

Prepared By and Return To: Hinton and Bruckel, Box 550,
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BOOK 487 PAGE 687

NORTH CAROLINA
BRUNSWICK COUNTY

1981 DEC -3 AM 11:59
JAMES J. BRUNSWICK
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR BALD HEAD ISLAND
VILLAS, LOCATED ON BALD HEAD ISLAND
RECORDED IN MAP CABINET M, PAGE 250,
BRUNSWICK COUNTY REGISTRY

THIS DECLARATION, made this 20th day of November, 1981, by
BALD HEAD ISLAND CORPORATION, a North Carolina corporation, hereinafter
referred to as the "Declarant";

WITNESSETH:

WHEREAS, the Declarant is the owner of certain property On Bald
Head Island, in Smithville Township, Brunswick County, North Carolina,
which is more particularly described as:

Bald Head Island Villas, located on Bald Head
Island as shown on map recorded in Map Cabinet
M, Page 250, Brunswick County Registry (herein-
after "the Property")

NOTE: The property includes the numbered lots
and the common area which includes all the lagoons
located on said map within the boundary shown and
further includes all shoreline of lagoons not within
the boundary line between the mean low water mark of
said lagoons and the boundary of the property from
Lot 16 on the eastern portion of the property around
to the southeastern corner of Lot 48 as shown on said
map.

WHEREAS, the Declarant desires that the said property be subject to
Amended and Restated Declaration of Covenants, Conditions and Restrictions
for Bald Head Island; and

WHEREAS, Declarant desires to convey the Property, subject to
certain additional protective covenants, conditions, restrictions, liens
and charges as hereinafter set forth;

NOW, THEREFORE, the Declarant hereby declares that all of the
Property described above shall be held, sold, and conveyed subject to
the provisions of the Amended and Restated Declaration of Covenants,
Conditions and Restrictions for Bald Head Island, Phase I, recorded in
or to be recorded in the Brunswick County Registry, as the same now is
or is hereafter amended, which provisions are herein incorporated by
reference, and subject to the following easements, restrictions, cove-
nants, and conditions, all of which are for the purpose of enhancing and
protecting the value, desirability and attractiveness of the real
property. These easements, restrictions, covenants, and conditions

shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described property or any part thereof, and shall inure to the benefit of each owner thereof and the Declarant as provided herein.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Bald Head Island Villas Association, a North Carolina non-profit corporation, its successors and assigns.

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

Section 3. "Building" shall mean and refer to a structure constructed or erected on the Property.

Section 4. "Bylaws" means the bylaws of the Association as they now or hereafter exist.

Section 5. "Common area" shall mean and refer to all real property designated as such on the above-referenced recorded map or subsequent maps and areas annexed to these covenants owned by the Bald Head Island Villas Association, along with the private drives and parking areas and other facilities and improvements erected thereon, for the exclusive common use and enjoyment of all members of the Association. Said common area(s) shall be maintained by the Association.

Section 6. "Common expenses" shall mean and include:

- (a) All sums lawfully assessed by the Association against its members;
- (b) Expenses of administration, maintenance, repair or replacement of the lots, Villas or common areas;
- (c) Expenses declared to be common expenses by the provisions of this Declaration of the Bylaws;
- (d) Hazard, liability or such other insurance premiums as the Declaration or Bylaws may require the Association to purchase;
- (e) Expenses agreed by the members to be common expenses of the Association.

Section 7. "Common profits" shall mean and refer to the balance of all income, rents, profits, and revenues of the Association remaining after the deduction of the common expenses or reserves therefor. Common profits shall not mean or include any sums lawfully assessed against members by the Association.

Section 8. "Declarant" shall mean and refer to Bald Head Island Corporation, a North Carolina corporation, its successors and assigns to whom the rights of Declarant are expressly transferred, or if such successors or assigns should acquire more than one undeveloped lot or undeveloped acreage for the purpose of development, or acquire title to the property under a deed in lien of foreclosure, judicial foreclosure, or foreclosure under power of sale contained in any deed of trust or one otherwise denominated a "Declarant" hereby.

Section 9. "Lot" shall mean and refer to any plot of land, other than the common area, shown on a recorded subdivision map of the Property and upon which a building has been or may be constructed.

Section 10. "Member" shall mean and refer to every person who is a member of the Association.

Section 11. "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 who have such interests merely as security for the performance of an obligation.

Section 12. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 13. "Property" shall mean and refer to that certain real property hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Association by annexation.

