

SEE LAST PAGE FOR ADDITIONAL INFORMATION

**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 locater! 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 tinder 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 Owner-s 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 oilier 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 [lay, Inc., a North Carolina corporation, its successors and assigns, to whom (lie 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 he brought within the jurisdiction of the Association.

ARTICLE JI PROPERTY RIGHTS

Section 1. Owners' Easements 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, 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 1-loteowners 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:

Lot Numbers	Square Footage/Lot	Total
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 swall 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 Storm water 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 ASSESSMENTS

Section 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 there of 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 properly, 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 and 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 [or 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 (h) 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 Mortgage 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

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 roof, 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 tip, 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 oilier 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 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 hounds of other projects and tile 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 Pay 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 tins 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 charge 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 material 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 II. 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, motor homes, 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 pad 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 re-plat 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 1/2, of one or more Lots to create a larger Lot; to eliminate from this Declaration, Lots that are not otherwise build able 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 re-platted 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 re-platted 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 dock, 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 or other receptacle of any kind for use in the delivery of inn 1, 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 disk 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 sprinkler for watering purposes.

Section 24. Firearms: Hunting Prohibited. There shall be 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 suck 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 in 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 set back 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. Town home 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 attorney's fees. Any changes in plans or specifications must first be re approved 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 on 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 grasses, trees; however, no trees, bushes, shrubs, grasses or oilier 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 drain ways 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 casement.

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 aim 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 an 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.

(e1) 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 inequity, all restriction, conditions, covenants, reservation, Liens and charges now or hereafter imposed by 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 judgment 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 maybe 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 tinder 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

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

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

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, the 1st, of May ,2006. My commission expires 6-29-09

IT IS RECOMMENDED THAT ALL PURCHASERS OBTAIN AN ACTUAL RECORDED COPY OF THE *DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS & RESTRICTIONS* AND ANY AMENDMENTS THEREOF FOR CASTLE BAY SUBDIVISION FROM THE PENDER COUNTY REGISTER OF DEEDS IN BURGAW, NORTH CAROLINA. THERE ARE ALSO OTHER LEGAL DOCUMENTS WITH WHICH YOU SHOULD BE FAMILIAR, INCLUDING BUT NOT LIMITED TO THE *BYLAWS, RULES & REGULATIONS* AND *ARCHITECTURAL GUIDELINES*.

EACH OWNER IS REQUIRED TO PAY PERIODIC ASSESSMENTS (commonly called dues) TO THE PROPERTY OWNERS ASSOCIATION. FOR FURTHER INFORMATION CONTACT MANAGEMENT.

ASSOCIATION MANAGEMENT CONTACT INFORMATION IS:

HOME OWNER ASSOCIATION MANAGEMENT SPECIALISTS

Physical Address: 1519 N. 23rd Street

Mailing Address: P.O. BOX 12633 WILMINGTON NC 28405-0130

Phone: 910-762-3262 Office 910-762-3252 Fax

Email: hoams1@bellsouth.net