

AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR FLORA'S BLUFF/KILLEGRAY RIDGE

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR FLORA'S BLUFF/KILLEGRAY RIDGE (hereinafter "Joint Declaration") is dated for purposes of reference only this 1st day of June 1997, and is made by the Flora's Bluff Homeowner's Association, Inc., and the Killegray Ridge Homeowners Association, Inc., upon approval of their respective memberships, as more fully set out hereinafter, with Joinder of Bald Head Island Limited, a Texas Limited Partnership (hereinafter referred to as "Declarant");

WITNESSETH:

WHEREAS, by Declaration of Covenants, Conditions and Restrictions for Flora's Bluff recorded in Book 0911, Pages 497 et. seq., Brunswick County Registry ("Flora's Bluff Declaration"), Declarant did subject certain properties to the terms of said Declaration, as amended, and further authorized the incorporation of the Flora's Bluff Homeowner's Association, Inc. ("Flora's Bluff Association"); and

WHEREAS, by Declaration of Covenants, Conditions and Restrictions for Killegray Ridge recorded in Book 1007, Pages 1015 et. seq., Brunswick County Registry ("Killegray Ridge Declaration"), Declarant did subject certain properties to the terms of said Declaration, as amended, and further authorized the incorporation of the Killegray Ridge Homeowner's Association, Inc. ("Killegray Ridge Association"); and

WHEREAS, the Board of Directors of the Flora's Bluff Association and the Board of Directors of the Killegray Ridge Association have each, independently, recommended the merger of the two Associations; and

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WHEREAS, the membership of each of said Associations, upon meetings duly called, have voted to approve the merger of said Associations to create the Flora's Bluff/Killegray Ridge Homeowner's Association, and have further approved amendments to the Flora's Bluff Declaration and the Killegray Ridge Declaration, and the By-Laws for each such Association, as the same are set out herein; and

WHEREAS, Declarant has consented to the actions taken by the Flora's Bluff Association and the Killegray Ridge Association, and as approved by the respective memberships of said Associations, and has joined in this Joint Declaration for the purpose of acknowledging said consent.

NOW, therefore, It is hereby declared and stated that all properties subject to the Flora's Bluff Declaration, and all properties subject to the Killegray Ridge Declaration, either at time of approval of this Joint Declaration or as appropriately annexed to either the Flora's Bluff Declaration or the Killegray Ridge Declaration, in accordance with the provisions and conditions of such documents, are, as of January 1, 1998 (the effective date hereof), made subject to this Joint Declaration, and all properties so subject shall be held, sold and conveyed subject to the easements, restrictions, covenants and conditions as set out herein. Said easements, restrictions, covenants and conditions shall run with the real property and be binding on all parties having or acquiring any right, title or interest in the properties subjected hereto.

ARTICLE I DEFINITIONS

Section 1. Association: Association shall mean and refer to the Flora's Bluff/Killegray Ridge Homeowner's Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. Assessment: Assessment shall mean a share of the funds required for the payment of Common Expenses which from time to time are assessed against one or more Owners or otherwise as authorized by this Joint Declaration by the Association.

Section 3. Bald Head Island Stage One Association: Bald Head Island Stage One Association shall mean Bald Head Association, that North Carolina non-profit corporation whose membership is comprised of all owners of real property subject to part or all of that Amended and Restated Declaration of Covenants, Conditions and Restrictions filed in the Brunswick County Registry at Book 498, Pages 260 et seq.

Section 4. Bald Head Island Stage Two Association: Bald Head Island Stage Two Association shall mean Bald Head Island Stage Two Association, Inc., that North Carolina non-profit corporation whose membership is comprised of all owners of real property subject to the Protective Covenants Bald Head Island Stage Two filed in the Brunswick County Registry at Book 1045, Pages 676 et seq.

Section 5. Board of Directors or Board: Board of Directors or Board shall mean the duly elected governing body of the Association empowered to act on behalf of the Association.

Section 6. By-Laws: By-Laws shall mean the duly authorized By-Laws for the Flora's Bluff/Killegray Ridge Homeowner's Association, Inc., as they may be amended from time to time.

Section 7. Common Areas: Common Areas shall mean all property made subject to this Joint Declaration, or an amendment hereto, other than property owned by a Dwelling Owner or by Declarant.

Section 8. Common Expenses: Common Expenses shall mean all expenses of the Association incurred as authorized by this Joint Declaration or the By-Laws, whether operating or capital expenses.

Section 9. Declarant: Declarant shall mean Bald Head Island Limited, its successors and assigns.

Section 10. Dwelling: Dwelling means a residential living Unit, including any Guest House, garage or other authorized appurtenant structures, the use of which is appurtenant to a Unit, as well as the Platted Lot upon which said structures are situated.

Section 11. Dwelling Owner or Owner: Dwelling Owner or Owner means a person or entity, or any combination thereof, who owns a Dwelling, but excluding In all cases any party holding an interest merely as security for the performance of an obligation.

Section 12. Flora's Bluff Association: Flora's Bluff Association shall mean the North Carolina non-profit corporation created in accordance with the provisions of the Flora's Bluff Declaration.

Section. 13. Flora's Bluff Declaration: Flora's Bluff Declaration means that Declaration of Covenants, Conditions and Restrictions for Flora's Bluff recorded in Book 911, Pages 497 et. seq., Brunswick County Registry, as amended.

Section 14. Flora's Bluff Property: Any property made subject at any time to the Flora's Bluff Declaration.

Section 15. Guest House, Annex, Crofter or Crofter's Cottage. A Guest House, Annex, Crofter or Crofter's Cottage shall mean and refer to an ancillary structure which is appurtenant to a Dwelling, and is intended for utilization for ancillary residential purposes in conjunction with the utilization of a Dwelling, and which may not be conveyed separately than the Dwelling to which it is appurtenant. The Guest House, Annex, Crofter or Crofter's Cottage may be located on the same Platted Lot as the Dwelling, or may be located on Common Area which is designated as Limited Common Area.

Section 16. Killegray Ridge Association: Killegray Ridge Association shall mean the North Carolina non-profit corporation created in accordance with the provisions of the Killegray Ridge Declaration.

Section 17. Killegray Ridge Declaration: The Declaration of Covenants, Conditions and Restriction for Killegray Ridge recorded in Book 1007, Pages 1015 et. seq., Brunswick County Registry, as amended.

Section 18. Killegray Ridge Property: Any property made subject at any time to the Killegray Ridge Declaration.

