at P. O. Box 10137, Wilmington, New Hanover County, North Carolina 28404, hereinafter referred to as "Declarant";

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in Topsail Township, County of Pender, State of North Carolina, commonly referred to as "Castle Bay" which is more particularly described on Exhibit "A" attached hereto;

WHEREAS, is the desire and intention of Declarant (as defined herein) to impose on that Property described in Exhibit "A" attached hereto restrictions, conditions, easements, covenants and agreements under a general plan or scheme of improvement for the benefit of all Property herein described and the future owners thereof; and,

WHEREAS, the Property shall be comprised of single family residential lots, and

NOW, THEREFORE, Declarant hereby declares that all of the Property described on Exhibit "A" shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the title to, the Property and be binding on all parties having any right, title or interest in the described Property or any part thereof, their heirs, successors and assigns and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Castle Bay Property Owners Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Board" or "Board of Directors" shall mean those persons elected or appointed and acting collectively as the Board of Directors of the Association.

Section 3. "Common Elements" shall mean all real property and any improvements constructed thereon, if any, owned by the Association for the common use and enjoyment of the Owners or members or designated classes of members of the Association, including *Limited Common Elements* as may be designated on any subdivision map of the Property or by the Association. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is all of that Property other than the Lots.

Section 4. "Common Expenses" shall mean and include:

- (a) All sums lawfully assessed by the Association against its members;
- (b) Expenses for maintenance of the roads, streets, right of way and any amenities as provided in this Declaration;
- (c) Expenses of administration, maintenance, repair, or replacement of the Common Elements and Limited Common Elements;
- (d) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;
- (e) *Hazard, liability, or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase; or as the Association may deem appropriate to purchase;*
- (f) Ad Valorem taxes and public assessment charges lawfully levied against Common Elements;
- (g) *The expense of the maintenance of private drainage and utility easements and facilities located therein which are within the boundaries of the Property, cross Common Elements of the Property and serve both the Property and lands adjacent thereto;*
- (h) The expense of maintenance of any roads, streets, easements, amenities, taxes or any other expense item associated with any *Common Element* not located on the Property but permitted to be used by the members of this Association by any adjoining landowner, association or other entity pursuant to any cross-easement, cross-access or other agreement by the Association with the adjoining land owner;

- (i) Expenses for maintenance of security devices or personnel; Expenses for the maintenance of pedestrian easements as shown on the recorded map of the Property, and as may be required by this Declaration;
- (j) Expenses of assessments of any other owners' association which by virtue of this Declaration or any agreement between the Association and any other owners association may be imposed on the Association or the members of the Association for maintenance of any of the Common Elements within the Property by the other association or for security or maintenance of roads, streets and Common Areas outside the bounds of the Property, including security installations and security personnel so long as the same benefits the members of this Association; and,
- (k) Any other expenses determined by the Board or approved by the members to be common expenses of the Association.

Section 5. "Declarant" shall mean and refer to Castle Bay, Inc., a North Carolina corporation, its successors and assigns, to whom the rights of Declarant hereunto are expressly transferred, in whole or in part, and subject to such terms and conditions as Declarant may impose.

Section 6. "Limited Common Elements" shall mean those portions of the Common Elements that serve only a single Lot or a limited number of Lots, and which may include, but specifically is not limited to, driveways, walkways, parking areas or areas serving only specified Lots, and such other similar areas as may be designated by a subdivision map of the Property or by the Association.

Section 7. "Lot" shall mean and refer to any plot or tract of land shown upon any recorded subdivision map of the Property, as such map or maps may be from time to time amended or modified, for detached single-family residential use, designated for residential use and for separate ownership and occupancy.

Section 8. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 9. "Owner" or "Lot Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property,

including contract sellers, but excluding those having such interest merely as security for the performance of any obligation.

Section 10. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 11. "Property" shall mean and refer to that certain real property hereinbefore described on Exhibit "A" hereto attached and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Elements together with and including the right of access, ingress and egress, both pedestrian and vehicular, on and over the drives, walkways and parking areas of the Common Elements, all of which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provision:

- (a) The right of the Association to charge reasonable admission and other fees for the use of any recreational or other similar facility situated upon the Common Elements;
- (b) The right of the Association to suspend the voting rights and the right to use the recreational or other Common Element facilities, if any, by an Owner for any period during which any assessment against his lot remains unpaid, and for a period not to exceed 60 days for any infraction of its published rules and regulations;
- (c) The right of the Association to dedicate, sell, lease or transfer all or any part of the Common Elements, or any interest therein, to any public agency, authority, or utility, or to any other person for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication, sale, lease or transfer shall be effective unless it has been approved by two-thirds (2/3) of each class of members and an instrument of dedication, sale, lease, or transfer properly executed by the Association has been recorded. On such instrument the Secretary of the

Association shall certify that two-thirds (2/3) of each class of members approved the dedication, sale, lease or transfer and that certificate may be relied upon by any third party without inquiry and shall be conclusive as to any grantee, its successors or assigns; provided, however, conveyances for general utility purposes, as specified herein, may be made by the Association without consent of the members;

- (d) The right of the Association to limit the number of guests of members;
- (e) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and facilities and in aid thereof to mortgage the Common Elements, and the rights of such mortgagee in the Common Elements shall be subordinate to the rights of the members hereunder;
- (f) The right of the Association in accordance with its Articles of Incorporation or Bylaws to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which rules and regulations may further restrict the use of the Common Elements and to create Limited Common Elements.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Elements and facilities to the member of his family, his tenants, or contract purchasers who reside on the property.

Section 3. Title to the Common Elements. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Elements located within the Property to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first Lot, except for encumbrances of utility, service, access, storm drainage and other similar service or utility easements.

Section 4. TV Antennas, Cablevision, Music. The Association may regulate or prohibit the erection of television, radio or other disk or antennas on individual Lots.

Section 5. Deed Restrictions. Each owner, by acceptance of a deed for a Lot in all Phases, the Castle Bay Subdivision Homeowners Association, Inc. and Declarant agree that no fill may be placed within wetlands areas located upon any Lot, as defined in the 1987 Delineation Manual, unless approval and/or permits have been obtained from the proper governing agencies, including but not limited to the US Army Corps of Engineers and the North Carolina Department of Environmental and Natural Resources.

Each owner, by acceptance of a deed for a Lot in all Phases, the Castle Bay Subdivision Homeowners Association, Inc. and Declarant agree that the total built upon area for each Lot (including that portion of the right of way between the edge of the pavement and the front Lot line, and all structures including asphalt, gravel, concrete, brick stone, slate or similar materials not including wood decking or the water surface of swimming pools) shall not exceed the following:

<u>Lot Numbers</u>	<u>Square Footage/Lot</u>	<u>Total</u>
1 – 19 (19 lots)	3,500 Sq. Ft.	66,500 Sq.Ft.
34 – 53 (20 lots)	3,000 Sq.Ft.	60,000 Sq.Ft.
63-78, 82-296 (231 lots)	4,000 Sq.Ft.	924,000 Sq.Ft.
8 Townhome Units (Lots 20-24, 54-56)	10,000 Sq.Ft.	80,000 Sq.Ft.

Each owner, the Declarant and the Association hereby specifically agree that this Covenant is intended to insure continued compliance with storm water runoff rules adopted by the State of North Carolina, and therefore, benefits may be enforced by the State of North Carolina. These covenants are to run with the land and be binding on all persons and parties claiming under them. The covenants pertaining to storm water may not be altered or rescinded without the express written consent of the State of North Carolina, Division of Environmental Management. No Lot owner is allowed to pipe or fill in any swell or ditch used to meet the storm water regulations, except for driveway culverts. For curb and gutter projects, no one may pipe, fill in, or alter any Lot line swell used to meet North Carolina Stormwater Management Permit requirements.

The State of North Carolina is hereby made a beneficiary of these Restrictions to the extent necessary to enforce its storm water runoff regulations and as the same may be amended from time to time.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every record Owner of a Lot, which is subject to assessment, shall be a member of the Association. Membership shall be appurtenant to, and may not be separate from, ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members; however, the vote for such Lot shall be exercised as they among themselves determine, or as set forth in the Bylaws, but in no event shall more than the one vote be cast with respect to any Lot. Fractional voting is prohibited.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership with one vote for each Lot owned on the happening of either of the following events, whichever occurs earlier.

(a) when the total votes outstanding in Class A membership equal the votes outstanding in class B membership, or

(b) five (5) years from the date of conveyance of the first Lot by Declarant.

Section 3. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and the Articles and Bylaws of the Association and according to the provisions of Article II, Section 1(b) herein.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTSSection 1. Creation of the Lien and Personal Obligation of Assessments. The

Declarant, for each Lot owned within the Property, hereby covenants, and each owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant, and agree to pay to the Association: (1) annual assessments or charges which are Common Expenses, and (2) special assessments for extraordinary maintenance and capital improvements, (3) special assessments for purchase, construction or reconstruction of improvements; and (4) to the appropriate governmental taxing authority, a pro rata share of assessments for public improvement to the Common Elements and public roads if the Association shall default in payment thereof. The annual and special assessments, together with interest and costs, and reasonable attorney's fees for collection, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessment shall not pass to his successors in title unless expressly assumed by them.

The Association shall also have the authority, through the Board of Directors to establish, fix and levy a special assessment on any Lot to secure the liability of the Owner of any of the provisions of this Declaration which breach shall require the expenditure of time and money or both, by the Association for repair or remedy.

Each Owner covenants for himself, his heirs, successors and assigns, to pay each assessment levied by the Association on the Lot described in such conveyance to him within ten (10) days of the due date as established by the Board, and further covenants that if said assessment shall not be paid within thirty (30) days of due date, the payment of such assessment shall be in default and the amount thereof become a lien upon said Owner's Lot as provided herein and shall continue to be such lien until fully paid.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the paying of Common Expenses to promote the recreation, health, safety, and welfare of the Owners of Lots; and, in particular, but not limited to, for the acquisition, improvement and maintenance of property, services, amenities and facilities, and for the use and enjoyment of the Common elements, including but not limited to the cost of repairs, replacements, and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes and public assessments assessed against the Common Elements, the procurement and maintenance of insurance in accordance with the Bylaws or as deemed appropriate by the Board, the payment of common services, the employment of counsel, accountants and other professionals for the Association when necessary, and such other needs as may arise.