Section 14. "Villa" means and refers to a single dwelling unit constructed, or to be constructed, on a Lot.

ARTICLE II

ANNEXATION TO BALD HEAD ISLAND

Upon the filing of this Declaration in the Registry of Brunswick County, North Carolina, the Property herein described, and any properties

hereafter annexed in conformity with the provisions of this Declaration, shall be a part of Bald Head Island as described in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Phase I, recorded in Book ____, Page ____, or is to be recorded in the Brunswick County Registry, as the same now is or hereafter amended.

Every owner of a lot within the Property shall be a member of the Bald Head Association and shall be subject to the provisions of said Declaration for Bald Head Island Phase I and to the bylaws, rules, and regulations of said Bald Head Association.

ARTICLE III

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Additional properties and improvements, including common area, may be annexed in the manner provided in this Article to the Property herein described. Additional properties so annexed shall be merged with the Property herein described and any other previously annexed property, and shall be subject to the provisions of the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island Phase I, hereinabove referred to, and to the provisions of this Declaration and to the Articles of Incorporation and Bylaws of the Association.

Section 2. At any time within ten (10) years following the date of incorporation of the Association, the Declarant may annex additional properties to the Property herein described. All properties annexed shall be located near the Property herein described, shall be of similar construction and shall be located on Bald Head Island.

Section 3. In addition to annexations as provided in Section 2 of this Article, other contiguous property may be annexed at any time with the express consent of two-thirds (2/3) of each class of members.

ARTICLE IV

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every owner shall have a right and easement of enjoyment in and to the common area which shall be appurtenant to and shall pass with the title to every assessed lot,

subject to each of the following provisions:

(a) The right of the Association to limit the number of guests or members.

(b) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the limited common area and facilities.

(c) The right of the Association to suspend the voting rights (and right to use of any recreational facilities located upon the common area) by a member, or any person to whom he has delegated his voting right, for any period during which any assessment against his lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

(d) The right of the Association to formulate, publish, and enforce rules and regulations as provided in Article X.

Section 2. Delegation of Use. Any owner may delegate, in accordance with the Bylaws, his right of enjoyment to the common area and facilities to the members of his family, his tenants, or contract purchasers, provided, every such delegee shall reside on the Property.

Section 3. Title to Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the common areas as shown upon the recorded map referred to in the premises of this Declaration, to the Association, free and clear of all liens and encumbrances, at the time or prior to the conveyance of the first lot, except utility and drainage easements and easements to governmental authorities the Declarant or utility companies providing services to the Property, so long as such area is maintained in conformity with the requirements of this Declaration, the bylaws, and the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Phase I, at the sole expense of the owners. Similarly, the Declarant will convey to the Association, upon the same conditions and for the same uses and purposes, common areas which are parts of any additional properties that are annexed by it in the future.

Section 4. Parking Rights. The owner or owners of each lot shall provide parking space for his own vehicles and those of his guests,

provided, the Association, in its discretion, may control or prohibit the use of the Common Area to parking. The owners or owner shall be entitled to the right of ingress and egress to said parking spaces. No boats, trailers, campers or recreational vehicles shall be parked within the common area, or rights of way of any public or private street in or adjacent to the Property. All boats, trailers, campers or recreational vehicles shall be parked only in such areas designated for parking such vehicles and upon such terms and conditions as shall be established by Bald Head Island Corporation, its successors or assigns.

Section 5. Lot Restrictions. Each lot above described shall constitute a residential building site (hereinafter called "building site") and shall be used for residential purposes only. The lay of the lots as shown on the recorded plat shall be substantially adhered to; provided, however, with the prior written approval of Bald Head Island Corporation, its successors or assigns, or the Architectural Committee, hereinafter referred to, the size and shape of any building site may be altered; provided further, that no building site or group of building sites may be resubdivided so as to produce a greater number of building sites than shown on the aforementioned recorded map. Except as provided in this paragraph, no structure shall be erected, altered, placed or permitted to remain on any building site, other than one detached single family dwelling unless otherwise approved by the Bald Head Island Corporation.

ARTICLE V

MEMBERSHIP

Every person who is record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, but excluding persons who hold an interest merely as security for the performance of any obligations, shall be a member of both the Bald Head Island Association and the Association. Ownership of such interest shall be the sole qualification for such membership; no owner shall have more than one membership in each Association and there shall be only one vote per unit in such

Association. Membership shall be appurtenant to and may be separated from ownership of any lot which is subject to assessment. The Board of Directors may make reasonable rules regarding proof of ownership.

