

Amended and Restated

Declaration of Covenants, Conditions and Restrictions

for

BALD HEAD ASSOCIATION

TABLE OF CONTENTS

| | |
|---|-----------|
| Preliminary Matters..... | 1 |
| ARTICLE 1: DEFINITIONS | 7 |
| ARTICLE 2: ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS..... | 9 |
| 2.1 <u>FUNCTION OF ASSOCIATION</u> | 9 |
| 2.2 <u>MEMBERSHIP</u> | 10 |
| 2.3 <u>VOTING</u> | 10 |
| ARTICLE 3: RIGHTS AND OBLIGATIONS OF THE ASSOCIATION..... | 11 |
| 3.2 <u>PERSONAL PROPERTY AND REAL PROPERTY FOR COMMON USE</u> | 11 |
| 3.3 <u>RULES</u> | 11 |
| 3.4 <u>ENFORCEMENT</u> | 11 |
| 3.5 <u>BOARD AUTHORITY; IMPLIED RIGHTS</u> | 11 |
| 3.6 <u>INDEMNIFICATION</u> | 12 |
| 3.8 <u>MANAGEMENT AND ADMINISTRATION</u> | 12 |
| 3.7 <u>ASSOCIATION INSURANCE</u> | 12 |
| ARTICLE 4: CONDEMNATION | 12 |
| 4.1 <u>CONDEMNATION</u> | 12 |
| 4.2 <u>RESTORATION</u> | 12 |
| ARTICLE 5. ASSESSMENTS | 12 |
| 5.1 <u>CREATION OF ASSESSMENTS</u> | 12 |
| 5.3 <u>COMPUTATION OF GENERAL ASSESSMENT</u> | 13 |
| 5.4 <u>CAPITAL RESERVE BUDGET</u> | 14 |
| 5.5 <u>SPECIAL ASSESSMENTS</u> | 14 |
| 5.6 <u>DUE DATES OF GENERAL ASSESSMENTS</u> | 15 |
| 5.7 <u>LIEN FOR ASSESSMENTS</u> | 15 |
| 5.8 <u>EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION</u> | 16 |
| 5.9 <u>EXEMPT PROPERTY</u> | 16 |
| ARTICLE 6. MORTGAGEE PROVISIONS | 16 |
| 6.1 <u>NOTICE TO ASSOCIATION</u> | 16 |
| 6.2 <u>FAILURE OF MORTGAGEE TO RESPOND</u> | 16 |
| ARTICLE 7. DESIGN GUIDELINES | 16 |
| 7.1 <u>GENERAL</u> | 17 |
| 7.2 <u>ARCHITECTURAL REVIEW</u> | 17 |
| 7.3 <u>GUIDELINES AND PROCEDURES</u> | 18 |
| 7.4 <u>SUBMISSION OF PLANS AND SPECIFICATIONS</u> | 18 |
| 7.5 <u>NO WAIVER OF FUTURE APPROVALS</u> | 20 |
| 7.6 <u>VARIANCE</u> | 20 |
| 7.7 <u>LIMITATION OF LIABILITY</u> | 20 |
| 7.8 <u>SPECIFIC DESIGN GUIDELINES</u> | 21 |
| ARTICLE 8. COMMON AREAS..... | 23 |
| 8.1 <u>COMMON AREA</u> | 23 |
| 8.2 <u>DEDICATION OF COMMON AREA</u> | 23 |
| 8.3 <u>MANAGEMENT OF COMMON AREA</u> | 23 |