Section 3. Amount of Assessment.

- (a) Initial maximum assessment. To and including December 31, 1999, the maximum annual assessment shall not exceed Two Hundred Fifty Dollars (\$250.00) per Lot plus that amount, if any, that may be imposed on each Lot through the Association for the assessment to which the Association has contracted maintenance of its Common Elements.
- (b) Increase by Association. From and after December 31, 1999, the annual assessment imposed by this Association (and exclusive of that amount of assessment imposed on the Association and thereby allocated to each Lot Owner by any other association through which the Association has contracted maintenance of its Common Elements), initially \$250.00 effective for any year (including 2000) may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the greater of ten (10%) percent or the percentage increase reflected in the U.S. City Average Consumer Price Index – United States and selected areas for urban wage earners and clerical workers, all items most recent index and percentage changes from selected dates, (published by the U.S. Bureau of Labor Statistics, United States Department of Labor, Washington, D.C.), or such other Index as may succeed the

Consumer Price Index, for that twelve-month period ending the immediately preceding October 1.

- (c) Increase by Members. From and after December 31, 1999, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of each class of members who are voting in person or proxy, at a meeting duly called for such purpose. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merge or consolidation in which the Association is authorized to participate under its Articles of Incorporation.
- (d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of ten (10%) percent or the sums derived by application of the Consumer Price Index formula provided in Subsection (b) without the consent of members required by Subsection (c) of this Section 3.
- (e) Board Authority. The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.
- (f) Declarant Expenses. Until such time as Declarant shall no longer control the Board, Declarant shall pay any Association expenses not otherwise covered by the assessment hereunder.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, restoration, repair or replacement of a capital improvement upon the Common Elements, any extraordinary maintenance, including vegetation, fixtures and personal property related thereto and any property for which the Association is responsible,

provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Replacement Reserve. Out of the Common Expenses assessment, the Board shall create and maintain a reserve fund for the periodic maintenance, repair, and replacement of improvements of the Common Elements and any Common Elements and any Limited Common Elements, which the Association may be obligated to maintain.

Section 6. Notice and Quorum for Any Action Authorized Under Section 3 and 4. Written Notice of meeting called for the purpose of taking any action authorized under this Article shall be sent to all members not less than 30 days or more than 60 days in advance, of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast forty (40%) percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis or other periodic basis established by the Board.

Section 8. Date of Commencement of Annual Assessments; Due Dates; Initial Working Capital. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Elements to the Association or January 1, 1999, whichever shall later occur. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge if it deems appropriate, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a

specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of issuance.

In addition to the regular assessments to be charged and paid hereunder, each Lot Owner shall, at the time of the initial sale of each Lot by Declarant to that Lot Owner, pay to the Association a sum equal to two (2) months' assessment on that Lot as additional working capital of the Association. These amounts need not be segregated but may be commingled with regular assessment funds. This working capital amount shall be paid by the Lot Owner notwithstanding the fact that Declarant may have made prior regular assessment payments to the Association on the Lot being sold pursuant to the provisions of the first sentence hereunder.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall be delinquent, in default, and shall bear interest from the due date at the highest rate then permitted by North Carolina law not to exceed ten (10%) percent per annum. The Association may bring an action at law against the Owner personally obligated to pay the same plus interest costs, late payment charges and reasonable attorney's fees, or foreclose the lien against the Lot. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Elements or abandonment of his Lot.

The lien herein granted unto the Association shall be enforceable pursuant to Article 2A of Chapter 45 of the General Statutes from and after the time of recording a Claim of Lien in the Office of the Clerk of Superior Court in the County in which the property is located in the manner provided therefore by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall state the description of the Lot encumbered thereby, the name of the record owner, the amount due and date when due. The claim of lien shall be recordable any time after thirty (30) days after the due date of the assessment or any installment thereof and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include all assessments which are due and payable when the claim of lien is recorded, plus interest costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed by an officer or agent

of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

Section 10. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any institutional first mortgage and ad Valorem taxes on said Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage or tax foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer, but shall not abate the personal obligation of the prior owner. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. Any portion of the Property dedicated to, and accepted by, a local public authority and any portion of the Property owned by a charitable or non-profit organization exempt from the taxation by laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 12. Responsibility for Maintenance of Private Streets and Driveways; Responsibility for Maintenance of the Grounds of Each Lot (Excluding Improvements Thereon). The maintenance responsibility of the private street and driveways as shown on the subdivision Map recorded shall rest with the Association. In no case shall any governmental authority having jurisdiction over the Property be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property and/or occupants when the failure is due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, the Association, or Owners.

The maintenance responsibility of the grounds surrounding the improvements on each Lot shall also rest with the Association. This maintenance responsibility shall include, without limitation, grounds care such as maintaining grass in grassed areas, neat cutting of grass and maintenance of shrubs, trees and flowers, with replacement of diseased or dead vegetation as necessary in the opinion of the Association to maintain the grounds surrounding the improvements

on each Lot in a neat and attractive manner. In the event a Lot Owner selects unusual or exotic vegetation for his Lot, which vegetation necessitates extraordinary maintenance and care by the Association, the Association reserves the right to impose a special assessment upon the individual Lot Owner for any costs attributable to said extraordinary maintenance and care of his vegetation. Any such special assessment would be imposed in accordance with the provisions of Article IV, Section 4.

Section 13. Exterior Improvement Maintenance Responsibility. Each Lot Owner, at his sole cost and expense, shall continuously provide exterior upkeep and maintenance of the improvements on the Lot. Such improvements shall always be maintained in a neat and attractive manner and in keeping with the quality or standard of maintenance of other Lot Owners in the Property. Such maintenance and upkeep shall include, and without limitation, exterior building surface care such as painting, staining, cleaning, repair and replacement of roofs, shingles or siding, repair and replacement of gutters, downspouts, moldings, doors, screens and glass surfaces, and shall further include repair and maintenance of fences, screens, walks, driveways or exterior lighting and lighting fixtures.

In the event an Owner fails to keep and maintain the improvements on his Lot in a neat and attractive manner, then the Association may maintain, repair, replace or generally keep up, including painting, staining and other repairs to the improvements on the Lot if such has been approved in advance by a vote of two-thirds of each class of members present and voting in person or by proxy at a meeting of members duly called for the purpose of making this determination or at any annual meeting at which this matter is announced as an agenda item.

In the event the Association must do any maintenance, repair, replacement or upkeep on any Lot, each Lot Owner hereby gives to the Association, and the same is hereby reserved unto the Association, its agents, servants or independent contractors, the right and easement for unobstructed access in over and on each Lot at all reasonable times to perform such repair or replacement by the Association.

Section 14. Pass Through Assessments from Other Associations; Clarification. It is recognized and acknowledged that the Property is a separate lot development project with its

own Association lying within the general bounds of a larger development generally referred to as Castle Bay, the larger development is comprised of many separate area projects for single-family detached residential units and other types of development being integral to the Master Land Use Plan for development of Castle Bay. It is further recognized and acknowledged that the Castle Bay development, being comprised of several projects, such as the Castle Bay Subdivision, has an integrated system of roads, street, utilities, security posts and Common Areas and that access to and from each separate project dependant upon the use of roads and streets lying within, or through, the bounds of other projects and the utilities are interdependent.

Therefore, it is contemplated that for efficiency, the best use of financial resources and for the continuance of a common scheme of appearance and quality of maintenance, the Association will contract the maintenance of its roads and streets to Castle Bay Property Owners Association, Inc., an association of the Castle Bay subdivision lot owners, or to a similar entity or agency having a larger maintenance responsibility for the general Castle Bay area; and the Association reserves the right to contract with such association or similar entities all of its maintenance duties with Common Areas, other than roads and streets as it in its discretion may elect.

It is further recognized and acknowledged that neither the Association nor any Lot Owner shall be a member of any association with whom the maintenance duties are contracted, and, thus, shall have no choice in its affairs, unless at some later date the various associations in Castle Bay shall merge or consolidate under a common association.

To the extent of the foregoing, the association with which this Association contracts for its maintenance shall impose a fee on this Association, which fee shall be prorated among all Lot Owners and the prorated amount charged to each Lot Owner as an assessment collectible and enforceable as an assessment under this Article IV and such sum shall be in addition to the amount of assessment directly levied by this Association (initially \$250.00 per annum as set forth in Section 3(a) above for its own expenses or reserves.

The amount charged to each Lot Owner as an assessment under this Section may be less than, but shall not be greater than that amount which the contracting association charges its own members as a maintenance assessment.

ARTICLE V

ARCHITECTURAL CONTROL

No site preparation (including, but not limited to grading, elevation work, landscaping, sloping or tree work) or initial construction, erection or installation of any improvements, including but not limited to, buildings, fences, signs, walls, bulkheads, screens, landscaping, plantings, yard furniture, play areas and play equipment or other equipment, furniture or structures shall be commenced, erected, placed, altered, removed, repaired or maintained upon the Property or any Lot, nor shall any addition to, or change, or alteration therein be made by any Owner, other than Declarant, until the plans and specifications showing the nature, kind, shape, height, materials, exterior colors, siding, location and elevations of the proposed improvements on landscaping or yard equipment or furniture shall have to be submitted to, and approved in writing by, as to harmony of external design and location in relation to surrounding structures and topography, the Board of Directors of the Association, or by an Architectural Committee composed of three (3) or more persons appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such submission within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with; provided that plans and specifications that contain inaccurate or missing data or information when submitted shall not be deemed to be approved notwithstanding the foregoing.

Upon request the Board shall provide any Owner with a letter stating that any such work plans and specifications have been approved and the same may be relied upon by third parties.

Refusal of approval of such plans, location or specifications may be based upon any grounds, including purely aesthetic and environmental, that in the sole discretion of the Board or Committee, it shall deem sufficient. The Association shall not be responsible for any defects in

the plans and specifications submitted to it or in any structure erected according to such plans and specifications.