Section 19. Limited Common Areas: Limited Common Areas shall mean and include those Common Areas and the improvements located thereon which are reserved for the use of a designated Dwelling Owner by specific limitation contained in either a specific Instrument recorded of record in Brunswick County, or shown specifically on a recorded survey of a Platted Lot.

Section 20. Member: Member shall mean and refer to a Person entitled to membership in the Association.

Section 21. Membership: Membership shall mean all Members of the Association.

Section 22. Owner or Dwelling Owner: Owner or Dwelling Owner means a person or entity, or any combination thereof, who owns a Dwelling, but excluding in all cases any party holding an interest merely as security for the performance of an obligation.

Section 23. Person: Person shall mean a natural person, a corporation, a partnership, a trustee or any other legal entity.

Section 24. Platted Lot: A tract of land shown on a recorded Plat, which tract of land is intended to have constructed thereon, or has had constructed thereon, a Dwelling, and which tract of land is subject to the provisions of this Joint Declaration.

Section 25. Property: Any real property made subject to this Joint Declaration, whether Common Area, a Dwelling or a Platted Lot.

Section 26. Routine Maintenance: Routine Maintenance shall mean maintenance which is reasonably anticipated to be required to maintain any Dwelling, or any improvements on any Common Area (whether Limited Common Area or otherwise) in a good, structurally sound and attractive condition, and which maintenance would normally be anticipated to be required by the Association periodically and on a reasonably predictable schedule. Routine Maintenance does not include maintenance occasioned by negligence of any Person or by unusual events or conditions, such as storm events (weather, wind, flood, earthquake, tornado or other), nor does

Routine Maintenance include repairs occasioned by fire or other insurable catastrophes.

Section 27. Unit: The primary residential structure located on a Platted Lot.

Section 28. Village. Village shall mean the Village of Bald Head Island, a North Carolina chartered municipality;

ARTICLE II PROPERTY SUBJECT TO THIS JOINT DECLARATION

Property: The real property which is, and shall be held, transferred, sold, conveyed and occupied subject to this Joint Declaration is that property more particularly described on Exhibit A attached hereto.

ARTICLE III MASTER ASSOCIATIONS

Each Owner is hereby declared to be a member of the Bald Head Island Stage One Association and of the Bald Head Island Stage Two Association. All of the Property is therefore made subject to Articles IV, V, VI and VII of that Amended and Restated Declaration of Covenants, Conditions and Restriction for Bald Head Island Stage One, as recorded in Book 498, Pages 260 et seq, Brunswick County Registry ("Stage One Covenants"), as those Articles relate to membership in the Bald Head Island Stage One Association, and is further made subject to the Protective Covenants Bald Head Island Stage Two, as recorded in Book 1045, Pages 676 et. seq., Brunswick County Registry ("Stage Two Covenants"), as both such documents are amended from time to time. All of the Properties shall be held, sold and conveyed subject to the provisions of such covenants. Each Dwelling shall be an individual assessable lot as defined in the Stage One Covenants, and each Platted Lot shall be further considered a Lot as defined in the Stage Two Covenants. Dues and assessments as may be properly charged and assessed by the Bald Head Island Stage One Association and/or the Bald Head Island Stage Two Association shall be due and

payable by each Owner. In no event, however, shall duplicate assessments for the same purpose or project be assessed against any Owner. By way of illustration, should there be an assessment for beach or dune stabilization, which assessment shall be made against each member of the Bald Head Island Stage One Association and each member of the Bald Head Island Stage Two Association, only one such assessment shall be charged to each Owner, and, in such event, the assessment charged by the Bald Head Island Stage Two Association shall be the only assessment due and payable. Furthermore, and notwithstanding any provision to the contrary contained in the Stage One Covenants, all site and exterior alterations and improvements shall be subject only to the review and approval provisions of Article IX of this Joint Declaration and, as referenced therein, to the Stage Two Covenants.

Notwithstanding any provision contained in the first paragraph of this Article III, the Association, upon approval of a majority of its Members, shall be entitled to withdraw from membership in the Bald Head Island Stage One Association. Any such withdrawal must be effective as of the last day of a fiscal year of the Bald Head Stage One Association, and notice of such withdrawal must be given to the Bald Head Island Stage One Association a minimum of ninety (90) days prior to the effective date of said withdrawal. Any dues and assessments payable to the Bald Head Island Stage One Association, properly adopted prior to the date of withdrawal, shall remain in full force and effect until paid in full, if the determined date for payment is prior to the date of withdrawal, notwithstanding whether or not such payment has actually been made at the effective date of withdrawal.

The Association may elect to collect dues due and payable to the Bald Head Island Stage One Association or the Bald Head Island Stage Two Association as Common Expense, remitting payment for the same directly to the appropriate Association. Notwithstanding an election to do so, however, the Association shall not assume any legal responsibility or liability to pay such dues or assessments (other than to the extent collected from Owners), and any remedy for nonpayment exercised by either the Bald Head Island Stage One Association or the Bald Head Island Stage Two Association must be exercised directly against the Owner or Owner in default.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership: Every Person who is a record Owner of a fee or undivided fee interest in any Platted Lot which is subject by this Joint Declaration to Assessment by the Association shall be a Member of the Association, provided that any such Person who holds such interest merely as a security for the performance of an obligation shall not be a Member.

Section 2. Voting Rights: The Association shall have one class of voting Membership. Each Member shall be entitled to one (1) vote. When more than one Person holds such interest or interests in any Platted Lot, all Persons holding such interest shall be Members, and the vote shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any such Platted Lot. If the Owners cannot determine among themselves how the vote is to be cast, a binding determination shall be made by the Board of Directors.

Section 3. Transfer: Membership runs with the land, and follows the ownership of each Platted Lot; Membership cannot be transferred or assigned, or pledged as security for any obligation, other than as a part of the transfer, assignment or pledging of the ownership of the Platted Lot to which Membership is appurtenant.

ARTICLE V
PROPERTY RIGHTS IN THE COMMON AREAS

Section 1. Member's Easements of Enjoyment: Subject to the provisions of this Article IV, every Member shall have a right and easement of enjoyment in and to the Common Areas, including rights of access, ingress and egress to and from public streets and walkways and the right to park vehicles in areas specifically designated for such purposes; such easement shall be appurtenant to and shall pass with title to every Platted Lot.

Section 2. Title to Common Areas: No later than December 31, 1998, Declarant shall convey legal title to the Common Area to the Association. However, Declarant reserves the right to utilize any of the Property for

purposes of providing utilities or drainage to all of the Owners, and for the benefit of other owners on Bald Head Island. Conveyance of title to the Common Areas shall be subject to all of such rights, specifically including, but not by way of limitation, all utility easements or installed utility systems.