ARTICLE VI

VOTING RIGHTS

Section 1. Classes. The Association shall have the following two classes of voting membership:

(a) Class A. Class A members shall be all owners, with the exception of the Declarant. Class A members 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. The vote for such lot shall be exercised as the owners thereof determine, but in no event shall more than one vote be cast with respect to any lot, and no fractional vote may be cast with respect to any lot.

(b) Class B. The Class B member shall be the Declarant, and it shall be entitled to three (3) votes for each lot in which it holds a fee or undivided fee interest, provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) When the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership; provided, however, that the Class B membership shall be reinstated with all rights, privileges, and responsibilities if, after conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the Property by the Declarant in the manner provided in Article III of this Declaration, or

(2) On January 1, 1987.

ARTICLE VII

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the Property hereby covenants, and every other owner of any lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the

Association:

- (a) Annual assessments or charges;
- (b) Special assessments for capital improvements; and

Such assessments shall be fixed, established, and collected from time to time as hereinafter provided.

The annual 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 lot and improvements against which each such assessment is made. Each such assessment, together with such interest and costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of the lot at the time the assessment fell due. The personal obligation of an owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them and then only with the consent of the Association. All assessments shall be shared equally by the owners of each lot.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents and the Property; enforcing these covenants and the rules of the Association; improving and maintaining the Villas, the Property and the common improvements situated thereon; and providing the services and facilities for purposes of and related to the use and enjoyment of the common area and facilities.

Section 3. Amount of Assessment.

(a) Initial Assessment. To and including December 31, 1982, the initial annual assessment shall not be in excess of Six Hundred Dollars (\$600.00) per lot, the exact amount of which shall be determined from time to time as provided in Subsection (d) of this Section 3.

(b) Increase by Association. From and after December 31, 1982, the annual assessment shall be determined by the Board of Directors of the Association, effective January 1 of each year, without a vote of the membership, based upon an annual budget of expenditures for authorized purposes, including reasonable reserves for major repairs, replacements and working capital; provided, however that in no event, without a

vote of the membership as set forth in Section 3(c) hereof, shall the annual assessment exceed one percent (1%) of the assessed taxable value of each Lot and Villa as determined from time to time by the taxing authorities of Brunswick County.

(c) Increase by Members. After December 31, 1982, should the Board of Directors increase the annual assessment above that provided in (a) above, then the maximum annual assessments may be increased by an affirmative vote of two-thirds (2/3) of the members of proxies who are entitled to vote at a meeting called for such purpose, and the increased annual assessments shall become the annual assessment and be thereafter adjusted pursuant to subparagraph (b) of this Section 3. Written notice of such meeting shall be given by the Board of Directors to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting, setting forth the date, time, place and purpose of the meeting. The provisions of this subsection shall not apply to nor be a limitation upon any change in the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of the sums derived by application of the 1% of the assessed taxable value of each Lot and Villa formula provided in Subsection (b) without the consent of members required by Subsection (c) of this Section 3.

(e) Lots Owned by Declarant. Notwithstanding anything in this Article VII to the contrary, all completed Villas owned by Declarant or Declarant's approved builder(s) and held for sale shall be assessed at an amount equal to the pro rata monthly maintenance expense less reserve payments but in no event less than 25% of the actual monthly assessments paid by owners.

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 costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the common area, including the necessary fixtures and personal property related thereto, 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, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 5. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all lots, on a per lot basis, and may be collected on a quarterly, semi-annual or annual basis.

Section 6. Quorum for any Action Authorized Under Sections 3 and 4. At the first meeting called, as provided in Sections 3 and 4 hereof, the presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirement set forth in Sections 3 and 4 and the required quorum at any such 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 sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall be paid in quarterly, semi-annual or annual installments and the payment of such shall commence as to each completed Villa on the first day of the month following the conveyance of the Villa. 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, upon demand at any time, shall furnish a certificate in writing 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 its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments or portion thereof which are not paid when due shall be delinquent. If the assessment or portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the date of delinquency at the rate of eight (8%) percent per annum. The Association may bring an action against the owner personally obligated to pay the same, or foreclose the lien against the property, and, in either event, interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the common area or abandonment of his lot.