| | |
|---|-------------------------------------|
| ARTICLE 9. PROPERTY RIGHTS IN COMMON AREA..... | 26 |
| 9.1 EASEMENT RIGHTS OF OWNER IN COMMON AREA | 26 |
| 9.2 EXTENSION OF EASEMENT RIGHTS | 27 |
| ARTICLE 10: USE GUIDELINES AND RESTRICTIONS..... | 27 |
| 10.1 <u>PLAN OF DEVELOPMENT; APPLICABILITY; EFFECT</u> | 27 |
| 10.2 <u>RULES AND REGULATIONS</u> | 27 |
| 10.3 <u>OWNERS’ ACKNOWLEDGMENT</u> | 28 |
| 10.4 <u>RIGHTS OF OWNERS</u> | 28 |
| 10.5 <u>USE GUIDELINES AND RESTRICTIONS</u> | 28 |
| ARTICLE 11: MAINTENANCE..... | 30 |
| 11.1 <u>ASSOCIATION’S RESPONSIBILITY</u> | 30 |
| 11.2 <u>OWNER’S RESPONSIBILITY</u> | 31 |
| 11.3 <u>MAINTENANCE OF UNITS</u> | 32 |
| 11.4 <u>STANDARD OF PERFORMANCE</u> | 32 |
| ARTICLE 12. EASEMENTS | 32 |
| 12.1 <u>EASEMENT FOR UTILITY INSTALLATION</u> | 32 |
| 12.2 <u>EASEMENTS FOR CROSS-DRAINAGE</u> | 33 |
| 12.3 <u>POWER TO GRANT EASEMENTS</u> | 33 |
| 12.4 <u>EASEMENT FOR ENTRY</u> | 33 |
| 12.5 <u>EASEMENT FOR MAINTENANCE</u> | 33 |
| 12.6 <u>EASEMENTS FOR OWNER’S INGRESS AND EGRESS</u> | 34 |
| 12.7 <u>EASEMENT FOR PATHWAYS</u> | 34 |
| 12.8 <u>COMMON AREA EASEMENT</u> | 34 |
| 12.9 <u>GRADING EASEMENTS</u> | 34 |
| 12.10 <u>GOLF COURSE RESTRICTIONS FOR FAIRWAY UNITS</u> | 34 |
| 12.11 <u>EASEMENTS RUN WITH THE LAND</u> | 35 |
| ARTICLE 13: SUBDIVISION OF LOTS ANNEXATION AND MERGER..... | 35 |
| 13.1 <u>SUBDIVISION</u> | 35 |
| 13.2 <u>ANNEXATION</u> | 35 |
| 13.3 <u>MERGERS</u> | ERROR! BOOKMARK NOT DEFINED. |
| ARTICLE 14: DURATION, AMENDMENT AND TERMINATION | 36 |
| 14.1 <u>UNITS, PERSONS AND ENTITIES SUBJECT TO THIS DECLARATION, DURATION AND TERMINATION</u> | 36 |
| 14.2 <u>AMENDMENT</u> | 36 |
| ARTICLE 15: COMPLIANCE WITH THIS DECLARATION, THE ARTICLES, THE BYLAWS AND THE RULES AND REGULATIONS OF THE ASSOCIATION..... | 37 |
| 15.1 <u>ENFORCEMENT</u> | 37 |
| 15.2 <u>REMEDIES</u> | 37 |
| 15.3 <u>SUSPENSION OF RIGHTS</u> | 37 |
| 15.4 <u>FINES</u> | 37 |
| 15.5 <u>REMEDIES CUMULATIVE</u> | 38 |
| 15.6 <u>WAIVER</u> | 38 |
| ARTICLE 16: GENERAL PROVISIONS..... | 38 |
| 16.1 <u>DISPUTE RESOLUTION</u> | 38 |
| 16.2 <u>AMENITIES AND FACILITIES</u> | 38 |
| 16.3 <u>APPLICABILITY; LEASES</u> | 38 |
| 16.4 <u>OTHER ASSOCIATIONS</u> | 38 |
| 16.5 <u>VARIANCES</u> | 39 |
| 16.6 <u>CONFLICT</u> | 39 |

16.7 SEVERABILITY..... 39
16.8 CAPTIONS..... 39
16.9 LIBERAL CONSTRUCTION..... 39

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

**AMENDED AND RESTATED DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS FOR BALD HEAD
ASSOCIATION**

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR BALD HEAD ASSOCIATION (hereinafter "Declaration"), is made this the ___ day of _____, 2017, by Bald Head Association, on behalf of itself and all Owners of parcels of real property or lots described and shown on **EXHIBITS A and B**, with the consent of Bald Head Island Limited, LLC, a North Carolina limited liability company, as successor-in-interest to Bald Head Island Limited, a Texas Limited Partnership.

PREAMBLE

WHEREAS, Carolina Cape Fear Corporation, a North Carolina corporation, did, while Owner of Bald Head Island, place certain restrictive covenants on record which apply to land conveyed when the deed or deeds for such land made specific reference to the restrictive covenants recorded in Book 263, Page 621, of the Brunswick County Registry; and

WHEREAS, Bald Head Island Corporation, a North Carolina corporation, acquired substantially all of the undeveloped portion of Bald Head Island in Smithville Township, Brunswick County, North Carolina, pursuant to foreclosure deed, dated May 3, 1976, and recorded in Book 350 at Page 68 of the Brunswick County Registry; and

WHEREAS, subsequent to the recording of the above restrictive covenants, Carolina Cape Fear Corporation and Bald Head Island Corporation did convey lots on Bald Head Island with reference to said restrictions; and

WHEREAS, Bald Head Island Corporation recorded a Declaration of Restrictions dated April 18, 1977, for property located within Stage I of Bald Head Island, which property is

more particularly described therein, and which Declaration of Restrictions is recorded in Book 374, Page 645, of the Brunswick County Registry; and

WHEREAS, Bald Head Island Corporation and certain Owners of residential lots shown on the subdivision plats of Stage I recorded in Map Book 12, Pages 1-11 and 38 subsequently recorded an Amended and Restated Declaration of Restrictions, dated July 1, 1978, on property located in Stage I of Bald Head Island and which property is more particularly described therein, which Amended and Restated Declaration of Restrictions is recorded in Book 409, Page 421, of the Brunswick County Registry; and