Section 3. Rights and Easements: The rights and easements of enjoyment created by this Article shall be subject to the following:

a) The right of the beneficial users of Limited Common Areas to have exclusive right and utilization of said Limited Common Areas;

b) The right of the Association to adopt reasonable rules and regulations governing utilization of the Common Areas;

c) The right of the Association to suspend the voting rights of any Member for any period during which any Assessment remains unpaid, or for any period for violation of its published rules and regulations, but in no event shall any Member be denied the right of ingress and egress to his Dwelling;

d) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or entity for such purposes and subject to such conditions as may be determined by the Association, or to grant utility easements over the Common Areas for the benefit of the Association or any one or more of its Members; or

e) The right of the Association to convey any portion of the Common Area to any Owner, for consideration deemed appropriate by the Association, for either of the following purposes:

i) To convey Limited Common Areas to the beneficial user thereof; or

ii) To convey any Common Areas whether Limited or otherwise in order to allow an Owner to comply with any

regulations of the Village or any other governmental agency, or to cure any encroachment or set back violations in order to procure marketable, unencumbered title to a Platted Lot.

ARTICLE VI COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligations of Assessments: Except as hereinafter specifically provided, each Owner, by acceptance of title to a Platted Lot, shall be deemed to covenant and agreed to pay to the Association Assessments as outlined in this Joint Declaration. The Assessments are collected for any of the following purposes:

- a) Regular Assessments shall be for:
 - i) Operation, maintenance, repair, replacement and improvement of Common Areas to the extent that the Association is obligated or allowed to do so in accordance with this Joint Declaration;
 - ii) Routine Maintenance to the Dwellings to the extent that the Association is obligated or allowed to perform such maintenance in accordance with this Joint Declaration;
 - iii) ~~For general and administrative operation of the Association;~~
 - iv) For the funding of maintenance and repair reserves; and
 - v) For such other purposes as are allowed as a Common Expense of the Association.
- b) Special Assessments shall be for:

i) Construction of new improvements on Common Areas, as authorized by the Membership;

ii) Payment of unexpected and unanticipated expenses, to the extent adequate reserves are not on hand to make such payments;

iii) To pay for any Common Expense not included in the budget of the Association at the time that the expenditure is determined necessary; or

iv) To perform any work or obligation which is the requirement of an Owner, and which Owner does not perform such act, to the extent such act may be performed by the Association in accordance with this Joint Declaration, as more fully set out herein. Such an Assessment shall be chargeable only to one or more specified individual Owners, and may be hereinafter referred to as an "Individual Special Assessment".

The Regular and Special Assessments, together with such interest thereon and costs of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Platted Lot against which such Assessment is made. Each such Assessment, together with such interest thereon and costs of collection thereof as hereinafter provided, shall also be the personal obligation of all Persons who are Owners at the time when the Assessment fell due.

Section 2. Purpose of Assessments: The Assessments levied by the Association shall be used exclusively for the purpose of promoting the health, safety and welfare of the Members and in particular to carry out all of the necessary functions of the Association, including the administration of the Association and enforcement of this Joint Declaration, maintenance of the Common Areas and the Properties in a good, clean condition, and the performance of all repairs and maintenance as may be necessary from time to time to protect the value of all of the Properties. Without limitation, and in addition to any other purposes specified in this Article VI or otherwise in this Joint Declaration, such uses shall further include the acquisition of Insurance,

the payment of ad valorem taxes on Common Areas, the payment of governmental assessments on Common Areas, and the construction of capital improvements as may be authorized.

Section 3. Amount of Assessment

a) Determination of Assessment. The Board of Directors shall annually determine the budget for the upcoming fiscal year of the Association. As more fully described hereinafter, the budget shall include the collection of a reserve for future maintenance and repair. As more fully set out in this section, the budget, upon adoption by the Board of Directors, shall be funded by collection of Regular Assessments on the Members, the share of each Member to be calculated as set out in Section 3(b) of this Article VI. A copy of the proposed budget of the Association shall be presented to the Members at the annual meeting of the Association, for comment. The final budget must be adopted by the Board of Directors no later than December 31 of the year immediately preceding the budget year; copies of the final budget shall be mailed to each Owner with said Owner's first billing statement for each fiscal year.

To the extent that said budget includes the construction of new capital improvements or facilities (as opposed to the replacement or repair of pre-existing improvements or facilities), such expenditures shall be included as a separate line item of the budget, and such line item must be approved as a Special Assessment, and only upon affirmative vote of a majority of the Owners of the total number of Platted Lots (each Platted Lot to have one [1] vote). The share of such Special Assessment allocated to each Platted Lot shall be as set out in Section 3(b) of this Article VI.

Special Assessments may be adopted by the Board of Directors, without approval of any Member, if said Special Assessment is for the maintenance, repair or improvement of a Dwelling, which cost is the cost or obligation of an Owner, and which Owner has failed to cause the required improvement to be performed. In

such event, said Special Assessment shall be charged only to the Owner for whose benefit such expenditure has been made, and said Assessment shall include a twenty percent (20%) markup on the cost of actual services performed, for administration and supervision.

b) Computation of Owner's Share

(i) Regular Assessment. The amount of Regular Assessment to be contributed by the Owner of each Platted Lot shall be a prorata share of the total budget of the Association. The prorata share payable by the owner of each Platted Lot shall be a percentage of the total Assessment determined by comparing the total number of heated square feet (including covered decks and porches) within the Dwelling to the total number of heated square feet (including decks and porches) within all Dwellings subject to Assessment.

ii) Special Assessments. Special Assessments must be assessed based upon one of the following four categories of utilization of the funds raised from said Special Assessments:

a) Individual Special Assessments which shall be chargeable only to the Owner or Owners to whom such expense is allocated specifically in accordance with this Joint Declaration;

b) Special Assessments which are allocated as specifically set out by a specific division of this Joint Declaration, and which shall be allocated as therein set out;

c) Special Assessments which are for construction of amenities or Improvements on the Common Area and which shall be assessed equally among the Owners of each Platted Lot, the Owners

of which are entitled to utilize such improvements;
and

d) All other Special Assessments which shall be assessed in the same percentage as for Regular Assessments as above set out in Section 3(b)(1).