Section 9. Subordination of the Lien to First Mortgages. The lien of the assessments provided for herein on any lot shall be subordinate to the lien of any first mortgage or mortgages and any lien for assessments of Bald Head Island Association on such lot. Sale or transfer of any lot shall not affect the assessment lien; however, the sale or transfer of any lot pursuant to mortgage 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. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE VIII

MAINTENANCE

Section 1. Common Areas and Yards. The Association shall maintain all common areas including roadways, bridges, medians and plantings,

located thereon. Further, the Association will maintain all initial plantings located on the yards of the lots so long as access to said plantings is not impeded by any approved fencing or structures. Said yard maintenance shall be provided for in the assessment payable to the Association. No yard maintenance by an owner shall reduce the assessment payable by him to the Association. The owner shall not plant any vegetation on his lot except with the prior written approvals as provided in Article IX hereinafter.

Section 2. Villas. In addition to maintenance of the common area, the Association shall provide exterior maintenance upon each lot which is subject to assessments hereunder, as follows: Stain and/or paint the exterior of villas, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, decks, mailboxes, fences installed by Declarant or the Association, exterior post lights (excluding electricity therefore) and other such exterior improvements. Such exterior maintenance shall not include glass surfaces, doors and door frames, exterior lighting fixtures, bulbs, and outlets or water spickets and controls attached to the units.

Any owner who fences or encloses any portion of his lot (which fence or enclosure shall require the prior approval of the Association) may plant trees, shrubs, flowers, and grass in the fenced or enclosed portion as he elects and shall maintain the fenced or enclosed portion at his own expense, provided that such maintenance does not hinder the Association in performing its maintenance duties as to the Villa, the remaining yard spaces, or the common area. No such maintenance by an owner shall reduce the assessment payable by him to the Association. The owner shall not plant any vegetation in the yard spaces of his Villa except with the prior written approval of the Association.

In the event that the need for maintenance or repair of a lot or the improvements thereon is caused through the wilful or negligent acts of its owner or his family, tenants, contract purchasers, guests, or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, or

smoke, as the foregoing are defined and explained in North Carolina standard fire and extended coverage insurance policies, the cost of such maintenance replacement, or repairs shall be added to and become a part of the assessment to which such lot is subject.

ARTICLE IX

ARCHITECTURAL CONTROL

No planting, building, fence, wall, antenna, clothesline, or other structure shall be commenced, erected, or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the said improvements or alterations shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by both the Board of Directors of the Association and of the Bald Head Island Association and by Bald Head Island Corporation or by their respective Architectural Committees. In the event that the said Boards or Bald Head Island Corporation or their designated committees, fail to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to them, approval will not be required and this Article will be deemed to have been fully complied with; provided, that the plans and specifications required to be submitted shall not be deemed to have been received if they contain erroneous data or fail to present accurate information upon which the Board or their committees can arrive at a decision.

The said Boards or Bald Head Island Corporation or their committees shall have the right, at their election, to enter upon any lot during construction, erection, or installation of improvements or alterations to inspect the work being undertaken in order 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.

ARTICLE X

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 each lot and the common area not inconsistent with the rules and regulations of the Bald Head Island Association. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

Section 2. Use of Property. Each Home and the Common Area and facilities shall be for the following uses and subject to the following restrictions in addition to those set forth in the Bylaws:

(a) All buildings and the Common Area and facilities shall be used for residential and related common purposes. Each Home may not be subdivided and shall be used as a single-family residence and for no other purpose except that the Declarant or Declarant's approved builder(s) may use one or more Homes for offices and/or model Homes for sales purposes.

(b) Nothing shall be kept and no activity shall be carried on in any building or Home or on the Common Area and facilities which will increase the rate of insurance, applicable to residential use, for the property or the contents thereof. No owner shall do or keep anything, nor chase or allow anything to be done or kept, in his villa or on the common area and facilities which will result in the cancellation of insurance on any portion of the property, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the common area and facilities.

(c) No immoral, improper, offensive or unlawful use shall be made of the property, or any part thereof, and all valid laws, ordinances, and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereof, relating to 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 or repair such portion of the property.

(d) Nothing shall be done in or to any villa or in, to or upon any of the Common Area and the facilities which will impair the structural integrity of any building, Home, or portion of the Common Area and facilities or which would impair or alter the exterior of any building or portion thereof, except in the manner provided in this Declaration.

(e) No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any part of the property, except that the Declarant or its agents may use any unsold villa or lease up to two Homes for sale or display purposes.

(f) No 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 Home, building or any portion of the Common Area and facilities, except as may be allowed by the Bald Head Association pursuant to its bylaws; provided, however, that the Declarant and any mortgagee who may become the owner of any unit, or their respective agents, may place "For Sale" or "For Rent" signs on any unsold or unoccupied Homes and in suitable places on the Common Area.