WHEREAS, Bald Head Island Corporation and certain Owners of parcels of real property or residential lots subsequently recorded an Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island Stage I, Brunswick County, dated January 29, 1982, for property which is more particularly described therein, which Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Stage I, Brunswick County, is recorded in Book 498, Page 260, of the Brunswick County Registry; and

WHEREAS, the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island Stage I, Brunswick County, recorded in Book 498, Page 260, Brunswick County Registry, was subsequently amended in accordance with the requirements set forth in Article XI, Section 4 of said Declaration, by that Amendatory Addendum to Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded in Book 725, Page 943, of the Brunswick County Registry, and by that Resolution before the Board and Amendment, which resolution is recorded in Book 1076, Page 89, of the Brunswick County Registry, and which amendment is recorded in Book 1076, Page 91, of the Brunswick County Registry; and

WHEREAS, certain lots subject to the restrictive covenants recorded in Book 263, Page 621, the Declaration of Restrictions recorded in Book 374, Page 645, the Amended and Restated Declaration of Restrictions recorded in Book 409, Page 421, and Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Stage I recorded in Book 498, Page 260, all of the Brunswick County Registry, are no longer located above the mean high water line of the Atlantic Ocean and the Cape Fear River because of erosion or other natural phenomenon (“Excluded Lots”); and

WHEREAS, these Excluded Lots no longer have voting rights or the obligation to pay assessments to the Association because they do not lie above the mean high water line of the Atlantic Ocean or the Cape Fear River and have accordingly not been included as Owners for purposes of amending the restrictive covenants set forth in those documents recorded in Book 263, Page 621, Book 374, Page 645, Book 409, Page 421 and Book 498, Page 260, all of the Brunswick County Registry; and

WHEREAS, the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island Stage I, Brunswick County, recorded in Book 498, Page 260, of the Brunswick County Registry (the “1982 Declaration”) was intended to supersede and

replace all previous covenants and restrictions for property described in **EXHIBIT A** therein and/or annexed thereto; and

WHEREAS, the 1982 Declaration provided that it could be amended by an instrument signed by Owners of not less than fifty percent (50%) of the Owners of Assessable Properties, as defined therein, in accordance with the procedure for certification and recordation set forth in Article XI, Section 5 therein; and

WHEREAS, the 1982 Declaration and other amended covenants for property described in **EXHIBIT A** were so amended and superseded by the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Association recorded in Book 1359, Page 1 of the Brunswick County Registry (the “2000 Declaration”); and

WHEREAS, the 2000 Declaration was subsequently amended by instruments recorded in Book 1436, Page 1298, Book 2655, Page 877, Book 2857, Page 93, Book 3153, Page 586, Book 3352, Page 1347, Book 3352, Page 1347, Book 3352, Page 1351, and Book 3508, Page 76; and

WHEREAS, this Declaration is intended in part to memorialize all applicable changes to the 2000 Declaration effected by the recordation of these prior amendments; and

WHEREAS, Bald Head Island Limited, a Texas Limited partnership, is the successor and/or assignee of Carolina Cape Fear Corporation and Bald Head Island Corporation; and

WHEREAS, Bald Head Island Limited, LLC, successor to the rights of Bald Head Island Limited, has joined in the execution of this Declaration because its consent is necessary to effect certain additional changes to the 2000 Declaration; and

WHEREAS, in accordance with 2000 Declaration, as amended, the Board of Directors and the membership of Bald Head Association were authorized to take such action as may be necessary to cause a legal merger (the “Merger”) of Bald Head Association and Bald Head Island Stage Two Association, Inc., so long as the Merger was approved by the members of each association and the governing bodies of the two associations deemed the Merger to be mutually desirable and in the best interest of their respective memberships; and

WHEREAS, the Boards of Directors of both Bald Head Association and Bald Head Island Stage Two Association, Inc. do deem such a Merger to be mutually desirable and in the best interests of their respective memberships; and

WHEREAS, the Boards of Directors of both Bald Head Association and Bald Head Island Stage Two Association, Inc. voted to cause such a merger to occur pursuant to Chapter 55A, Article 11 of the North Carolina General Statutes and an Agreement and Plan of Merger separately filed in Book ____, Page ____ of the Brunswick County Registry; and

WHEREAS, at the 2017 BHA annual meeting, the BHA membership, as signified by an affirmative vote by more than two-thirds of those present and voting in person or by proxy at a meeting of its members, approved the Merger and the adoption of this Declaration; and

WHEREAS, the membership of Bald Head Island Stage Two Association, Inc., as signified by an affirmative vote of more than two-thirds of the votes cast or a majority of the votes entitled to be cast in person or by proxy at a meeting of its members, whichever is less, approved the Merger; and

WHEREAS, the membership of Bald Head Island Stage Two Association, Inc., as signified by an affirmative vote of at least sixty percent (60%) of those membership votes in attendance either in person or by proxy at a meeting duly called for such purpose, approved the adoption of this Declaration; and