iii) Beach Stabilization. Notwithstanding the above, there shall be no Assessment for beach nourishment, beach stabilization or sand pushing expenditure by the Association unless approved as a Special Assessment. In such event, and upon approval, eighty percent (80%) of said Assessment shall be charged to the Owners of Dwellings located on the ocean side of South Bald Head Wynd; twenty percent (20%) of the Assessment shall be charged to the remaining Owners. Notwithstanding any other provision contained within this Joint Declaration or the By-Laws of the Association, in voting on such a Special Assessment, the Owner of each Dwelling located on the ocean side of South Bald Head Wynd shall be entitled to four (4) votes; the Owner of each Dwelling not located on the ocean side of South Bald Head Wynd shall be entitled to one (1) vote. Such a Special assessment shall only be adopted upon approval by two-thirds of the total votes cast.

c) ~~Payment of Assessments: Special Assessments shall be due and payable upon the date specified by the Board of Directors, which date shall be noticed to the Owners a minimum of thirty (30) days prior to the due date for such said payment, except that any Special Assessment chargeable to an individual Owner as more fully set out hereinbefore, shall be due and payable immediately upon notification to the Owner of the creation of the Special Assessment. All Regular Assessments may be due and payable as determined by the Board of Directors, in monthly or quarterly installments, in advance.~~

d) Reserves. The Association is specifically authorized annually to include in its budget reserves for future maintenance or repairs. The Board of Directors is not required, however, to collect annually, based either on current dollars or future dollar projections, straight line reserves for repair or maintenance of assets reasonably anticipated to require replacement or repair on a cycle of five years or longer. It is expressly acknowledged that a formula for long-term replacement may be adopted by the Board of Directors, which formula may allocate a greater portion of such costs to Owners owning Dwellings at a time more proximate to the actual time estimated for expenditure of such funds, as opposed to a smaller share allocated to Owners at a time more distant from the time reasonably anticipated for the expenditure of such funds. It is expressly acknowledged that such a formula was adopted by both the Flora's Bluff Association and the Killegray Ridge Association for the 1997 fiscal year of said Associations; the Board of Directors may alter that formula in the future, but no such alteration shall be allowed until such time as such alteration has been presented to the Members and has been discussed by the Members at an annual meeting of the Members, but no formal Member approval of any change in such formula shall be required. The Board of Directors shall notify the Members annually at time of submission of the adopted budget of any change in the reserve formula to be utilized in the upcoming budget. It is expressly authorized that the Association shall have authorization to enact a Special Assessment for some portion of the cost of such repair or maintenance items not allocated by such formula to a maintenance reserve. No Member approval of such Special Assessment shall be required.

Section 4. Effect of Non-Payment of Assessments; Personal Obligation of the Owner; Lien; Remedies of Association. If any Assessment (Regular or Special) is not paid on the date when due, then such Assessment shall become delinquent and shall, together with such interest thereon and cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the Platted Lot which shall bind the Platted Lot and shall be binding on its Owner and his heirs, devisees, personal representatives and assigns. The personal obligation of each Person who is then Owner shall

remain a personal obligation for the statutory period and shall not pass to his successors in title unless expressly assumed by them.

If the Assessment is not paid within thirty (30) days after the delinquency date, the Assessment shall bear interest from the date of delinquency at the rate of fifteen percent (15) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same and/or may elect to foreclose the lien against the Platted Lot, and there shall be added to the amount of such assessment a charge to be determined by the Association of a minimum of One Hundred Fifty Dollars (\$150.00) for the cost of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and reasonable attorneys fees in an amount to be approved by the court, together with all costs of such action.

Section 5. Subordination of Lien to Mortgage. The lien of the Assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Dwelling shall not affect the Assessment lien. However, the sale or transfer of any Dwelling pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such Assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Dwelling from liability for any Assessments thereafter becoming due or from the lien thereof.

ARTICLE VII INSURANCE

Section 1. Objectives: In order to protect the value of all of the Property, it is essential that full and adequate hazard insurance be maintained on all improvements on all of the Property at all times, and that proof of such insurance be provided to the Association. It is therefore specifically permitted for the Association to procure, on behalf of any Owner who does not procure and maintain at all times all insurance as required herein, such insurance, with the cost thereof, plus twenty percent (20%), being charged to the Owner who is responsible for procuring such insurance, the same to be collectible by the Association as though a Special

Assessment against that Owner. All insurance procured by any Owner must name the Association as an additional insured, to the extent of any interest held by the Association in any improvements on any Common Area, including any Limited Common Area, which improvements are for the exclusive use of said Owner. Proof of insurance shall be filed with the Association, and all insurance policies must contain a provision whereby the insurance will not be canceled without a minimum fifteen (15) day prior, written notice to the Association.

Section 2. Hazard Insurance: The Owner of each Dwelling shall procure at said Owner's sole cost and expense, full replacement cost insurance against loss or damage by fire, wind and other hazards normally insured against in a typical residential (non-commercial) homeowners policy. Furthermore, all Owners owning a Dwelling for which flood insurance is required by conventional mortgage lenders lending on Bald Head Island, to the extent commercially available, shall be procured at full replacement cost. The deductible on each of the hazard insurance and flood insurance policies shall be no greater than Twenty Five Hundred Dollars (\$2,500.00). The decision of the Association as to whether any insurance is commercially available shall be binding on the Owners. Unless otherwise approved by the Association, all insurance shall contain a waiver of subrogation provision.

Section 3. Deductibles and Shortages: In the event of any insured loss (or any loss that is uninsured, to the extent that the Owner was required by this Joint Declaration to maintain insurance) all deductibles, all insurance settlement shortages, and all amounts otherwise required to be paid in regard to the repair or replacement of any Dwelling shall be the obligation of the Owner of the Dwelling, and to the extent such funds are paid by the Association, the Association shall be entitled and authorized to collect such funds from the Owner responsible therefore, as an Individual Special Assessment.

Section 4. Property Insured: Each Owner shall be responsible for insuring to the full replacement cost his Dwelling, and any and all other improvements on said Owner's Platted Lots and, any Limited Common Areas appurtenant to such Platted Lot with the exception of any walkways located on his Platted Lot or Limited Common Areas, the beneficial use of which is assigned to said Owner.

Section 5. Party Walls: To the extent that two primary Units are connected by a party wall, or to the extent that appurtenant structures, such as garages, have party walls, the Association reserves the right to require that the Owner of each of such joined structures utilize the same Insurance carrier, and maintain identical Insurance coverage, including deductibles, thereon.