The Association, through the Board, the Committee or their appointed agents, shall have the right, at its election, but shall not be required, to enter upon any of the Property during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

The Board or the Architectural Committee appointed by the Board, as the case may be, shall have power to, and may allow variances of, and adjustments of, the restrictions on use and building restrictions established herein in application of the restrictions contained herein; provided, however, that variances or adjustments are done in conformity to the intent and purposes hereof; and, provided also, that in every instance such variance or adjustment will not be materially detrimental or injurious to the Property or other Lots in the immediate neighborhood. Variances and adjustments may be of the height, size, and setback requirements, but shall not be limited thereto.

In the event of the grant of any variance in the building or use restrictions, the Association shall execute a document attesting to such grant and the specific nature thereof in form suitable for recording, so that the Lot Owner may record same in the Registry of the County in which the Property is located. Such document shall be prepared at the cost of the Lot Owner and shall be binding upon the Association and may be relied upon by third parties.

Any reference to "Association" in this Article or that on Restrictions of Use or Building Restrictions shall mean the Board or the Architectural Committee, if vested with approval authority by the Board.

ARTICLE VI

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning

the use and enjoyment of the Common Elements. Such rules and regulations may provide for the imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in this Declaration.

Section 2. Use of Property. The Property (except for a temporary office of the Declarant and building models used by Declarant) shall be used for single-family residential purposes other than multi-family as approved, incidental or accessory thereto.

Section 3. Quiet of Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be, or may become, a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, birds, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats, pet birds or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and are controlled in accordance with applicable governmental ordinances and are not a nuisance to other Owners. Pender County Containment Law will prevail and provides that pet owners must keep their pets contained to their property or on a leash at all times. A warning will be issued by Pender County initially, after which a \$50.00 citation will be served for each violation.

Section 5. Insurance. Nothing shall be kept, and no activity shall be conducted, on the Property which will increase the rate of insurance applicable to residential use for the Property or any Lots. No Owner shall do or keep anything, nor cause or allow anything to be done or kept, on his Lot or on the Common Elements which will result in the cancellation of insurance on any portion of the Property, or Lots therein, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Elements.

Section 6. Offensive Behavior. No immoral, improper, offensive, or unlawful use shall be made of the Property, or any part thereof. All laws, orders, rules, regulations, ordinances, or requirements of any governmental agency having jurisdiction thereof, relating to any Lot or any portion of the Property, shall be complied with, by and at the sole expense of the Owner or the Association, whichever shall have the obligation to maintain such portion of the Property.

Section 7. Structural Integrity. Nothing shall be done in, to, or upon any of the Common Elements that will impair the structural integrity of any building, or other improvement or portion thereof, except in the manner provided in this Declaration.

Section 8. Business. No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained or permitted on any Lot, except that the Declarant or its agents may use any unsold Lots for sales or display purposes. Declarant may maintain a sales or rental office on the Property and Declarant may maintain marinas or other amenities to the Property.

Section 9. Signs. No Lot Owner shall display, or cause, or allow to be displayed, to public view any sign, placard, poster, billboard, or identifying name or number upon any Lot, or any portion of the Common Elements, except as allowed by the Association pursuant to its Bylaws and regulations or as required by local governmental authority; provided, however, that the Declarant, or its respective agents, may place "For Sale" or "For Rent" signs on any Lots for sale in suitable places on the Common Elements approved by the Association; provided, however that during the development of the Property and the initial marketing of Lots, the Declarant may maintain a sales office and may erect and display such signs as the Declarant deems appropriate as aides to such development and marketing, provided that such signs do not violate any applicable laws. Such permitted signs shall be placed in the approximate center of a Lot and six feet from the road curb. No sign shall be nailed to a tree.

Section 10. Alterations. No person shall undertake or cause, or allow any alteration or construction in or upon any portion of the Common Elements except at the direction or with the express written consent of the Association.

Section 11. Common Elements Use. The Common Elements shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the Property, subject to any rules or regulations that may be adopted by the Association pursuant to its Bylaws.

Section 12. Parking. No boats, trailers, campers, motorhomes, trucks other than pickup trucks, or tractors shall be parked on any Lot, on the Common Elements, or on any right of way of any roads or

streets within the Property or adjoining the Property by any Lot Owner, its family members, tenants or contract purchasers, except inside an enclosed garage located on a Lot or in a specified storage area established by the Association or except as otherwise may be permitted by Rules and Regulations of the Association. Delivery and maintenance vehicles are permitted.

Section 13. Trailers, Etc. No trailer, tent, mobile home, modular home or other structure of a temporary character shall be placed upon any Lot at any time, provided, however, that this prohibition shall not apply to shelters or storage units used by the contractor during the construction of a dwelling, garage or accessory building, it being clearly understood that these latter temporary shelters may not, at any time, be used as residences or permitted to remain on the Lot after completion of construction.

Section 14. Fuel Tanks. No fuel tanks or similar storage receptacles may be exposed to view. Any such receptacles may be installed only within an accessory building or within a screened area, or buried underground; provided, however, that nothing contained herein shall prevent the Declarant or Association from erecting, placing or permitting the placing of tanks, or other apparatus, on the Property for uses related to the provision of utility or other service.

Section 15. Guest Facility. A guest apartment or guest facility may be included as part of a main detached single family dwelling or accessory building.

Section 16. Subdividing. No lot shall be subdivided, or its boundary lines changed except with the prior written consent of the Declarant during the period of Declarant control of the Association and thereafter by the Board. However, the Declarant hereby expressly reserves unto itself, its successors and assigns, the right to replat any two or more Lots show on the plat of any subdivision of the Property in order to create one ore more modified Lots; to recombine ½ of one or more Lots to create a larger Lot; to eliminate from this Declaration, Lots that are not otherwise buildable or are needed for access to any area of Property or are needed for use as private roads or access areas, and to take such steps as are reasonable necessary to make such replatted Lots suitable and fit as a building site or access area or roadway, said steps to include,

but not limited to, the relocation of easements, walkways, and right of way to conform to the new boundaries of said replatted Lots.

Section 17. Water Fill. No Lot shall be increased in size by filling in the waters on which it abuts without prior written approval of the Association, and the appropriate state and federal agencies having jurisdiction over the water.

Section 18. Docks. No private docks, piers, moorings, boat houses, slips or similar structures may be erected on, placed on, or connected to, any Lot, unless specifically authorized in the deed of said Lot. In the event of such authorization, the Lot Owner must comply with the provisions of Article V. All Lot Owners who construct or cause to be constructed private docks, piers, moorings, boat houses, slips or similar structures pursuant to this paragraph must maintain said structures in good repair and keep the same clean and orderly in appearance at all times; and said Lot Owners further agree to paint or otherwise treat with preservatives all wood or metal located above the high water mark, exclusive of pilings, and to maintain such paint or preservatives in an attractive manner. The Association through the Board or its appointed committee shall be the judge as to whether such structures are clean, orderly in appearance, and properly painted or preserved in accordance with reasonable standards. Where a Lot Owner is notified in writing that such structures fail to meet acceptable standards, said Lot Owner shall thereupon remedy such conditions within thirty (30) days. Failing to so remedy such conditions, the Lot Owner hereby covenants and agrees that the Association, as the cause may be, may make the necessary repairs (but is not obligated to make such repairs), or take such action as will bring such structures up to acceptable standards, all such repairs and actions to be at the expense, solely, of the Lot Owner.

Section 19. Mineral Extraction. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, nor oil, gas or mineral exploratory activity, shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon, or in, or under, any Lot. No derrick or other structures designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot; nor shall sand, clay, or other materials be mined or removed from any Lot for use elsewhere.

Section 20. Delivery Receptacle. No mailbox, paper box or other receptacle of any kind for use in the delivery of mail, newspapers, magazines or similar material shall be erected or located on any Lot unless and until the size, location, design and type of material for the receptacle shall have been approved by the Board or the architectural committee.

Section 21. Antennae. Exterior radio and television antennae, aerials, disks, and dishes for reception of commercial broadcasts shall not be permitted on any Lot and no other aerials, disks, and dishes (for example, without limitation, amateur short wave or ship to shore) shall be permitted on any Lot without permission of the Board as to design, appearance and location or pursuant to Regulations issued for that purpose. One small television satellite dish will be temporarily allowed per Lot until permanent television cable has been installed.

Section 22. Construction Limitations. During construction, all vehicles involved, including those delivering supplies, must enter the Lot on a driveway only as approved by the Board so as not to damage unnecessarily trees, street paving and curbs. During construction, builders must keep the homes, garages, and building sites clean and free of debris. All building debris, stumps, trees, etc., must be removed from each Lot by builder as often as necessary to keep the house and Lot attractive. Such debris will not be dumped in any area of the Property.

Section 23. Grass. All grass area of yards must be sodded and must have underground sprinkling for watering purposes.

Section 24. Firearms; Hunting Prohibited. There shall be no discharging of firearms, guns or pistols of any kind, caliber, type or method of propulsion; and no hunting of any type shall be carried on or conducted on the Property.

Section 25. Drying Areas. Clotheslines or drying yards shall not be located upon any Lot without the prior written consent of the Board, which consent may be conditioned or withheld in the sole discretion of the Board, or as set forth in Regulations established for that purpose.

Section 26. Irrigation Systems. No individual water supply system shall be permitted on any Lot except a non-portable lawn irrigation system not connected to any building. A shallow well may be permitted for such water supply, but drilling or construction for such

shallow well must have prior written approval by the Board. The pump, pressure tank and pump house, if any shall be considered structure requiring prior architectural approval.

Section 27. Unsightly Growth. No weeds, underbrush or other unsightly growth shall be permitted to grow or remain on any Lot, and no refuse pile or unsightly objects shall be allowed to be placed or suffered to remain thereon, including vacant parcels.

Section 28. Independent Covenants. Each and every covenant and restriction contained herein shall be considered to be an independent and separate covenant and agreement, and in the event any one or more of said covenants or restrictions shall, for any reason, be held to be invalid, or unenforceable, all remaining covenants and restrictions shall be nevertheless remain in full force and effect.

Section 29. Additional Restrictions. Declarant may include in any contract or deed hereafter made any additional covenants and restrictions that are no inconsistent with and which do not diminish the covenants and restrictions set forth herein.