WHEREAS, the merger occurred on _____, 2017 upon the filing of Articles of Merger with the North Carolina Secretary of State; and

WHEREAS, Bald Head Association is the surviving corporation; and

WHEREAS, prior to the recordation of this Declaration, the Properties described in **EXHIBIT B** to this Declaration have been subject to the Protective Covenants for Bald Head Island Stage Two recorded in Book 1045, Page 676, Brunswick County Registry, as the same was amended and corrected in accordance therewith by instruments recorded in Book 1089, Page 122; Book 1100, Page 863; Book 3351, Page 209; Book 3536, Page 1243; Book 3691, Page 1391; and Book 3737, Page 609 (as otherwise amended, collectively, the “Stage Two Primary Covenants”); and

WHEREAS, the Stage Two Primary Covenants may be amended by approval of sixty percent (60%) of those membership votes in attendance either in person or by proxy at a meeting duly called for such purpose; and

WHEREAS, various neighborhood communities comprised by certain Properties identified in **EXHIBIT B** were annexed and made subject to the Protective Covenants for Bald Head Island Stage Two recorded in Book 1045, Page 676, by amendments to the Stage Two Primary Covenants, including without limitation (the Book and Page number in which these documents have been recorded in the office of the Register of Deeds of Brunswick County are included with each document in parentheses): Amended Declaration of Protective Covenants and Amendments for Cedar Court (Book 1062, Page 114); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Chicamacomico Woods, Cape Fear Station (Eco Tract A) (Book 2110, Page 508); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Eco-A-Prime, Cape Fear Station (Book 2172, Page 1426); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Eight (8) Lots in Commercial Tract 5A Cape Fear Station (Book 2173, Page 10); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Kinnakeet Woods, Cape Fear Station (Eco Tract B) (Book 2110, Page 516); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Kiitty Hawk Woods

(Eco-B-Prime) Cape Fear Station (Book 2365, Page 276); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Eco Tract C – Kitty Hawk (Book 1953, Page 505); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 1 Cape Fear Station (Book 1590, Page 290); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 2 Cape Fear Station (Book 1590, Page 297); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 3 Cape Fear Station (Book 1380, Page 707); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 4 Cape Fear Station (Book 1590, Page 304); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 5 and 7 Cape Fear Station (Book 1380, Page 714); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 6 Cape Fear Station (Book 1862, Page 1159); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Single Family 8 Cape Fear Station (Book 1382, Page 241); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 9 Cape Fear Station (Book 1380, Page 1721); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 10 Cape Fear Station (Book 1380, Page 1147); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 11 Cape Fear Station (Book 1381, Page 98); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 12 Cape Fear Station (Book 1604, Page 71); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 15 Cape Fear Station (Book 1476, Page 1123); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 16 – Shoals Watch Cape Fear Station (Book 1733, Page 763); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 17 Cape Fear Station (Book 1732, Page 269); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 18 Cape Fear Station (Book 1372, Page 263); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Single Family 21 Cape Fear Station (Book 1979, Page 1227); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Recreation 1 – Village Common Cape Fear Station (Book 1388, Page 1353); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Phase One, Surfman’s Walk Cape Fear Station – Multi-Family 3 (Book 1573, Page 785); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for The Crescent (Book 2180, Page 1195); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two for Faire Isle, f/k/a Palmetto Point Island (Book 1260, Page 264); Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, The Grove (Book 1261, Page 257); Amended and Restated Amendment and Annexation to Protective Covenants for Bald Head Island Stage Two, Keeper’s Landing, Cape Fear Station – Multi-Family 4 (Book 1966, Page 132); Amended Declaration of Protective Covenants and Annexation (Palmetto Cove) (Book 1045, Page 696); Amended Declaration of Protective Covenants and Annexation (Palmetto Court) (Book 1062, Page 110); Amendment to Protective Covenants for Bald Head Island Stage Two, Loggerhead Beach (Book 1287, Page 1040); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Braemar Highlands (Book 1116, Page 689); Amended Protective Covenants Bald Head Island Stage Two Braemar Extension (Book 1127, Page 1033); Amended Protective Covenants Bald Head Island Stage Two Lot 2072 Extension (Book 1242, Page 855); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Single Family 14 Cape Fear

Station (Book 1435, Page 657); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Single Family 13 Cape Fear Station (Book 1602, Page 410); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Phase Two, Surfman's Walk Cape Fear Station – Multi Family 3 (Book 1610, Page 132); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Keeper's Landing Cape Fear Station- Multi Family 4 (Book 1766, Page 1200); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Eco Tract C- Kitty Hawk Cape Fear Station (Book 1915, Page 62); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two The Crescent Cape Fear Station Multi Family 2 (Book 2075, Page 1220); Amendment and Annexation to Protective Covenants Bald Head Island Stage Two Eco-A-Prime Phase 2, Cape Fear Station (Book 2526, Page 795); (collectively, as amended and supplemented, the “Stage Two Secondary Covenants”); and