Section 6. Association Commercial Insurance: The Association may, upon majority vote, elect to require that all Improvements on the Properties, including all Dwellings, be insured for the benefit of the Owners by the Association in a single, commercial Insurance policy, with the Association acting and being named as Insurance trustee for the benefit of all Owners. Should this election be made by the Association, upon approval of its Members, the Association shall have full right and authority to procure all required hazard and flood insurance on all Improvements on the Properties, and to collect as a Common Expense the cost of all premiums associated therewith. The Association shall consider this alternative if it is determined that the total insurance costs for all Owners, on average, will be reduced by such alternative, or if it is determined that the required Insurance cannot readily be procured by individual Owners seeking such Insurance individually.

Section 7. Association Hazard Insurance: The Association shall be responsible for maintaining full replacement cost (subject to a deductible not to exceed \$5,000.00) hazard insurance on all Improvements on all Common Areas not required to be insured by an Owner, and on all walkways, even if on a Platted Lot. No flood insurance is required to be maintained on such Properties, but may be maintained at the election of the Association. Any deductible, or any uninsured loss to any Improvements on the Properties which Improvements are not the responsibility of an Owner to insure, shall be replaced by the Association upon loss, and such deductible, or such uninsured loss, shall be a Common Expense. The Association, in maintaining insurance on walkways, shall maintain insurance on all of said walkways until Joiner with steps leading to a Dwelling; the steps shall be insured by the Owner, and shall be maintained by said Owner.

The Association shall further maintain public liability Insurance, upon such terms and in such amounts as may be determined reasonable by the Board of Directors from time to time, but in no event shall such Insurance

have a face amount of less than Two Hundred Fifty Thousand Dollars (\$250,000.00) per person per injury, and no less than Five Hundred Thousand Dollars (\$500,000.00) per event limits of liability. The Association may, but is not required to, purchase and charge as a Common Expense officers and directors liability insurance, fidelity bonds or other insurance that may be available for the benefit of the Association and for the protection of its officers and directors.

Section 8. Allocation of Insurance Proceeds. Unless otherwise governed by a specific provision of this Joint Declaration, insurance maintained by Owner shall be maintained for the benefit of that particular Owner, and, as more fully set out in Section 3 of this Article VI, the Owner shall be responsible for uninsured losses in regard to the Dwelling of said Owner. Likewise, said Owner shall be entitled to any excess insurance proceeds paid, over and above the cost of repair or maintenance of the Dwelling insured by said Owner. Only uninsured losses to Common Areas, or to Improvements on Platted lots, which improvements are required to be insured by the Association (walkways) shall be paid as a Common Expense allocated among all Owners, in case of an uninsured or underinsured loss.

ARTICLE VIII REPAIR AND REPLACEMENT

Section 1. Routine Maintenance

a) The Association shall perform, except as specifically set out herein, all Routine Maintenance and upkeep to all of the improvements on the Properties. This responsibility shall specifically include the following:

- i) Performance of all necessary and routine landscaping services;
- ii) Painting of all Improvements;
- iii) Repair and replacement of roofs on all structures;

iv) Painting of all exterior services of all structures on the Properties to the extent that painting (or staining) is required including trim on the exterior of a Dwelling, even if fronting on a porch or deck, covered or uncovered;

v) Replacement of rotted or deteriorated siding on any Improvements on the Property, including any deteriorated structural member uncovered upon removal of deteriorated siding;

vi) Painting, repair and replacement of all fences, walkways and similar exterior features;

vii) Maintenance and repair of the exterior of any Guest Houses, garages, or other approved outbuildings (to the extent features thereof would not be excluded if part of the Unit as more fully set out hereinbelow), such as garbage containers;

viii) Placement of any exterior light fixtures, other than light fixtures attached to the primary Dwelling, and replacement of all light bulbs or electrical system repairs necessary for all exterior lights other than lights attached to a Dwelling;

ix) Pickup of litter and other debris from the Properties; and

x) Litter removal from the public beach areas between the Properties and the Atlantic Ocean.

b) The Association shall specifically have no responsibility for the following:

i) Repair or replacement of doors, windows or screens in any Dwelling;

ii) Repair or replacement of any interior portion of any Dwelling, even if damage is occasioned by failure of some portion of the exterior of any Dwelling;

iii) Repair or replacement of any porch or decking materials on any porch or deck that is an appurtenant part of a Dwelling, and is covered, enclosed or screened, regardless of whether, said porch or deck is covered, uncovered, enclosed or screened;

iv) Repair or replacement of any door or window hardware in any Dwelling;

v) Replacement of any element or improvement damaged by the willful or grossly negligent act of the Owner of such improvement (or the beneficial user thereof), in which event all such costs of repairs or maintenance shall be borne by the Owner as a Individual Special Assessment.

The schedule of repair or replacement for all items which are the responsibility of the Association shall be determined by the Board of Directors of the Association, and any reasonable determination by the Board of Directors shall be binding on all Owners.

Any Routine Maintenance which is not the responsibility of the Association shall be the responsibility of the Owner of the Platted Lots (and the beneficial user of appurtenant Limited Common Areas) upon which a Dwelling or other Improvement is located which requires Routine Maintenance. The Association is specifically authorized, as set out in Article V, Section 3, to cause such work to be performed on behalf of the Owner, and to collect the amount so expended, plus twenty percent (20%), upon failure of the Owner to cause such repair to be accomplished following written notice from the Association requesting that the same be accomplished.

Section 2. Extraordinary Repairs: In case of an extraordinary event (being any event wherein repair or maintenance is required which is not Routine Maintenance, including, but not limited to, storm or fire) causing substantial damage, and unless a decision is made not to rebuild or repair as allowed by Section 3 hereunder, the Association shall have the right (but not the obligation) to require that all insurance proceeds due and payable by virtue of such loss be assigned and transferred by the Owner(s) to the Association as Insurance Trustee, and the Association shall specifically have the right to contract, on behalf of all Owners having damage, to cause such damage to be repaired. This right is reserved because of the difficulty or impossibility of providing access to the Properties to several contractors simultaneously, and due to the difficulty in procuring contractors to perform work on Bald Head Island generally. Should the Association elect to exercise its rights hereunder, it shall give written notice of such election within five (5) business days following the event giving rise to the loss (or following the reopening of Bald Head Island to Owners, if access to Bald Head Island has been restricted by the Village), and, if such notice is given, this Joint Declaration shall be, and hereby is, an assignment of all of such Owner's insurance proceeds. To the extent that any excess insurance proceeds are received over and above those actually expended, any excess proceeds shall be refunded to the Owner under whose policy the proceeds were paid; if inadequate insurance proceeds are received to allow full repair and reconstruction, each Owner shall be responsible, in the nature of a Special Assessment, for paying any such shortage (including deductibles).