ARTICLE VII

BUILDING RESTRICTIONS

Section 1. Construction and Appearance. Any dwelling erected on a detached single-family residential Lot shall be stick build only. Outward materials for dwellings or accessory buildings shall be restricted to brick and must be earth tones. No white or red brick may be used on the exterior of the dwelling and all trim colors; brick, paint, trim, etc. must be earth tones; no white or bright colors. All exterior and outward materials colors used in the construction of any dwelling must be approved by the Association. No vinyl siding shall be allowed.

Section 2. Square Footage. Any dwelling erected on a detached single-family residential Lot shall contain a minimum enclosed dwelling area of 1200 square feet for single level dwelling in Phase II and III only. Phase III, IV and V shall contain a minimum enclosed dwelling of 1800 square feet for single level dwellings. In addition thereto, and unless a variance is granted therefore as provided herein, all dwellings shall have an enclosed car garage attached to the main dwelling. The term "enclosed dwelling area" as subject to heating and cooling; provided, that the term specifically does not include garages, terraces, open porches, decks, stoops and like areas regardless of heating or cooling

Section 3. Setback Lines. No dwelling erected on a detached single-family residential Lot (including garage) shall be constructed nearer than twenty-five (25) feet to the front Lot line, or ten (10) feet to any side Lot line, or fifteen (15) feet to the rear Lot line. This restriction shall prevail over any lesser

governmental setback standard. Variances of these setback requirements may be granted pursuant to Article V hereof, but in no case will the setback be less than that required by the governmental agency having jurisdiction over the Property.

Section 4. Accessory Building. No structure, except as hereinafter provided, shall be erected, altered, placed or permitted to remain on any detached single-family residential Lot.

Section 5. Multi-Family Use Prohibited. No multiplex residence or apartment house shall be erected or placed on, or allowed to occupy, any detached single-family residential Lots, and no dwelling once approved and constructed shall be altered or converted into a multiplex residence or apartment house. Townhome construction will be allowed in phases II, III, and V with approval from the Board and local authorities.

Section 6. Remedies. If the finished dwelling, garage, accessory building or other structure does not comply with the submitted and approved plans and specifications, the Board retains the right to make the necessary changes at the owner's expense to comply with the approved plans and specifications, the right to treat such charge or cost as assessment, the right to file under the North Carolina lien laws a notice of liens for any costs incurred, and the further right to resort to all remedies provided under the laws of North Carolina for the recovery of such costs and the expenses of collection, including without limitation, reasonable attorneys' fees. Any changes in plans or specifications must first be reapproved by the Company in accordance with the procedure herein specified for architectural control.

Section 7. Trash Receptacles. Each Lot Owner shall provide receptacles for garbage in a screened area not generally visible from the road, or provide underground receptacles or similar facilities in accordance with standards established by the Association.

Section 8. Parking Spaces. Each Lot Owner shall provide space for parking two (2) automobiles off the street prior to the occupancy of any dwelling constructed on said Lot in accordance with standards established by the Association.

Section 9. Trees and Shrubs. The Declarant encourages the planting of flowering shrubs and trees; however, no trees, bushes, shrubs, grasses or other vegetation whatever, may be removed, planted or installed from or on any Lot without prior written approval of the Board, based upon a site plan, landscaping plan or planting plan submitted to the Board or Architectural Committee.

ARTICLE VIII

EASEMENTS

Section 1. Utility Easements. All of the property, including Lots and Common Elements, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage, gas lines, telephone and electric power line and other public utilities as shall be established by the Declarant or by his predecessors in title, prior to the subjecting of the Property to this Declaration; and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Elements conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Property without approval of the membership as provided in the Articles of Incorporation and this Declaration.

Section 2. Easement for the Benefit of Governmental Authorities. An easement is hereby established for the benefit of any governmental authority having jurisdiction over the Property, or other governmental agency, over all Common Elements for the setting, removing and reading of water meters (which shall be separate for each Lot), maintaining and replacing water, sewage and drainage facilities, for police protection, fire fighting and garbage collection and the rendering of such other services as are appropriate and necessary for the use and enjoyment of the Property. In no case shall the governmental authority or other responsible agency, be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property or to any of its occupants when such failure is due to the lack of access to such area due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, the Association, the Owners or occupants. All conveyances of any portion of the Property shall be subject to these limitations on the governmental authorities responsibilities.

Section 3. Specific Utility Easements. There is hereby reserved an easement ten (10') feet in width along the front of the Property lines and five (5') feet along the side Property lines and fifteen (15') feet along the rear property line of each Lot designated for detached single-family residential use for the purpose of installation, repair, maintenance, erection, construction and inspection of water lines, sewer lines, gas lines, electric lines, telephone lines, cablevision lines or other such utility or service lines and

for drainage cuts and storm water lines; provided, that if both sanitary sewer and storm sewer lines are located within the same easement, the easement reserved herein along the rear property line shall be twenty (20') feet.

Section 4. Recorded Easements. There are hereby reserved easements as shown on the recorded map or maps of the subdivision. In the event of a conflict in the width of any easement reserved herein or on the recorded map, the wider easement shall prevail.

Section 5. Drainage Easements. In addition to the foregoing reserved specific easements, the Declarant so long as it controls the Association, and thereafter the Association, may cut and create drains and drainways both above ground and underground for the purpose of facilitating the removal of surface water whenever such action may appear to be necessary in order to maintain reasonable standards of health, safety and appearance along, over or across any Lot.

Section 6. Access Easements. There is hereby reserved over those areas identified as "Access Easement" and shown on a subdivision map of the Property as referenced in Exhibit "A" attached hereto, an easement for pedestrian and vehicular access for ingress, egress and regress to and from the Lots abutting those easements.

Each easement shall be maintained by the Owners of those Lots abutting the easement and who use the easement for access. If a Lot abuts an easement, but has direct access to a road or street and does not use the easement, then that easement, and the maintenance responsibility shall be upon those Lot Owners using the easement for access.

Notwithstanding the requirement above of using abutting Lot Owners to maintain the access easements, the Association may prescribe the standard frequency and quality of maintenance to be observed by those Lot Owners and the surface or surface standard of the easement to provide a solid base for vehicular traffic. Further, the Association, should it elect, may take over maintenance of the easements and charge back to the using Lot Owners the cost thereof as an assessment.

Section 7. Pedestrian Easements; Rights Reserved unto Declarant. There is hereby reserved for the benefit of all Lot Owners the right to use those areas identified on the recorded map referenced in Exhibit "A" attached hereto as "Pedestrian Easement", an easement

For pedestrian access, ingress, egress, and regress to and from the roads or streets on which they terminate to the golf course, as the case may be. Those pedestrian easements stated on said recorded map to be fifteen (15') feet wide shall be maintained by the adjoining Lot Owners. However, the Association may prescribe the standard, frequency and quality of maintenance to be observed by those maintaining Lot Owners and the surface or surface standard of the easement to provide a sound base and footing for pedestrian traffic. Further, the Association, should it elect, may take over the maintenance of the pedestrian easements and charge back to the adjoining Lot Owners the cost thereof as an assessment.

Declarant for itself and its successors and assigns as Declarant hereby reserves unto itself the right to utilize all or any part or portion of that fifteen (15') foot wide pedestrian easement.

Section 8. Ground Disturbance. These reservations of easements expressly include the right to cut any trees, bushes, shrubs or growth, the grading, cutting or ditching of the soil and any other action necessary to complete installation.

Section 9. Priority of Easements. Each of the easements hereinabove referred to shall be deemed to be established upon the recordation of this Declarant and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Lots, and the Common Elements, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

Section 10. Declarant Easement. If any encroachment shall occur subsequent to subjecting the Property to this Declaration, there is hereby created and shall be a valid easement for such encroachment and for the maintenance of the same. Every Lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a Lot to an Owner for the purpose of correcting any problems that may arise regarding utilities, grading and drainage. The Declarant, upon making entry for such purpose, shall restore the affected Lot or Lots to as near the original condition as practicable.

Section 11. Emergencies. Every Lot shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot that endangers any building or any portion of the Common Elements.

ARTICLE IX

INSURANCE

Section 1. Insurance to be Maintained by the Association. The following insurance coverage shall be maintained in full force and effect by the Association:

- (a) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Association.
- (b) All liability insurance shall contain cross-liability endorsements to cover liability of the Owners as a group to an individual Owner.

(c) Such other insurance coverage as it may determine to be desirable and necessary, including fire and hazard insurance covering all improvements located on the Common Elements.

Section 2. Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and charged ratably to Owners as a assessment according to the applicable provisions of this Declarant.

Section 3. Insurance Beneficiaries. All such insurance policies purchased by the Association for the benefit of the Association and the Owners.

Section 4. Insurance to be Maintained by the Owners. Every Lot Owner shall maintain in full force and effect at all times fire and hazard insurance in an amount equal to the full insurable value of his improvements except that the amount shall not be required to exceed the replacement cost of the improvements. An Owner shall exhibit to the Board, upon request, evidence that such insurance is in effect. If any Owner shall fail to maintain such insurance, the Board is authorized to obtain such insurance in the name of the Owner from an insurer selected by the Board, and the cost of such insurance shall be included in the annual assessment of the Owner and shall constitute a lien against his Lot until paid as a result of enforcement by the Association or otherwise.

ARTICLE X

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Rights Reserved to Institutional Lenders. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Authority, Federal National Mortgage Association and other reputable mortgage lenders and guarantors and insurers of such first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any lot, or shall be the Owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

- (a) To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.
- (b) To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and the Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.
- (c) To be give notice of default in the payment of assessments by an Owner of a Lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.
- (d) To inspect the books and records of the Association and the Declaration, Bylaws and any Rules and Regulations during normal business hours, and to obtain copies thereof.
- (e) To be given notice by the Association of any substantial damage to any part of the Common Elements.
- (f) To be given notice by the Association if any portion of the Common Elements, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

Whenever any Institutional Lender, guarantor or insurer desires the benefits of the provision of this section requiring notice to be given or to be furnished a financial statement, such Lender shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, or to the address of the Property, identifying the Lot upon which any such Institutional Lender or

Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE XI

GENERAL PROVISIONS

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

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

Section 3. General Amendments. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety (90%) percent of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five (75%) percent of the Lot Owners.