(g) No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Area and facilities except at the direction of with the express written consent of the Bald Head Island Association.

(h) The Common Area and facilities 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 Homes, subject to any rules or regulations that may be adopted by the Association or the Bald Head Association pursuant to their respective bylaws.

(i) No trailer, tent, shack, recreational vehicle, barn or other outbuilding shall be erected or placed on any lot or building site covered by these covenants without the approvals as required by Article IX.

(j) No animals, livestock, or poultry of any kind, other than dogs, cats or other household pets, shall be kept or maintained in any part of the property. Further, no pet runs, cages or houses may be kept

or maintained on any lot or on the Common Area. All such dogs, cats or other household pets must be kept within the Villa.

(k) The Common Area, from the time of its conveyance to the Association, shall be the exclusive property of the Homeowners Association, and no building site owner in this subdivision shall have any right to use the common area except in accordance with the Bylaws, rules and regulations of the Homeowners Association.

(l) All telephone, electric and other utility lines and connections between the main utility lines and residence and other building located on each building site shall be concealed and located underground so as not to be visible.

(m) Declarant, for itself and its successors and assigns, hereby reserves, and is given a perpetual easement, privilege, and right, including right of entry, for utility, television antenna system, and drainage purposes, on, in, and under a ten (10) foot strip along the front, rear and side lines of each building site and as shown on the aforementioned recorded map. In the event Declarant in its sole discretion deems it necessary and appropriate, Declarant specifically reserves the right exclusively unto itself to relocate, remove and/or re-establish the easements provided for herein or the easements provided on the map recorded on the subdivision, which easements may be located on, in and under the lots utilized as the building site.

Further, Declarant reserves the right to subject real property in this subdivision to a contract with Carolina Power and Light Company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power & Light Company by the owner of each building.

(n) All personal property of the owners, including yard furniture, fire wood, bicycles, motor bikes and other vehicles, beach furniture and toys, trash cans, must be stored or kept in the storage room located in the pedestal of each villa or in exterior receptacles approved by Declarant. No such items may be kept in the yard areas of the Lots, it

being the intent of this subsection to maintain an aesthetically pleasing project free of exterior storage and display of unsightly clutter and to insure the continued beauty and neatness of the villa property.

Section 3. Quiet 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 residence within the property.

ARTICLE XI

EASEMENTS

Section 1. Walks, Drives, Parking Areas, and Utilities. All of the Common Area and Lots shall be subject to a perpetual non-exclusive easement or easements in favor of all Owners of lots for their use and the use of their immediate families, guests, invitees, tenants or lessees for all proper and normal purposes and for ingress and egress and regress and to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, and other utilities as shall be established prior to subjecting the property to this Declaration by the Declarant or its predecessors in title or shall be subsequently made available to other areas of Bald Head Island and for the use of the Owner, their families, guests and tenants; and the Bald Head Association shall have the power and authority to grant and to establish in, over, upon, and across the common area conveyed to it such further easements as are requisite for the convenient use and enjoyment of the Property and Bald Head Subdivision.

Section 2. Encroachments. All lots and the Common Area shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, walls, and decks. If any encroachment shall occur subsequent to subjecting the Property to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and

shall be a valid easement for such encroachment and for the maintenance of the same. Every lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a lot to an owner for the purpose of correcting any problems that may arise regarding 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 3. Emergencies. Every lot and Villa shall be subject to an easement for entry by the Association or its agent(s) or employees for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any lot or within any Villa and that endangers any building or portion of the Common Area.

Section 4. Maintenance. Each lot and Villa shall be subject to an easement to the Association or its agent(s) or employees for normal yard, utility and exterior maintenance and to Villa maintenance, if needed.

ARTICLE XII

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. The prior written approval of each institutional holder of a first deed of trust on Villas in the property will be required for the following:

(a) The abandonment or termination of the Villa property except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(b) Any material amendment to the Declaration or to the Bylaws of the Association.

(e) The effectuation of any decision by the Association to terminate professional management and assume self management of the property.

Section 2. No Villa may be partitioned or subdivided without the prior written approval of the first lien holder of the Villa.

Section 3. Upon written request, any institutional holder of a first lien on a Villa will be entitled to:

(a) inspect the books and records of the Association during normal business hours;

(b) receive an annual financial statement of the Association within 90 days following the end of any fiscal year; and

(c) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

Section 4.

(a) In the event of substantial damage to or destruction of any Villa or any part of the Common Area, the institutional holder of any first mortgage on such a Villa will be entitled to timely written notice of any such damage or destruction.