The Association specifically reserves the right to contract on behalf of the Association and all Owners whose Dwellings have received damage by an extraordinary event to cause repairs to be made on behalf of the Owners whose Dwelling has been damaged, whether or not such damage is or should be covered by insurance maintained by either the Owner or the Association. Any costs in performing such work expended by the Association shall be assessed as accurately as possible as an Individual Special Assessment against the Owner benefitted by such repair.

Section 3. Abandonment: Any Dwellings or other improvements on the Properties which are damaged or destroyed must be replaced in accordance with the original plans and specifications for such Dwellings and improvements, unless the Owners of seventy-five percent (75%) of all of the

Platted Lots affirmatively vote, after due notice, not to rebuild or reconstruct. To the extent that election is made not to rebuild or reconstruct, all insurance proceeds due and payable by virtue of the loss, less any costs of site cleanup and debris removal (which shall be an expense of the Owner not so rebuilding) shall be payable to said Owner.

Any Owner who is not required (or is not by applicable law allowed) to rebuild his Dwelling, shall have the following options, which must be exercised by written notice given to the Association within sixty (60) days following the vote or the regulatory determination indicating that reconstruction is not required:

A. Retained Ownership. The Platted Lot shall be retained by such Owner. Said Owner shall retain title to said Platted Lot subject to an easement to the Association and its Members to utilize the Platted Lot for purposes of ingress and egress to any Common Areas or to any public trust waters or beaches, which easement shall expire at such time, if any, as reconstruction is allowed and accomplished. In order to maintain this right, the Owner must pay Regular Assessments to the Association in amounts equal to five percent (5%) of the lowest Regular Assessments charged to any Owner of a Dwelling. Furthermore, said Owner must pay in a timely fashion all ad valorem real and personal property taxes, and all Village or other governmental special assessments, when due. If this election is exercised, no Special Assessments shall be assessed against the Owner of such said Platted Lot. Furthermore, said Owner shall have all voting rights relating to the Association suspended until such time as reconstruction is allowed and accomplished (by issuance of a Certificate of Occupancy for the Dwelling on the Platted Lot); or

B. All Owners of the Platted Lot may tender a Deed of Conveyance of unencumbered title (except for encumbrances relating to all or substantially all of the Platted Lots) to the Association, conveying fee simple title to the Platted Lot to the Association, at which time no further dues or Assessments shall be due and payable for said Lot. At any time that a Owner, having elected to retain ownership, fails to pay any dues or taxes as

required, said Owner shall be deemed to convert his election to this alternative, and said Owner shall then deed his Platted Lot, as required herein, to the Association.

ARTICLE IX PARTY WALLS

Section 1. General Rules of Law to Apply: Each wall that is built as a part of the original construction of a Dwelling, and which is shared by the Owner or a third party entitled to utilization of another such structure, and which shares such a wall, shall be considered a party wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and of liability for property damage due to negligent or willful acts or omissions shall apply thereto.

Section 2. Sharing or Repairing and Maintenance: The cost of reasonable repair or maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty: If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall must restore it as a party wall unless the other Owner agrees to the contrary in advance, and the other Owner thereof making use of the wall shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owner to call for a larger contribution from another under any rule of law regarding liability for negligent or willful acts or omission.

Section 4. Weather Proofing: Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes a party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs With the Land: The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration: In the event of any dispute arising concerning a party wall, or under the provisions of this Article, the Association shall arbitrate and resolve any such disagreement, and the decision of its Board of Directors shall be final and conclusive of the question involved.

Section 7. Easements: Each Owner who has an interest in a party wall is hereby given and granted a perpetual easement for inspection, repair, maintenance or restoration of such party wall. Furthermore, there is hereby reserved for the benefit of all such Owners an easement relating to the existence and continued existence of said party wall, including any settling, shifting or change in location upon reconstruction thereof.

ARTICLE X CHANGES AND ALTERATIONS

Section 1. Prohibition: There shall be no change in the exterior appearance of any Dwelling or any other Improvement located on the Properties, including, but not limited to, change in color or materials, removal of existing improvements or construction of new improvements, unless such change has been approved in accordance with the provisions of this Article.

Section 2. Common Areas: The Board of Directors of the Association shall have the right to approve the removal of or change in the exterior of any Improvement on any Common Area (other than a Limited Common Area), whether such change be a change in exterior appearance, the removal of an Improvement, or the construction of a new Improvement. Approval, to the extent required by the Stage Two Covenants, must be procured as set out therein.

Section 3. Change In Dwelling: Any change in the exterior appearance of any Dwelling, or any removal of or addition to any component part of the exterior of any Dwelling, or the change in the exterior appearance of any Improvement on any Limited Common Area, or the removal of or addition to any component part thereof, shall only be allowed following approval of such change or alteration given by the appropriate Architectural Review Committee of the Bald Head Island Stage Two Association, in accordance with the Stage Two Covenants. No additional

approval shall be required by the Board of Directors or any aesthetics committee of the Association. Notwithstanding this provision, however, copies of the full submittal to the Architectural Review Committee of the Bald Head Island Stage Two Association shall be accompanied by submission to the Association, and the Association shall be given adequate opportunity to make comment upon such submission prior to a decision being made thereon.

ARTICLE XI MISCELLANEOUS PROVISIONS

Section 1. Governmental Regulations: No use of any of the Properties shall be allowed which is impermissible under any applicable governmental regulation, including, without limitation, regulations imposed by the Village.

Section 2. Prohibited Activities: No noxious or offensive trade or activities shall be carried on upon or in any Dwelling, nor shall anything be done thereon which may be or become an annoyance or nuisance. The decision of the Board of Directors shall be binding as to conduct that is or may be an annoyance or nuisance.

Section 3. Rules: The Board of Directors shall have the authority to adopt rules for the use of the Common Areas and shall furnish a written copy of said rules to the Owners. Any violation of such rules shall be punishable by a fine and/or suspension of the voting rights of the violating Owner. The Board of Directors shall also have the power to adopt rules and regulations which prohibit or limit the types of animals or household pets which may be kept in or about the Property and which govern their allowance and use of the Common Areas.

Section 4. Duration: This Joint Declaration shall run with the land and bind the land, and shall inure and be to the benefit of and be enforceable by the Association, any Owner and their respective legal representatives, heirs, successors and assigns.

Section 5. Amendment: This Joint Declaration may be amended at any time by majority vote of the Owners of a majority of the Platted Lots subjected to this Joint Declaration, following unanimous recommendation.

for approval given by the Board of Directors. If there is not a unanimous recommendation for approval of an amendment given by the Board of Directors, an amendment may only be adopted following approval given by seventy-five percent (75%) or more of the Owners of all Platted Lots. Any amendment duly approved, shall be effective on the date specified in an amendment to the Joint Declaration recorded in the office of the Register of Deeds of Brunswick County.