Section 4. Amendments Permitted Without Membership Approval. The following amendments may be effected by the Declarant, or the Board, as the case may be, without consent of the members:

- (a) Prior to the sale of the first Lot, this Declaration may be amended by the Declarant.
- (b) The Declarant, so long as it shall retain control of the Association, shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any Lots and improvements thereon for mortgage or improvement loans made, insured or

guaranteed by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States of North Carolina, regarding purchase or sale in such lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including, without limitation, the Veterans Administration, U.S. Department of Housing and Urban Development, the Federal Home Loan ;Mortgage Corporation, Governmental National Mortgage Corporation, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conforms to such request or suggestion.

- (c) The Declarant, for so long as it shall retain control of the Association, and, thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, and without the consent of any Owner, to qualify the Association or the Property, or any portion thereof, for tax-exempt status.
- (d) The Declarant for so long as it has control of the Board may amend this Declaration to include any platting change of the Property as permitted herein.

Section 5. Governmental Authority Amendments. No amendment which would change or delete any provision herein required by any governmental authority shall become effective until submitted to and approved by that authority; provided, however, if that authority fails to approve or disapprove such amendment within thirty (30) days after the same has been submitted to it, such approval shall not be required and this covenant shall be deemed to have been fully complied with.

Section 6. FHA/VA Approval. As long as there is a Class B membership, and if Declarant determines to qualify this Property for Federal Housing Administration or Veterans Administration approval, the following actions will require the prior written approval of the Federal Housing

BK 2954 PG 326

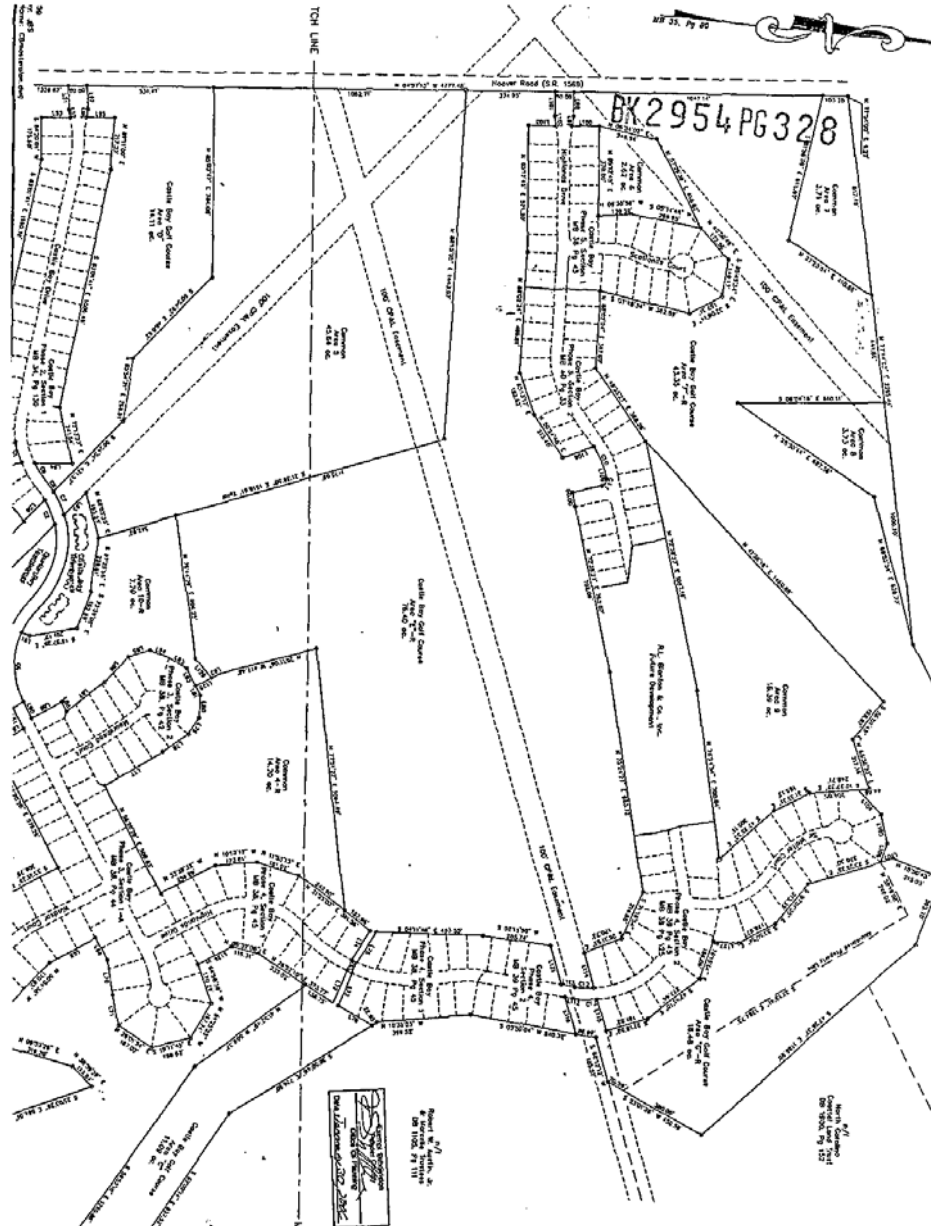
Administration or the Veterans Administration: Annexation of additional property, dedication of Common Elements, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 7. Recordation. No amendment shall be effective until recorded in the County in which the Property is situated.



BK 2954 PG 328

Lot No.	Area (Ac.)	Owner
1	0.15	...
2	0.15	...
3	0.15	...
4	0.15	...
5	0.15	...
6	0.15	...
7	0.15	...
8	0.15	...
9	0.15	...
10	0.15	...
11	0.15	...
12	0.15	...
13	0.15	...
14	0.15	...
15	0.15	...
16	0.15	...
17	0.15	...
18	0.15	...
19	0.15	...
20	0.15	...
21	0.15	...
22	0.15	...
23	0.15	...
24	0.15	...
25	0.15	...
26	0.15	...
27	0.15	...
28	0.15	...
29	0.15	...
30	0.15	...
31	0.15	...
32	0.15	...
33	0.15	...
34	0.15	...
35	0.15	...
36	0.15	...
37	0.15	...
38	0.15	...
39	0.15	...
40	0.15	...
41	0.15	...
42	0.15	...
43	0.15	...
44	0.15	...
45	0.15	...
46	0.15	...
47	0.15	...
48	0.15	...
49	0.15	...
50	0.15	...
51	0.15	...
52	0.15	...
53	0.15	...
54	0.15	...
55	0.15	...
56	0.15	...
57	0.15	...
58	0.15	...
59	0.15	...
60	0.15	...
61	0.15	...
62	0.15	...
63	0.15	...
64	0.15	...
65	0.15	...
66	0.15	...
67	0.15	...
68	0.15	...
69	0.15	...
70	0.15	...
71	0.15	...
72	0.15	...
73	0.15	...
74	0.15	...
75	0.15	...
76	0.15	...
77	0.15	...
78	0.15	...
79	0.15	...
80	0.15	...
81	0.15	...
82	0.15	...
83	0.15	...
84	0.15	...
85	0.15	...
86	0.15	...
87	0.15	...
88	0.15	...
89	0.15	...
90	0.15	...
91	0.15	...
92	0.15	...
93	0.15	...
94	0.15	...
95	0.15	...
96	0.15	...
97	0.15	...
98	0.15	...
99	0.15	...
100	0.15	...



NOTES:
 1/2 in. scale and dimensions on sheet 1 apply to sheets 1 and 2.
 68 1/2' x 9 1/2'



Lot No.	Area (Ac.)	Owner
1	0.15	...
2	0.15	...
3	0.15	...
4	0.15	...
5	0.15	...
6	0.15	...
7	0.15	...
8	0.15	...
9	0.15	...
10	0.15	...
11	0.15	...
12	0.15	...
13	0.15	...
14	0.15	...
15	0.15	...
16	0.15	...
17	0.15	...
18	0.15	...
19	0.15	...
20	0.15	...
21	0.15	...
22	0.15	...
23	0.15	...
24	0.15	...
25	0.15	...
26	0.15	...
27	0.15	...
28	0.15	...
29	0.15	...
30	0.15	...
31	0.15	...
32	0.15	...
33	0.15	...
34	0.15	...
35	0.15	...
36	0.15	...
37	0.15	...
38	0.15	...
39	0.15	...
40	0.15	...
41	0.15	...
42	0.15	...
43	0.15	...
44	0.15	...
45	0.15	...
46	0.15	...
47	0.15	...
48	0.15	...
49	0.15	...
50	0.15	...
51	0.15	...
52	0.15	...
53	0.15	...
54	0.15	...
55	0.15	...
56	0.15	...
57	0.15	...
58	0.15	...
59	0.15	...
60	0.15	...
61	0.15	...
62	0.15	...
63	0.15	...
64	0.15	...
65	0.15	...
66	0.15	...
67	0.15	...
68	0.15	...
69	0.15	...
70	0.15	...
71	0.15	...
72	0.15	...
73	0.15	...
74	0.15	...
75	0.15	...
76	0.15	...
77	0.15	...
78	0.15	...
79	0.15	...
80	0.15	...
81	0.15	...
82	0.15	...
83	0.15	...
84	0.15	...
85	0.15	...
86	0.15	...
87	0.15	...
88	0.15	...
89	0.15	...
90	0.15	...
91	0.15	...
92	0.15	...
93	0.15	...
94	0.15	...
95	0.15	...
96	0.15	...
97	0.15	...
98	0.15	...
99	0.15	...
100	0.15	...