WHEREAS, the Stage Two Secondary Covenants include restrictions and covenants in addition to those contained in the Stage Two Primary Covenants that are unique to the particular properties subject to the Stage Two Secondary Covenants; and

WHEREAS, the communities known as Flora’s Bluff and Killegray Ridge, as further described in **EXHIBIT A**, shall not be subject to any covenants or architectural guidelines which are applicable solely to Stage Two properties as those properties are described in **EXHIBIT B**; and

WHEREAS, this Declaration is intended to replace and supersede the Stage Two Primary Covenants and the 2000 Declaration and to apply to all properties described in **EXHIBITS A and B**; provided that the Stage Two Secondary Covenants shall remain in full force and effect, subject to the terms of **EXHIBIT C**; and

WHEREAS, the Board of Directors of Bald Head Association has certified this Declaration in accordance with Article XI, Section 5 of the 2000 Declaration and has attached hereto the certification required therein; and

NOW, THEREFORE, Bald Head Association, pursuant to the authority set forth above, and with the consent of Bald Head Island Limited, LLC, hereby declares in consideration of the premises and intending to be legally bound: that the Stage Two Primary Covenants and the 2000 Declaration are hereby replaced and superseded by this Declaration and all of the Properties, described in **EXHIBITS A and B** attached hereto and/or subsequently annexed by agreement, shall be hereafter held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property. These easements, covenants, restrictions 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 Properties or any part thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE 1

DEFINITIONS

- 1.1 Amenities means the facilities constructed, erected, or installed on the Common Area for the use, benefit and enjoyment of Members.
- 1.2 Architectural Review Committee, ARC, or Committee means the Committee which has jurisdiction over all construction on any portion of the Properties and whose members are appointed by the Board, as further described in Article 7.
- 1.3 Articles means the Articles of Incorporation of Bald Head Association.
- 1.4 Association means Bald Head Association, its successors and assigns.
- 1.5 Board of Directors or Board means those persons elected or appointed and acting collectively as the Directors of the Association.
- 1.6 Bylaws means the Bylaws of Bald Head Association.
- 1.7 Capital Improvement means land, building(s), equipment, fixtures, or personal property relating thereto.
- 1.8 Common Area means all real property and facilities owned by the Association for the common use and enjoyment of all Members of the Association, including greenways, recreational areas, dunes, beaches and roadways. It is intended that the Common Area will include all of the Subject Property except platted lots, Multi-Family Sites, and other Non-Residential Areas, the golf course, clubhouse sites and sites established for utility purposes.
- 1.9 Common Expense means and includes actual and estimated expenses of acquiring, maintaining and operating the Common Areas and property owned or leased by the Association; of providing services provided for the Association or its Members; and of operating the Association and its committees for general purposes. This will include any reasonable reserves, as may be found necessary and appropriate by the Board of Directors pursuant to this Declaration, the Bylaws and Articles, and will, in addition, include the following:
- (a) expenses of administration, maintenance, repair or replacement of the Common Area and Limited Common Area;
 - (b) expenses declared to be Common Expenses by the provisions of this Declaration, the Bylaws, or agreed to be Common Expenses by the Members present and voting in Person or voting by proxy at a meeting of the Members;
 - (c) hazard, liability, or such other insurance premiums as this Declaration or the Bylaws may require the Association to purchase;
 - (d) any ad valorem taxes and public assessments levied against the Common Area; and

(e) expenses for the provision of services benefiting all Members, including, without limitation, transportation services.

1.10 Community Wide Standard means the standard of conduct, maintenance or other activity generally prevailing in the Properties or Bald Head Island. Such standard may be more specifically determined by the Board.

1.11 Declaration means this Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Association.

1.12 Estate Lots means all lots designated on any recorded plat as E- followed by a number.

1.13 General Assessments means assessments to fund Common Expenses for the general benefit of all Units within the Properties.

1.14 Improved Unit means a Unit with a completed structure ("Living Unit") built upon it for which the Village of Bald Head has issued a certificate of occupancy.

1.15 Limited Common Area means those portions of the Common Area that serve only a limited number of Units and which may include, but specifically is not limited to, walkways, parking buildings or areas serving only specified lots, and such other similar areas as may be designated by the Association. The Limited Common Area will be managed and maintained by the Association at the expense of only the Owners of Units served thereby. Service Areas, as defined herein, are included within the term Limited Common Area.

1.16 Member means and refers to every Owner.

1.17 Multi-Family Site means Timber Creek Condominiums, Royal James Landing condominiums, Swans Quarter Condominium site, Bald Head Island Villas, The Hammocks, Lighthouse Landing, Sabal Palm Cottages, Flora's Bluff, Killegray Ridge, Ibis Roost, Keeper's Landing, Sumner's Crescent, and Surfman's Walk, and any other sites which are or become a part of the Properties, whether by annexation or merger, and which are designated or identified as Multi-Family Sites at the time of annexation or merger.