Section 6. Notice: Any notice required to be sent to any Owner under the provisions of this Joint Declaration shall be deemed to have been properly sent when mailed, or otherwise delivered, by first class mail, postage prepaid, to the last known address of the Owner on the records of the Association at the time of such mailing. Each Owner shall have a responsibility for notifying in writing the Association upon a change of address, or upon conveyance of said Owner's Dwelling.

Section 7. Enforcement: Enforcement of this Joint Declaration shall be by any proceeding at law or in equity against any Person violating or attempting to violate any provision hereof, either to restrain violation or to recover damages, and may be against the land to enforce any lien created by this Joint Declaration which action may be brought by the Association or Owner. Failure by the Association or any Owner to enforce any provision hereof shall in no event be deemed a waiver of the right to do so thereafter. All costs of any legal action, including reasonable attorneys fees and interest, as more fully set out hereinbefore, shall be collected as a cost of the action by the prevailing party in any such action.

Section 8. Severability: Invalidation of any one of the provisions of this Joint Declaration by judgment or court order shall in no way affect any other provisions, which provisions shall remain in full force and effect.

Section 9 Easements: There is reserved over all of the Properties an easement for utility purposes for the benefit of Declarant, the Association and all of the Members, and there is further reserved by the Declarant and the Association a right of ingress and egress over all streets, roads and walkways.

Section 10. Model Use: Declarant reserves the right to utilize any Unit owned or leased by Declarant for purposes of a model home to assist in the sale of property on Bald Head Island.

Section 11. Rental Utilization: The Association shall adopt no rules or regulations denying the right of any Owner to reasonably utilize the property of said Owner for rental purposes; however, reasonable rules and regulations regarding the conduct of renters may be adopted by the Association from time to time.

Section 12. Joinder: Bald Head Island Limited Joins in the execution of this Joint Declaration to release any of its rights as set out in the Flora's Bluff Declaration and/or the Killegray Ridge Declaration, and to consent to the Imposition of the covenants and restrictions contained herein. Notwithstanding any other provision of this Joint Declaration, however, no provision hereof which is for the benefit of Declarant, or which relates to the allowed utilization of any Dwelling, may be changed or amended prior to December 31, 2009, without the written consent of Declarant.

Section 13. Amplification: The provisions of this Joint Declaration are amplified by the Articles of Incorporation and By-Laws of the Association; no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Joint Declaration. If a conflict exists among such documents, it is intended that the provisions of this Joint Declaration shall control anything contained in such documents. In a case of a conflict between the Articles of Incorporation of the Association and its By-Laws, the Articles of Incorporation shall control. Any defined term utilized herein, which is defined in the By-Laws of the Association, shall have the meaning set out therein.

Section 14. Emergency Access: In the case of an emergency originating in or on any of the Properties, the Association, or any agent of it, shall have the right to enter into or upon any Dwelling for the sole purpose of remedying or abating the cause of the emergency, and such right of entry shall be immediate.

Section 15. Emergency Services Access: An easement is hereby granted to the Village and all of its emergency service personnel, and any

and all other emergency service providers, to allow entry upon or within any Dwelling for purposes reasonably related to the abatement of such emergency.

Section 16. Incidental Powers: The Association shall have the right and authority to take any actions it believes reasonably necessary to further its purposes, and the purposes specifically set out within this Joint Declaration, and the cost of any such activities shall be Common Expenses.

Section 17. Partition: No Owner shall have the right to partition any Common Area.

Section 18. Window Coverings: All window coverings, drapes, curtains or other similar materials hung at the windows, or in any way as to be reasonably visible from other than the Owner's Platted Lot, shall be of a white or neutral background color.

Section 19. Signage: No exterior signage, or signage placed in the interior of a Unit so as to be reasonably visible from the exterior, shall be allowed, except for signs approved by the Board of Directors and intended to comply with any regulation of the Village, or to provide reasonable identification of and directions to the Dwellings. The Association shall have the right to erect information signage any where on the Properties. It is specifically prohibited that any "FOR SALE" or "FOR RENT" sign be erected, installed or maintained.

Section 20. Personal Property: The Association is authorized to adopt reasonable rules and regulations regarding storage anywhere on the Properties, including on any Platted Lot, of any personal property, including, but not limited to, firewood, vehicles (including bicycles), toys and furniture.

Section 21. Utility Services: Water and sewer service to all Dwellings shall be provided by Bald Head Island Utilities, Inc. The payment for such services to Dwellings shall be the responsibility of each Owner. The responsibility for the payment of such services for Common Areas not metered directly to an Owner, shall be the responsibility of the Association. No individual or Association wells shall be permitted without the express approval of Bald Head Island Utilities, Inc.

Section 22. Exterior Lighting: The Association reserves unto itself, its successors and assigns, the right to subject the Properties to a contract with Carolina Power & Light Company or some other licensed public utility for installation of underground electric cables, or street lighting, either or both which may require an initial payment or a continuing monthly payment to said utility. The Association shall be responsible, as a Common Expense, for the payment of any such services.

Section 23. Coastal Storm Water Regulations: In accordance with the Coastal Storm Water Regulations adopted by the Department of Environmental Management of the State of North Carolina, and in accordance with the requirements of the North Carolina General Statutes, no more than twenty-five percent (25%) of the total area of the Properties may be improved or altered so as to create impervious surfaces, as that term is defined from time to time by the Department of Environmental Management. Therefore, no increase in the amount of impervious surfaces within the Properties shall be allowed without approval granted therefore as set out herein. Such creation of impervious surface shall only be allowed upon approval by the appropriate Architectural Review Board of the Bald Head Island Stage Two Association, following appropriate verification by such approving body that the same is not in violation of restrictions imposed by the State of North Carolina under the Coastal Storm Water Regulations. The State of North Carolina is hereby expressly granted the right to enforce this provision as a third party beneficiary.

ARTICLE XII

RIGHTS OF FIRST MORTGAGEES

Section 1. Inspection of Books and Records: First Mortgagees (being any normal commercial lender holding a first lien Deed of Trust on any Platted Lot) shall have the right, upon request during normal business hours, to examine the books and records of the Association.

Section 2. Notice of Default: Upon its written request, a First Mortgagee shall be entitled to written notification of any default by the Owner of said Platted Lot in the performance of his obligations pursuant to this Joint Declaration, if such default is not cured within thirty (30) days.