Lot No.	Area (Ac.)	Owner
1	0.15	...
2	0.15	...
3	0.15	...
4	0.15	...
5	0.15	...
6	0.15	...
7	0.15	...
8	0.15	...
9	0.15	...
10	0.15	...
11	0.15	...
12	0.15	...
13	0.15	...
14	0.15	...
15	0.15	...
16	0.15	...
17	0.15	...
18	0.15	...
19	0.15	...
20	0.15	...
21	0.15	...
22	0.15	...
23	0.15	...
24	0.15	...
25	0.15	...
26	0.15	...
27	0.15	...
28	0.15	...
29	0.15	...
30	0.15	...
31	0.15	...
32	0.15	...
33	0.15	...
34	0.15	...
35	0.15	...
36	0.15	...
37	0.15	...
38	0.15	...
39	0.15	...
40	0.15	...
41	0.15	...
42	0.15	...
43	0.15	...
44	0.15	...
45	0.15	...
46	0.15	...
47	0.15	...
48	0.15	...
49	0.15	...
50	0.15	...
51	0.15	...
52	0.15	...
53	0.15	...
54	0.15	...
55	0.15	...
56	0.15	...
57	0.15	...
58	0.15	...
59	0.15	...
60	0.15	...
61	0.15	...
62	0.15	...
63	0.15	...
64	0.15	...
65	0.15	...
66	0.15	...
67	0.15	...
68	0.15	...
69	0.15	...
70	0.15	...
71	0.15	...
72	0.15	...
73	0.15	...
74	0.15	...
75	0.15	...
76	0.15	...
77	0.15	...
78	0.15	...
79	0.15	...
80	0.15	...
81	0.15	...
82	0.15	...
83	0.15	...
84	0.15	...
85	0.15	...
86	0.15	...
87	0.15	...
88	0.15	...
89	0.15	...
90	0.15	...
91	0.15	...
92	0.15	...
93	0.15	...
94	0.15	...
95	0.15	...
96	0.15	...
97	0.15	...
98	0.15	...
99	0.15	...
100	0.15	...



Talbot Land Surveying, P.C.
 JAMES E. TALBOT, Surveyor
 10000 W. 10th Avenue, Suite 100
 Westminster, North Carolina 28403
 Phone: 910-328-2843

REVISION: PART
EXHIBIT: PART
CASTLE BAY
 Golf Course
 Talbot & Sonnet, Meigs County
 North Carolina
 January 28, 2008
 SHEET 2 of 2

BAR SCALE 1"=500'

Randy L. Blanton

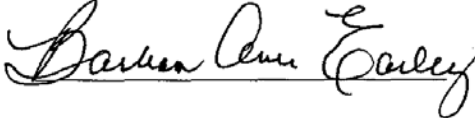

Randy L. Blanton, Owner & Declarant

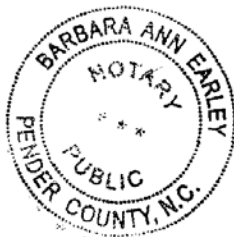
STATE of NORTH CAROLINA
COUNTY of PENDER

I, Barbara Ann Earley, a Notary Public of the County and State aforesaid, certify that Randy L. Blanton, owner and Declarant, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 1st of May, 2006.

My commission expires 6-29-09





BYLAWS
OF
CASTLE BAY PROPERTY OWNERS ASSOCIATION, INC.

Table of Contents

<u>Article</u>	<u>Title</u>	<u>Page</u>
I	Plan of Common Property	2
II	Definitions	2
III	Offices	4
IV	Board of Directors	7
V	Meetings of Directors	12
VI	Officers	14
VII	Operation of the Property	16
VIII	Records and Audits	19
IX	Operation Prior to Board Meeting	20
X	Amendment of Bylaws	20
XI	Conflicts	21

BYLAWS
OF
CASTLE BAY PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I
PLAN OF COMMON PROPERTY CONTROL

Section 1. Lands affected. Randy L. Blanton, hereafter known as the "Declarant", is the owner of certain lands lying in Topsail Township, Pender County, North Carolina, more particularly described in a Declaration for Castle Bay Subdivision (herein "DECLARATION"), and has submitted said lands to membership control pursuant to the Declaration recorded in Book _____, page _____, Pender County Registry.

Section 2. Name The lands on which said Declaration is imposed shall be known as the Castle Bay Subdivision.

Section 3. Applicability of Bylaws. All present and future owners, mortgages, lessees and occupants within the Property, and their agents, servants, and employees, and any other persons who may make use of the facilities of the Property in any manner, are subject to these Bylaws and to the rules and Regulations adopted pursuant hereto, and to any amendments to these Bylaws, Rules and Regulations upon the same being duly adopted.

The acceptance of a deed or conveyance to, or the entering into a lease to, or the act of occupancy of, any Lot (as defined herein) within the Property by any person shall conclusively establish the acceptance and ratification by such person of these Bylaws (and any Rules and Regulations adopted pursuant hereto), the Articles of Incorporation, and the Declaration as they may be amended from time to time, and shall constitute and evidence any agreement by such persons to comply with those governing documents.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to the Castle Bay Owners Association, Inc., the association of Lot Owners of the Castle Bay Subdivision.

Section 2. The "Property" shall mean all of the lands and appurtenance subjected to the Declaration, which lands are more fully described in said Declaration and all additional property thereto, as may be hereafter brought within the jurisdiction of the Association.

Section 3. "Declarant" shall mean Randy L. Blanton and his successors and assigns to whom it shall make specific written assignment of its rights under the Declaration and the Bylaws.

Section 4. "Declaration" shall mean that instrument recorded in Book _____, Page _____, Pender County Registry, as from time to time amended.

Section 5. "Board" shall mean the Board of Directors of the Association.

Section 6. "Rules and Regulations" shall mean those written actions of the Board, duly adopted, and amendments thereto, interpreting and applying the provisions of the Declaration of these Bylaws and establishing and prescribing the administration, management, use, operation and maintenance of the Common Elements, including, but not limited to, the establishment and imposition of fines, fees and penalties for violation of the Declaration, Articles, Bylaws or Rules and regulations.

Section 7. "Lot" shall mean and refer to any plot of land shown upon a recorded subdivision map of the Property, as such map or maps may be from time to time amended or modified, for detached single-family residential use, also designated for separate ownership and occupancy.

Section 8. "Lot Owner" or "Owner" shall mean and refer to the recorded owner, whether one or more persons or entities, of a simple title to any Lot which is a part of the Property, including contract sellers, but excluding those have such interest merely as security for the performance of an obligation.

Section 9. "Common Elements" shall be all that area within the Property other than the described Lots, as defined in the Declaration and from time to time hereafter designated by written recorded instrument as Common Elements and owned by the Association for the common use and enjoyment of the Owners and including Limited Common Elements.

Section 10. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

ARTICLE III

OFFICES

Section 1. Members. The qualification of members, the manner of their admission to membership and termination of such membership shall be as set forth in the Articles of Incorporation of the Association and the Declaration.

Section 2. Annual Meetings. An annual meeting of the Association shall be held for the purpose of electing members of the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. The annual meetings shall be held at 7:00 p.m. on the third Thursday of April of each year, unless such day shall be a legal holiday, in which event the meeting shall be held at the same time on the next following day which is not a legal holiday, and the first annual meeting shall be held on the ____ day of _____, 19____.

Section 3. Substitute annual meetings. If an annual meeting is not held on the day designated in the Bylaws, a substitute annual meeting may be called in the same manner as a special meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special meetings. Special meeting of the Association may be called at any time by the President, a majority of the members of the Board of Directors or by the President upon written request of the Owners of not less than twenty percent (20%) of the voting interests as established by the Declaration.

Section 5. Place of meetings. All meetings of the Association shall be held at the Property, or at such other place in the County where the property is located as shall be designated in the notice of the meeting.

Section 6. Notice of meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed by first class mail, postage prepaid, not less than ten (10) nor more than fifty (50) days prior to the date of the meeting by the Secretary to

each person entitled to vote at such meeting, unless a different time period is required by the Declaration.

In the case of an annual meeting, substitute annual meeting, or special meeting, the notice of meeting shall state the time and place of the meeting as well as the items on the agenda to be considered, including, but not limited to, the general nature of any proposed amendment to the Declaration or Bylaws or any budget matters, or any proposal to remove an officer or director.

When a meeting is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of any original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it shall not be necessary to give notice of the reconvening of the adjourned meeting other than by an announcement at the meeting at which the adjournment is effective.

Section 7. Quorum. Unless a different percentage is required by the Articles of Incorporation, Declaration or a specific provision of these Bylaws the presence in person or by proxy at the beginning of any meeting of members constituting ten (10%) percent of the total votes entitled to be cast shall constitute a quorum. Unless otherwise expressly provided herein, any action consistent with the notice of such meeting, may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the members having a majority of the total votes present at such meeting.

If a quorum is not present at the opening of any meeting, the meeting may be adjourned from time to time by vote of majority of the voting interests present, either in person or by proxy, and shall be reconvened at the date and time determined at the adjourned meeting, subject to the notice requirements set forth in Section 6 of this Article. Upon the reconvening of any meeting adjourned for lack of a quorum, the quorum required at such subsequent meeting shall be one-half (1/2) that required at the preceding meeting.

Section 8. Voting members, proxies. There shall be one person with respect to each Lot who shall be entitled to vote the voting interest of that Lot at any meeting of the Association, herein referred to as the "voting member". The voting member may be the Owner of a Lot, or an Owner designated by a majority of the several Owners of a Lot, or may be

some other person designated by such Owner or Owners to act as proxy on his or their behalf and who need not be an Owner. Designation of the voting member or of a proxy shall be made in writing to the Secretary and shall be revocable at any time prior to the meeting by actual notice to the Secretary by the Owner or a majority of the Owners. Once a meeting has been commenced a Lot Owner may not revoke a proxy given except by written notice of revocation delivered to the person presiding over the meeting. A proxy is void if not written, dated, and signed by an Owner or a majority of the Owners of a Lot, and a proxy shall terminate at the time specified in the proxy or one year from date, whichever is earlier.

Section 9. Voting rights; multiple Owners. If only one of the multiple Owners of a Lot is present at a meeting of the Association, he is entitled to cast all the votes allocated to that Lot. If more than one of the multiple Owners are present, the votes are allocated to that Lot may be cast only in accordance with the agreement of the majority in interest of the multiple Owners. Majority agreement is conclusively presumed if any one of multiple Owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the Owners of the Lot.

Fractional voting is prohibited.

If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy.

Section 10. Voting rights; cumulative voting. The vote cast by, or on behalf of, the Owner or Owners of a Lot shall be that voting interest specified in the Articles of Incorporation. In all elections for members of the board of Directors, no voting member shall be entitled to vote on a cumulative voting basis for the director or directors to be elected, and the candidate or candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed elected.

Section 11. Waiver of notice. Any Lot Owner, at any time, may waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Lot Owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a Lot Owner

BK 2951 PG 336

attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the voting members are present at any meeting of the Association, no notice shall be required, and any business may be transacted at any meeting.