1.18 Non-Residential Areas means and refers to any plot of land which is a part of or will be annexed to the Properties when permanently developed or established for Non-Residential uses such as the Bald Head Island Club and similar types of facilities, golf courses, club house or other facilities owned by the Association, inns, motels, hotels, offices, shops, service businesses, maintenance and repair areas and similar commercial or service uses necessary and desirable to the Properties and operation of the community.

1.19 Owner means and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Unit which is a part of the Properties, including contract

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

1.20 Person means and refers to any individual, corporation, partnership, association, trustee, or other legal entity.

1.21 Properties or Subject Property means and refers to that certain real property described in **EXHIBITS A and B** attached hereto.

1.22 Rules and Regulations means the Rules and Regulations of Bald Head Association.

1.23 Service Area means portions of the Common Area located within the property described in **EXHIBIT B** attached hereto which are reserved for the exclusive use of one or more, but fewer than all, of the Owners.

1.24 Special Assessments means and refers to an assessment which may be levied and collected by the Board in accordance with Section 5.5(a) and (b).

1.25 Stage Two means the portion of the Properties described in **EXHIBIT B** attached hereto.

1.26 Supplemental Assessments or Supplemental Dues means and refers to an assessment as set forth in Section 5.5(c).

1.27 Unimproved Unit means a vacant Unit with no Living Unit or completed structure built upon it.

1.28 Unit means a portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use and occupancy. A "Lot" is a Unit as that term is used in this Declaration. The term will refer to the land, if any, which is part of the Unit as well as any improvements thereon, including the Living Unit. Non-residential areas may have more than one Unit assigned to it by the Board as provided in Section 2.3.

1.29 User means members of an Owner's family, occupants of an Owner's Unit, and the guests, invitees, licensees, agents, employees, representatives, tenants, lessees and contract purchasers of any Owner.

ARTICLE 2

ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS

2.1 Function of Association. The Association will be responsible:

(a) to act on such matters as the Board determines affects the welfare and recreation of its Members and the beautification and conservation of the natural environment of the Properties;

(b) to communicate the actions, decisions and activities of the Association and Bald Head events (deemed by the Board to be of general interest) to its Members;

(c) to provide such services and facilities to its Members as the Board determines will promote the welfare and recreation of its Members and beautification and conservation of the natural environment of the Properties or any part of them, which services may include, for example, operating a Community Center building for its Members and others;

(d) for ownership, management, maintenance, operation and control of the Common Area owned or leased by the Association within the Properties and any private roads and Amenities owned by the Association, or other areas maintained by the Association;

(e) for enforcement of this Declaration, the Articles, Bylaws and the Rules and Regulations;

(f) for administering and enforcing the architectural design guidelines and controls set forth in this Declaration and in the Design Guidelines; and

(g) to perform its functions in accordance with this Declaration , the Bylaws, the Articles and applicable North Carolina law.

2.2 Membership. Every Owner will be a Member of the Association. Membership shall be appurtenant to and may not be separated from Ownership of any Unit which is subject to assessment by the Association. There will be only one membership per Unit. If a Unit is owned by more than one Person, all Co-Owners will share the privileges of that membership. The membership rights of an Owner which is a corporation, partnership, limited liability company or other legal entity may be exercised by any officer, director, partner, member, manager, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association. The Board of Directors may make reasonable rules relating to the proof of Ownership of a Unit.

2.3 Voting.

(a) The Association shall have one class of voting membership. Members shall be entitled to one vote for each Unit in which they hold the interest required for membership by this ARTICLE. When more than one person holds such interest in any Unit, all such persons shall be Members. The vote for each Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any single Unit, and no fractional vote shall be cast with respect to any Unit. Members may notify the Secretary of the Association of the name of the individual who is entitled to cast the vote for that

Unit in writing prior to any meeting; absent such notification the Member's vote will be suspended if more than one person seeks to exercise it.

(b) Non-Residential Areas will be entitled to one vote for each Unit owned. The number of Units allocated to each Non-Residential Area will be determined by the Board, but will not be less than one Unit.

(c) The Association for any Common Area owned or any association within a Multi-Family Site for any property owned within such Multi-Family Site will not have any votes.

(d) Bald Head Island Limited, LLC shall only be entitled to one (1) vote for each Unit in which it holds the interest required for membership by this Article and is not entitled to three (3) votes per each Lot owned in Stage Two, as such right was previously established in the Stage Two Primary Covenants.

ARTICLE 3 RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

3.1 Personal Property and Real Property for Common Use. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property.

3.2 Rules. The Association, through its Board, may make, revoke, amend and enforce reasonable rules governing the use of the Properties, in addition to further defining or limiting and, where specifically authorized hereunder, it may create exceptions to those covenants and restrictions set forth in this Declaration. Such rules shall be binding upon all Owners and Users.