Section 3. Payments By First Mortgagees: One or more First Mortgagee of any Platted Lot may, jointly or singly, in respect to the Common Areas, pay taxes or other charges which are in default and have or may become charged against the same. The parties making such expenditures shall be entitled to immediate reimbursement from the Association.

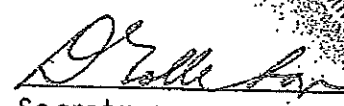
Section 4. Approval of Amendment: No first Mortgagee or any other holder of record title to a Platted Lot for the sole purpose of maintaining a security interest shall be required to approve any amendment of this Joint Declaration or the By-Laws.

WITNESS our hands and seals upon authority duly given, the day and year first above written.

FLORA'S BLUFF HOMEOWNER'S
ASSOCIATION, INC.

ATTEST:

By: 
President

 (SEAL)
Secretary


KILLEGRAY RIDGE HOMEOWNER'S
ASSOCIATION, INC.

ATTEST:

By: 
President

 (SEAL)
Secretary

BALD HEAD ISLAND LIMITED
a Texas Limited Partnership

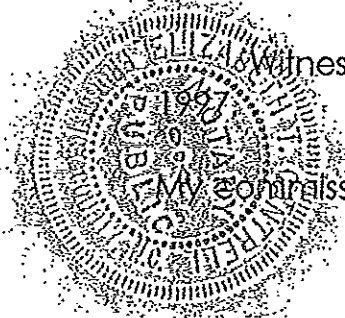
By: 
Kenneth M. Kirkman
Attorney In Fact

STATE OF NORTH CAROLINA,
COUNTY OF BRUNSWICK:

I, Elizabeth T. Cantrell, a Notary Public of the County and State aforesaid, certify that Douglas Gollehon personally came before me this day and acknowledged that he is Secretary of Flora's Bluff Homeowner's Association, Inc., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official seal this 1st day of June, 1997.

My commission expires: 12/11/2001


Elizabeth T. Cantrell
Notary Public

STATE OF NORTH CAROLINA,
COUNTY OF BRUNSWICK:

I, Elizabeth T. Cantrell, a Notary Public of the County and State aforesaid, certify that James A. Janovetz personally came before me this day and acknowledged that he is Secretary of Killegray Ridge Homeowner's Association, Inc., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official seal this 1st day of June, 1997.

My commission expires: 12/11/2001

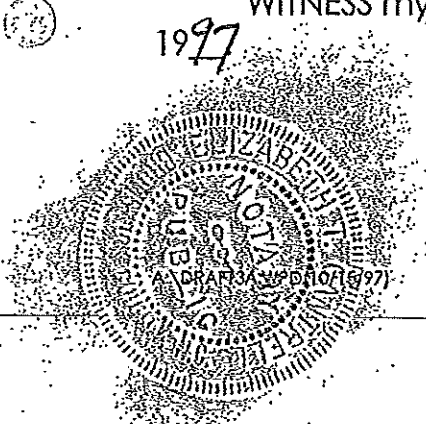

Elizabeth T. Cantrell
Notary Public

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Elizabeth T. Cantrell, a Notary Public for said County and State, do hereby certify that Kenneth M. Kirkman, attorney in fact for Bald Head Island Limited, personally appeared before me this day, and being by me duly sworn, says that he executed the foregoing and amended instrument for and in behalf of the said Bald Head Island Limited, and that his authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged, and recorded in the office of the Register of Deeds in the County of Brunswick, State of North Carolina, in Deed Book 1143 at Page 916, and that this instrument was executed under and by virtue of the authority given by said instrument granting him power of attorney.

I do further certify that the said Kenneth M. Kirkman acknowledged the due execution of the foregoing amended instrument for the purposes therein expressed for and in behalf of the said Bald Head Island Limited.

WITNESS my hand and official seal, this the 1st day of June, 1997


Elizabeth T. Cantrell
Notary Public

My commission expires: 12/11/2001

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of

Elizabeth T. Cantrell

Notary(ies) Public is (are) Certified to be Correct.

This Instrument was filed for Registration on this 17th Day of October, 1997
in the Book and Page shown on the First Page hereof.

Robert J. Robinson
ROBERT J. ROBINSON, Register of Deeds

TRACT ONE
Flora's Bluff Property

That certain real property, located on Bald Head Island in Smithville Township, County of Brunswick, State of North Carolina, and being more particularly shown and described on plats of survey made by William W. DeLaney, II, R.L.S., Tide Water Engineering and Surveying and of record in the office of the Register of Deeds for Brunswick County, North Carolina, as follows: PHASE ONE, Flora's Bluff, as shown on plat of survey recorded in Map Cabinet X, Instrument Number 101 and 102; Flora's Bluff, PHASE TWO, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 253; PHASE THREE, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 262; PHASE FOUR, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 297; PHASE FIVE, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 318; PHASE SIX, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 356; PHASE SEVEN, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 362; PHASE EIGHT, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 371; PHASE NINE, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 37; PHASE TEN, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 79; PHASE ELEVEN, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 95; PHASE TWELVE, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 186; and PHASE TWELVE-A Second Revision, Flora's Bluff, as shown on plat recorded in Map Cabinet 17, Instrument 262.

TRACT TWO
Killegray Ridge Property

All that certain real property lying and being situate in the Village of Bald Head Island, Brunswick County, North Carolina, and more particularly shown and described on plats of survey made by Thomas W. Morgan, R.L.S., Brunswick Surveying, Inc., and duly recorded in the office of the Register of Deeds for Brunswick County, North Carolina, as follows:

PHASE ONE, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 89;
PHASE ONE-A, Killegray Ridge, as shown on plat recorded in Map Cabinet 17, Instrument 128;
PHASE TWO, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 166;
PHASE THREE, Killegray Ridge, as shown on plat recorded in Map Cabinet 18, Instrument 275.

TRACT THREE
Killegray Ridge Future Development

1. That certain tract or parcel of land lying and being situate on Bald Head Island in Smithville Township, Brunswick County, North Carolina, containing approximately 2.90 acres, more or less, and being shown and described as Phase Four, Killegray Ridge, on a plat of survey made by Thomas W. Morgan, R.L.S., Brunswick Surveying, Inc. and filed of record in the Office of the Register of Deeds for Brunswick County in Map Cabinet 18 at Page 85.
2. That certain lot or parcel of land fronting along the southern boundary of South Bald Head Wynd for a distance of 79.76 feet and lying between Phase Two Killegray Ridge and Flora's Bluff properties as shown on plat of survey recorded in Map Cabinet Z, Instrument 166 of the Brunswick County Registry.