Section 12. Informal action by Lot Owners. Any action which may be taken at a meeting of the Association may be taken without a meeting of consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such an action at a meeting and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. General powers. The business shall be managed and directed by the Board of Directors of the Association or by such committees as the Board may establish pursuant to these Bylaws. If any of the authority of the Board of Directors is vested in any committee, one member of each such committee shall be a Board member.

Section 2. Initial Board. There shall be an initial Board of three directors, appointed by the Declarant, who shall serve until their successors are appointed or elected and qualified as herein provided.

Section 3. Subsequent number and qualification. Until such time as the Class B Membership shall terminate, Declarant shall be the only member to select, or elect the Board of Directors.

Notwithstanding the foregoing the Declarant may, at any time, voluntarily surrender its right as a Class B Member and to appoint members of the Board of Directors before the occurrence of those events of termination set forth in the Articles of Incorporation.

At such time as Declarant's Class B Membership rights to appoint the members of the Board of Directors expires or is surrendered, the terms of the directors appointed by Declarant shall thereupon immediately terminate and the vacancies thereby created shall be filled by the members of the Association upon a meeting called for that purpose to serve until the next annual meeting of members. At the end of such period where Declarant's Class B Membership rights

have terminated or upon surrender of those rights and if all purposes shall be deemed a Lot Owner and shall be entitled to vote in such elections as any other Lot Owner. During times when it has the right to designate Directors, the Declarant shall have the right in its sole discretion to replace any Director or Directors it appointed and to designate their successors.

Section 4. Election of Directors. Except for the appointed directors provided for in Section 3 of this Article while Declarant is a Class B Member, and as otherwise provided in Section 5 of this Article, the directors shall be elected at the annual meeting of the Association; and those candidates who receive the highest number of votes shall be elected.

Section 5. Removal. Any elected director may be removed from office, with or without cause, by the affirmative vote of sixty-seven percent (67%) of the voting interests of the Lot Owners present and entitled to vote at a special meeting called for that purpose; provided that Class A Members shall have no vote in, or right to, remove a director appointed by Declarant so long as the Class B membership exists. If any directors are so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. An elective vacancy occurring in the Board of Directors, including directorship not filled by the voting members, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director.

Section 7. Compensation. The Board of Directors shall receive reimbursement for expenses, but shall receive no compensation for their services unless expressly allowed by the Association upon the affirmative vote of its members.

Section 8. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the number of directors fixed by these Bylaws, designate two or more directors to constitute an Executive Committee, which Committee, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors in the management of the Property.

Section 9. Powers. The Board of Directors shall have the powers necessary for the administration of the affairs of the Association as specified by law, the Declaration or these

Bylaws, and may do all such acts and things, exercise all of the authority of the Board of Directors in the management of the Property.

Section 10. Duties. It shall be the duty of the Board of Directors to:

- (a) Administer, operate, maintain and repair the Common Elements.
- (b) Enter upon any Lot and perform any repairs, maintenance or construction for which the Association is responsible at reasonable times and hours and with as little inconvenience to the Lot Owner as practicable. The Association shall repair any damages to the Lot caused by such repair, maintenance or construction, and all costs incurred in performing these duties shall be a Common Expense of the Property, unless the Board shall determine that the repairs, maintenance or construction was necessitated by the negligence, misuse, unlawful act, or act in violation of the Declaration, these Bylaws or the Rules and Regulations of the Association by the Lot Owner, its family members, guests, invites, tenants or contract purchasers, in which event such costs may be assessed against the Lot Owner, as by the Declaration prescribed.
- (c) Determine the Common Expenses arising from the cost of administration, operation, care, upkeep, maintenance, repair and construction of Common Elements, including, without limitation, reserves for repair, reconstruction or replacement.
- (d) Fix and assess in the manner provided by law and in Declaration, the proportionate part of the Common Expenses of each Lot Owner within the Property.
- (e) Collect and enforce the collection of Common Expenses in the manner provided by law and in the Declaration, including, but not limited to legal proceedings for the enforcement of liens and provide written evidence of payment upon request therefor.
- (f) Employ, supervise and dismiss personnel, managers or independent contractors necessary to the maintenance and operation of the Common Elements.
- (g) Adopt, amend, publish and enforce reasonable Rules and Regulations that it deems advisable and necessary for the proper administration, operation, maintenance, conservation, and beautification of the Property and for the health, comfort, safety,

and general welfare of the Owners and occupants of the Lots. Copies of the published Rules and Regulations and amendments thereto shall be given to all Owners and occupants and the Association and Property shall be administered, operated and maintained in conformity with such rules and regulations.

- (h) Designate depositories for Association funds and the officers, agents and/ or employees having the authority to deposit and withdraw such funds; and, in its discretion, to require such officers, agents or employees to be bonded in such amounts as it deems necessary.
- (i) Sign all mortgages, deeds of trust, agreements, contracts, vouchers for payment of expenditures, deeds and other instruments in such manner from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and the Secretary.
- (j) Procure and maintain adequate insurance of such nature and in such amounts as is provided in the Declaration, and such other insurance as the Board may deem necessary or appropriate, including, without limitation hazard insurance, liability insurance and officers and directors liability coverage.
- (k) Appoint such committees as are provided for in these the Bylaws and the Declaration or as otherwise deemed appropriate by the Board, including, but not limited to an Executive Committee, a Nominating Committee and an Architectural Committee.
- (l) Exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these Bylaws as are necessary and appropriate to the proper administration, operation and maintenance of the Association.
- (m) Prepare an annual budget in which there shall be established the assessments of each Lot Owner for the Common Expenses.

- (n) Pay all taxes, charges and assessments which are or may become liens against any part of the Common Elements, and assess the same against the members and their respective Lots.
- (o) To enforce by legal means or proceedings the provisions of the Articles of Incorporation, the Bylaws, the Declaration and the Rules and Regulations promulgated hereunder.
- (p) To review and to approve architectural changes, alterations or modifications of Lots and the improvements thereon.
- (q) To establish fines and penalties for late payment of assessments and for violations of the Declaration, Bylaws and the Rules and Regulations and to provide for the suspension of voting rights of any member, or its Lot occupants as well as the right to use any amenities or recreational facilities during any period in which such member shall be in default in the payment of any assessment levied by the Association and to suspend such voting rights and other privileges for a period not to exceed 60 days after notice and hearing for other infractions.
- (r) To impose reasonable charges for services especially provided to one or more Lot Owners which charges or costs should not otherwise be a Common Expense.
- (s) To institute, defend or intervene on behalf of the Association litigation or administrative procedures affecting the Property.
- (t) To cause additional improvements to be made to the Common Elements.
- (u) To grant easements, leases, licenses, and concessions through or over the Common Elements.
- (v) To exercise all other duties to which similar organizations have the power to perform and as by law provided.

Section 11. Persons who may serve. Every elected member of the Board shall be a Lot Owner unless the Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, in which event an officer, director, agent or employee of such corporation, partner of such partnership, beneficiary or trustee of such trust, or manager of such

other legal entity, shall be eligible to serve as a member of the Board, but member of the Board appointed by the Declarant need not be Owners.

Section 12. Liability of the Board. The members of the Board of Directors shall not be liable to the Lot Owners for any mistake in judgement or negligence or otherwise except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contracts shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent of their liability as Lot Owners. It is also intended that the liability of any Lot Owner arising out of any contracts made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportions of the total liability thereunder as his voting interest in the Common elements bears to the interest of all of the Lot Owners. Every agreement made by the Board or by the manager on behalf of the Association shall provide that the members of the Board of Directors, or the manager, and the case may be, are acting only as agents for the Association, and shall have no personal liability thereunder (except as Lot Owners), and that each Lot Owner's liability thereunder shall be limited to such proportion to the total liability thereunder as its voting interest in the Association bears to the voting interest of all Lot Owners.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Organizational meeting. The initial Board of Directors shall meet prior to conveyance of the first Lot by the Declarant. No notice to the Directors shall be necessary in order to legally constitute such meeting, provided that quorum shall be present.

Section 2. Regular meetings. A regular meeting of the Board shall be held immediately after and at the same place as the annual meeting or substitute annual meeting of the

Association. The Board may provide by adoption of an appropriate resolution for the time and place within the County in which the Property is located, for other regular meetings of the Board.

Section 3. Special meetings. Special meetings of the Board may be called by or at the request of the President or by any two Directors. Such meetings may be held at any place within the County in which the Property is located.

Section 4. Notice of meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board shall give actual notice, oral or written, to all Directors of the time, place and purpose of such meeting at least two days prior thereto.

Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

Section 5. Waiver of notice. Any member of the Board of Directors may give written waiver of notice at any time of any meeting of the Board, and such waiver shall be deemed equivalent to the giving of such notice. If all of the members of the Board are present at any meeting thereof, no notice shall be required and any business may be transacted at such meeting.

Section 6. Quorum. A majority of the number of Directors fixed by these Bylaws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. Manner of acting. Except as otherwise provided in this section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

A vote of a majority of the number of Directors fixed by the Bylaws shall be required to adopt a resolution constituting an executive committee.

Section 8. Organization. Each meeting of the Board of Directors shall be presided over by the President and in the absence of the President, the Vice President, and in the absence of the Vice President, by any person selected to preside by vote of the majority of the

Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary, any person designated by the presiding officer of the meeting shall act as Secretary of the meeting.

Section 9. Informal action of Directors. Any action taken by a majority of the Directors without a meeting shall constitute Board action if written consent to the action in question is signed by all the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

Section 10. Minutes. The Board, and all committees to which the Board shall have delegated any of its authority, shall keep minutes of all the proceedings of the Board and the committees.

Section 11. Fidelity bonds. The Board of Directors shall require any officer or employee of the Association handling or responsible for Association funds to be covered by an adequate fidelity bond. The premiums on such bond shall constitute a Common Expense.

ARTICLE VI

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a president, a secretary, a treasurer, and such vice presidents, assistant secretaries, assistant treasurers and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person, except that the office of President and Secretary may not be held by the same person.