3.3 Enforcement. The Association may impose sanctions for violations of this Declaration, the Articles, the Bylaws, or Rules and Regulations, including reasonable monetary fines and suspension of the right to vote and the right to use any recreational facilities or Amenities within the Common Area. In addition, the Association may exercise self-help to cure violations, and may suspend any services it provides to the Unit of any Owner who is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association. The Board may seek relief in any court for violations or to abate nuisances. The Board may assess the reasonable monetary fines authorized by this Section as a Special Assessment authorized by ARTICLE 5 of this Declaration, and may take any other action permitted by this Declaration for the enforcement of this Declaration, including those set forth in ARTICLE 15.

3.4 Board Authority and Implied Rights. Except as otherwise specifically provided in this Declaration, the Bylaws or Articles, all rights and powers of the Association may be exercised by the Board without a vote of the membership. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, or the North Carolina Nonprofit Corporation Act, or other applicable laws or reasonably implied therefrom or reasonably necessary to effectuate any such right or privilege.

3.5 Indemnification. To the maximum extent allowed by North Carolina law, the Association will indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be party by reason of being or having been an officer, director or committee member.

The Association will, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

3.6 Management and Administration. The management and administration of the Association and Common Area will be the sole right and responsibility of the Association. The management will be carried out in accordance with the terms and conditions of this Declaration, the Articles, Bylaws and Rules and Regulations; or they may be delegated to another person or entity, including a management company.

3.7 Association Insurance. The Association will maintain all insurance coverage it believes desirable, including, but not limited to officers' and directors' liability insurance, general liability insurance, Workman's Compensation insurance and casualty insurance.

**ARTICLE 4
CONDEMNATION**

4.1 Condemnation. If any part of the Common Area shall be taken (or conveyed in lieu of condemnation by the Board acting on a vote of at least two-thirds of the Members present and voting in person or voting by proxy at a meeting of the Members) by any authority having the power of condemnation or eminent domain, each Owner will be entitled to written notice. The award made for such taking will be payable to the Association and will be used as set forth in paragraph 4.2 below and thereafter, in the discretion of the Board of Directors.

4.2 Restoration. If the taking involves a portion of the Common Area on which improvements have been constructed, the Association will restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless at least two-thirds of the Members present and voting in person or voting by proxy at a meeting of the Members shall otherwise agree. Any such construction will be in accordance with plans approved by the Board.

**ARTICLE 5
ASSESSMENTS**

5.1 Creation of Assessments.

(a) The Association is hereby authorized to levy assessments against each Unit for Association expenses as the Board may specifically authorize from time to time. There will be three types of assessments for Association expenses: (1) General Assessments to fund Common Expenses for the general benefit of all Units within the Properties (“General Assessments”); (2) Special Assessments as described in Section 5.5; and (3) Supplemental Assessments (also referred to as Supplemental Dues) to fund the cost of providing management, maintenance, repair, and replacement to Service Areas that benefit only certain Units. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties is deemed to covenant and agree to pay these assessments.

(b) The Association will, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an officer of the Association setting forth whether such assessment has been paid. Such certificate will be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(c) No Owner may exempt himself from liability for assessments, by non-use of Common Area, abandonment of his Unit, or any other means. No diminution or abatement of assessments or set-off will be claimed or allowed for any alleged failure of the Association or Board to take some action, or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

(d) The Association is specifically authorized, but not obligated, to enter into subsidy contracts or contracts for “in kind” contribution of services, materials or a combination of services and materials with other entities for payment of Common Expenses.

5.2 Purposes of Assessments. The assessments levied by the Association will be used exclusively for the purpose of fulfilling the function of the Association as more specifically set forth in Section 2.1 herein.

5.3 Computation of General Assessment.

(a) At least thirty (30) days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget prepared as provided in Section 5.4.

(b) The General Assessment will be levied against all Units as hereinafter set forth and will be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. Improved Units shall pay General Assessments (as of the beginning of the fiscal year following the issuance of a certificate of occupancy for the Improved Unit) equal to three (3) times the General Assessment payable by the Owner of an Unimproved Unit.

5.4 Capital Reserve Budget. The Board will annually prepare a capital reserve budget for acquisition, maintenance and replacement of Capital Improvements which considers the number and nature of replaceable assets, the expected life of each asset, and the expected cost.

5.5 Special Assessments.

(a) In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover Capital Improvements, including acquisition, construction, reconstruction, maintenance, repair or replacement thereto, or unbudgeted expenses or expenses in excess of those budgeted. The Board may establish the amount of the Special Assessment for Capital Improvements if it is less than (1) ten percent (10%) of the General Assessment or (2) TWO HUNDRED FIFTY DOLLARS (\$250.00), whichever is greater, in any assessment year for each Unit. All other Special Assessments for Capital Improvements will require the affirmative vote of two-thirds of Members present and voting in person or by proxy at a meeting of the Members who will be subject to such Special Assessment. Special Assessments for Capital Improvements will be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved. Improved Units shall pay Special Assessments levied under this subparagraph (a) equal to three (3) times the Special Assessment levied against an Unimproved Unit hereunder.