(b) If any Villa or portion thereof or the Common Area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institution holder of any first mortgage on a Villa will be entitled to timely written notice of any such proceeding or proposed acquisition.

(c) The holder of a first mortgage on any Villa shall be given prompt notice of any default by the Villa mortgagor's obligations hereunder not cured within thirty (30) days of said default.

ARTICLE XIII

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, 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. Insurance. Every 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 Villa except that the amount shall not be required to exceed the replacement cost of the Villa. An owner shall exhibit to the Board, upon demand, evidence that such insurance is in

effect.

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 4. Amendment. The covenants, conditions, 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 the owners of not less than ninety percent (90%) of the lots, and thereafter by an instrument signed by the owners of not less than seventy five percent (75%) of the lots; provided, however, that the Board of Directors may amend this Declaration, without the consent of owners, to correct any obvious error or inconsistency in drafting, typing, or reproduction. All amendments shall be certified as an official act of the Association and shall forthwith be recorded in the Brunswick County Registry. All amendments shall become effective upon recordation.

Section 5. Failure to Maintain. It shall be the duty and responsibility of the owners and/or the Association to maintain the lots, yards, Villas and Common Area to at least the same standard of maintenance as that of the Common Areas and facilities of Bald Head, Phase I by the Bald Head Association or Bald Head Island Corporation and in conformity with the general plan of development and maintenance for Bald Head Phase I. In the event that the Association fails to properly maintain the lots, yards, Villas, or Common Area in conformity with these requirements, the Board of Directors of the Bald Head Association or Bald Head Island Corporation shall give written notice of any deficiencies to the Board of the Association; and if the Association fails to remedy such deficiencies within thirty (30) days following receipt of notice, the Bald Head Association or Bald Head Island Corporation may perform the necessary maintenance for such period of time as it may in its discretion elect to do so, and the cost of such maintenance may be added to and included in the annual assessment by Bald Head Association of

owners within the Association on a per lot basis.

There is hereby created an easement for entry, which shall run with the land, in favor of the Bald Head Association or Bald Head Island Corporation and their successors upon any lot, yard, Villa, and Common Area within the property, or other areas annexed hereto to perform the maintenance provided for herein.

Section 6. Amendment of Declaration Without Approval of Owners.

The Declarant, without the consent or approval of any other owner, 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 or insured by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State 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, Government National Mortgage Association, 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 conform to such request or suggestion.

No amendment made pursuant to this Section shall be effective until duly recorded in the Register of Deeds of Brunswick County.

Section 7. Amendment to Achieve Tax-Exempt Status. 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

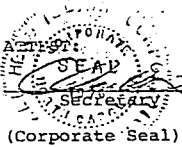
necessary, in its opinion, and without the consent of any owner, to qualify the Association or the Property, or any portion thereof, for tax-exempt status. Such amendment shall become effective upon the date of its recordation in the Brunswick County Registry.

Section 8. Conflicts. In the event there shall be any irreconcilable conflicts between either this Declaration of the Association or the Bylaws of the Association and the Amended and Restated Declaration of Covenants, Conditions and Restrictions for the Bald Head, Phase I, (herein before referred to) or the Bylaws of the Bald Head Island Association, the provisions of the said Declaration for Bald Head Phase I and the Bylaws of said Bald Head Association shall control. In the event of any irreconcilable conflict between this Declaration and the Bylaws of the Association, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between this Declaration or the Bylaws of the Association and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed in its name by authority duly given.

BALD HEAD ISLAND CORPORATION

By: John A. Messick
Vice President



(Corporate Seal)

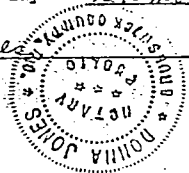
NORTH CAROLINA
BRUNSWICK COUNTY

I, Donna Jones, a Notary Public in and for said State and County, do hereby certify that Charles L. Hinton, III personally appeared before me this day and acknowledged that he is Secretary of Bald Head Island Corporation, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, John A. Messick, sealed with its corporate seal, and attested by himself as its Secretary.

Witness my hand and notarial seal, this the 20th day of November, 1981.

My commission expires: 9/13/86

Donna Jones
Notary Public



STATE OF NORTH CAROLINA, Brunswick County
The foregoing Certificate(s) of Donna Jones, Notary Public

(is/xare) certified to be correct.

Recorded this 3rd day of December 19 81 at 11:59 o'clock A.M.
Robert J. Robinson, Register of Deeds dhp

Robert J. Robinson