Section 2. Election and term. A director designated by the Declarant shall serve as President so long as the Declarant designates the Board members. All other officers of the Association shall be elected by the Board of Directors, and such elections may be held at the regular annual meetings of the Board; provided, however, that prior to the first annual meeting, the Declarant shall appoint the officers from among the initial Board.

Each officer shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification or his successor is elected and qualified.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause, and any officer or agent appointed or designated by the Declarant may be removed by the Declarant with or without cause. Such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Compensation. No officer shall receive any compensation from the Association for acting as such, but the Board may reimburse any officer for any direct expenses incurred by him in the performance of his duties as such officer and such reimbursement shall be a Common Expense.

Section 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall supervise and control the management of the Property. The President shall, when present, preside at all meetings of the Board and of the Association, and, in general, shall perform all duties incident to the office of the President and such other duties as may be prescribed from time to time by the Board. The President shall prepare, execute (with the Secretary), certify, and record amendments to the Declaration on behalf of the Association.

Section 6. Vice President. The Vice President, and if there be more than one, the Vice Presidents shall, in the absence or disability of the President, have the powers to perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

Section 7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of the Association and of the Board. The Secretary shall give, or cause to be given, all notices required by law and these Bylaws, and the Secretary shall have general charge of the minute books and records of both the Association and of the Board. The Secretary shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit, or disburse the same under the direction of the Board of Directors. He shall keep full and accurate records of the finances of the Association in books specially provided for that purpose. He shall cause a true statement to be prepared as of the close of each fiscal year setting forth, in reasonable detail, the assets and liabilities of the Association, the changes in surplus for such fiscal year, and the result of the operations of the Association. The statement shall be filed and be kept available for inspection by any Lot Owner for a period of three (3) years and the Treasurer shall mail or otherwise deliver a copy of the latest statement to each Lot Owner and member of the Board of Directors annually on or before thirty (30) days prior to the annual meeting of the Association covering the preceding calendar year. The treasurer shall also prepare and file all reports and returns required by Federal, State or local laws, and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board of Directors.

Section 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or the Board of Directors.

ARTICLE VII

OPERATION OF THE PROPERTY

Section 1. Determination of common expenses and fixing of common expense.

The Board of Directors, from time to time, and at least annually, shall prepare a budget for the Common Elements, determine the amount of the "Common Expenses" (as defined in the Declaration) payable by the Lot Owners to meet the expenses of the Common Elements, and shall allocate and assess the Common Expenses among the Lot Owners thereof as set forth in the Declaration. A part of the Common Expenses of the Common Elements shall include, among other things, and without limitation, the administrative expenses of the Association, and maintenance, repair and replacement costs of the Common Elements, utilities costs, Lot

acquisition costs and the costs of all premiums for insurance obtained pursuant to the provisions of the Declaration. The budget of the Association in the discretion of the Board, and as necessary, may include, without limitation, amounts for: funding deficits for any prior year; a reserve for working capital; a reserve for maintenance and replacement; and a general operating reserve.

Section 2. Payment of Common Expenses. All Lot Owners shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article at such time or times as the Board shall determine.

No Lot Owner shall be liable for the payment of any part of the Common Expenses assessed against his Lot subsequent to a consummated sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Lot. A purchaser of a Lot shall be jointly and severally liable with the seller for the payment of the Common Expenses assessed against such Lot prior to the acquisition by the purchaser of such Lot, without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefore. Provided, that a first-lien mortgagee or other purchaser of a Lot at a foreclosure sale of such Lot shall not be liable for, and such Lot shall not be subject to, a lien for the payment of Common Expenses assessed prior to such foreclosure sale, and such unpaid Common Expenses shall be deemed to be Common Expenses collectible from all of the Lot Owners, including such purchaser, his successors and assigns.

Section 3. Collection of assessments. After the first Lot is sold, the Board of Directors shall assess Common Expenses against the Lot Owners from time to time and at least annually and shall take prompt action to collect any Common Expenses due from any Lot Owner which remains unpaid for more than thirty (30) days from the due date of the payment thereof. In the event of an increase in such Common Expenses, the Board of Directors shall advise each Lot Owner, in writing, of such increased assessment at least one month prior to the date of which the first increased payment is due.

Section 4. Default in payment of Common Expenses. In the event of default by any Lot Owner in paying to the Board of Directors the Common Expenses as determined by the Board, such Lot Owner shall be obligated to pay interest at the highest rate permitted by law but

not to exceed 10% per annum on such Common Expenses from the due date thereof, together with a penalty established by the Board for nonpayment and with all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect such unpaid Common Expenses. The Board shall have the right and duty to attempt to recover such Common Expenses, together with penalties and the interest thereon and the expenses of the proceeding, including reasonable attorneys' fees in any action to recover the same brought against such Lot Owner, or by foreclosure of the lien on such Lot Default in payment of the Common Expenses assessed against any Lot shall occur thirty (30) days after the due date thereof, if not then paid.

Section 5. Foreclosure of liens for unpaid Common Expenses. In any action brought by the Board to foreclose on a Lot because of unpaid Common Expenses, the Lot Owner shall be required to pay a reasonable rental for the use of his Lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Lot Owners, or on behalf of any one or more individual Lot Owners, if so instructed, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, convey, or otherwise deal with the same, subject, however, to applicable restrictions of record suit to recover money judgement for unpaid Common Expenses may be maintainable without foreclosing or waiving the lien securing the same.

Section 6. Statement of Common Expenses. The Board of Directors shall promptly provide any Lot Owner, its grantee or contract purchaser making a written request therefore, a written statement of all unpaid Common Expenses from such Lot Owner.

Section 7. Maintenance and repair.

- (a) Maintenance of Lots. All maintenance and repairs to any Lot ordinary or extraordinary (other than maintenance of and repairs to any portion thereof required to be maintained by the Association) shall be made by the Owner of such Lot.
- (b) Maintenance of Common Elements. All maintenance, repairs or replacements to the Common Elements, whether located inside or outside of the Lots (unless necessitated by the negligence, misuse or neglect of a Lot Owner, his guests, lessees, employees, servants or invitees, in which case expense shall be charged to such Lot

Owner), shall be made by the Board and shall be charged to all Lot Owners as a Common Expense of the Property.

Section 9. Use of the Common Elements. The Common Elements shall be used only for the purposes for which they are intended in furnishing services and facilities for the enjoyment of the Lots. Until all of the Lots of the Declarant referred to in Article I, Section I, hereof have been sold, neither the Lot Owners nor the Board shall intervene with the sale of additional Lots. Declarant may make such use of the unsold Lots and the Common Elements as may facilitate such completion and including, but not limited to, the rental of the same, showing of the Lots and the display of signs and maintenance of a sales office.

Section 10. Rules of conduct. Rules and Regulations concerning the use of the Common Elements may be promulgated and amended by the Board. Copies of such Rules and Regulations shall be furnished by the Board to each Lot Owner, and all amendments and new Rules and Regulations shall be furnished to Lot Owners prior to the time that amendment or new rule or regulation becomes effective.

Section 15. Utility charges. All charges for utilities used in connection with the maintenance and use of the Common Elements shall be a Common Expense

ARTICLE VIII

RECORDS AND AUDITS

The Board of Directors or the manager shall keep detailed records of actions of the Board and the manager, minutes of the meetings of the Board of Directors, minutes of meetings of the Association, and financial records and books of accounts, including a chronological listing of receipts and expenditures, which, among other things, shall contain the amount of each assessment of the Common Expenses against each Lot, the date when due, and amounts paid thereon, and the balance remaining unpaid, and including maintenance and repair expenses of the Common Elements and any other expenses incurred. The financial record and books of account shall be available for examination by any Lot Owner or his duly authorized agent or attorney at convenient hours on working days by prior arrangement with the Board or the manager. An audit of all receipts and expenditures of the Association and Property shall be rendered by the Board to all Lot

Owners on or before the 90th day following the close of each fiscal year, covering the preceding year. All books and records shall be kept in accordance with good and accepted accounting practices. A copy of the audit shall be furnished to all mortgagees of Lots who have requested the same.

ARTICLE IX

OPERATION PRIOR TO INITIAL MEETING OF BOARD

Prior to the first meeting of the initial Board of Directors, all functions of the Association and of the Board of Directors as herein set forth shall be performed and carried out by the Declarant through its officers and agents.

ARTICLE X

ADMENDMENT OF BYLAWS

Section 1. Amendment by Owners. Except as provided in Section 2 below, these Bylaws may be amended by the affirmative vote of the voting members having at least sixty-seven percent (67%) of the aggregate voting interests, cast in person or by proxy at a meeting duly held in accordance with the provisions of the Bylaws. such amendment shall be executed in the name of the Association.

Section 2. Amendment by Declarant or the Board. The Declarant, for so long as it controls the Board and remains a Class B member, may amend these Bylaws without the consent of the Owners.

The Board of directors may amend these Bylaws without the consent of the Owners:

- (a) To correct any obvious error or inconsistency in drafting, typing or reproduction;
and
- (b) To conform to the requirements of any law or governmental agency having jurisdiction over the Property or to qualify the Property or any Lots therein mortgage or improvement loans made or insured by a governmental agency, Federal National Mortgage Association or Government National Mortgage Association or to comply with the requirements of law or regulations of any corporation or agency regarding purchase of mortgage interests in Lots by such agency.

(c) No amendments made pursuant to this Section 2 shall be effective until duly recorded in the Office of the Register of Deeds of the county in which the Property is located.

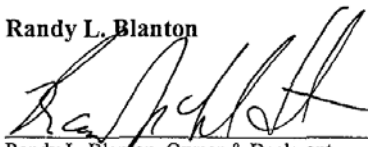
Section 3. Amendment prior to sale of Lot. Declarant shall have the right to amend these Bylaws at any time prior to recording of the sale of the first Lot to an Owner by filing an amendment in the Office of the Register of Deeds for the county in which the Property is located with a certificate certifying the fact that no sale has previously occurred.

ARTICLE XI

CONFLICTS

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

Randy L. Blanton


Randy L. Blanton, Owner & Declarant

STATE of NORTH CAROLINA
COUNTY of PENDER

I, Barbara Ann Earley, a Notary Public of the County and State aforesaid, certify that Randy L. Blanton, owner and Declarant, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 1st of May, 2006.

My commission expires 4-29-09