(b) The Board will have the power to levy Special Assessments against a particular Unit or Units constituting less than all Units within the Properties, as follows:

(1) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Unit or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners, which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner;

(2) to cover costs including overhead and administrative costs and reserves incurred for maintenance, repair and replacement of any private roads, signs, fences and berms or other structures or items which are constructed for the benefit of certain specified Units;

(3) to cover costs incurred in bringing the Unit into compliance with the terms of this Declaration including, but not be limited to, ARTICLE 10, the Bylaws, Rules and Regulations, Design Guidelines or costs incurred as a consequence of the conduct of the Owner or User, including fines; provided that the Board shall give the Unit Owner prior written notice and an opportunity for a hearing before levying a Special Assessment under this subsection (b)(3);

(4) to cover all expenses, including overhead, administrative costs and reserves, incurred for maintenance, repair and replacement of any Limited Common Area; or

(5) to cover all expenses, including overhead, administrative costs and reserves for maintenance, repair and replacement of any areas or services for the benefit of any Non-Residential Areas.

5.6 Supplemental Assessments. The Board will have authority to levy Supplemental Dues against a particular Unit or Units constituting less than all of the Units located within the property described in **EXHIBIT B**, to cover the cost of providing management, maintenance, repair, and replacement to Service Areas that benefit only certain Units, including management costs and reserves that shall be collected for the sole purpose of maintenance, repair, and replacement to particular Service Areas, pursuant to the terms of the Stage Two Secondary Covenants. Reserves collected as part of the Supplemental Assessments for the maintenance, repair, and replacement to Service Areas shall be maintained in separate accounts. The Board may enforce such Supplemental Dues in the same manner as Special Assessments. Supplemental Assessments will be payable in such manner and at such times as determined by the Board.

5.7 Due Dates of General Assessment. The Board of Directors will fix the amount of the General Assessment against each Unit at least thirty (30) days in advance of the due date. Written notice of each General Assessment will be sent to every Owner subject thereto. The due dates will be established by the Board of Directors. The Board of Directors will require the General Assessment be paid at least annually, but may require them to be paid more often. Special Assessments and Supplemental Assessments may be collected separately from the General Assessments and the Board may require that they be paid, annually, semi-annually, quarterly, or monthly. The Association will, upon request, furnish a certificate signed by an officer of the Association setting forth whether the General Assessment, Special Assessment, or Supplemental Assessment on a specified Unit have been paid.

5.8 Lien for Assessments. All assessments, together with interest from the due date of such assessment at a rate determined by the Board (not to exceed the highest rate allowed by North Carolina law), late charges, costs, and reasonable attorney's fees, will be a charge and continuing lien upon each Unit against which the assessment is made until paid. Each such assessment, together with interest, late charges, costs, and reasonable attorney's fees, will also be the personal obligation of the Person who was the Owner of such Unit at the time the assessment was made. Such lien will be superior to all other liens, except the liens of all ad valorem taxes or assessments, and any other liens which by law would be superior. Upon a transfer of title to a Unit, the grantee will be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first mortgagee or first beneficiary under a deed of trust who obtains title to a Unit by exercising the remedies provided in its mortgage or deed of trust or any individual obtaining title by or through a foreclosure will be personally liable for unpaid assessments which accrued prior to such acquisition of title. In the event of any transfer of title to a Unit, the lien of the assessments will not be extinguished.

5.9 Effect of Nonpayment of Assessments: Remedies of the Association: Any assessments or portion thereof which are not paid when due will be delinquent. The Association may record notice of the claim of lien in the Office of the Clerk of Superior Court of Brunswick County, file Notice of Lis Pendens, file a suit to collect such delinquent assessments and charges against the Owner personally obligated to pay the same, foreclose the lien against the property in the same manner as provided in North Carolina for the foreclosure of deeds of trust, including foreclosure under a power of sale, utilize any combination of these actions, or utilize any other remedy provided under North Carolina law. For any of these actions, interest, late charges, costs and reasonable attorneys' fees will be added to the amount of such assessment. The Association may bid for the Unit at any foreclosure or judicial sale and acquire, hold, lease, mortgage, and convey the Unit. The sale or transfer of any Unit will not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein.

5.10 Exempt Property. The following property will be exempt from the payment of General Assessments, Special Assessments, and Supplemental Assessments:

- (a) all Common Area or Limited Common Area;
- (b) any property dedicated to and accepted by any governmental authority or public utility;
- (c) any property held by a conservation trust or similar nonprofit entity as a conservation easement, except to the extent that any such easement lies within the boundaries of a Unit which is subject to assessment under this ARTICLE (in which case the Unit will not be exempted from assessment).

**ARTICLE 6
MORTGAGEE PROVISIONS**

6.1 Notice to Association. In the event that any Member is in default in any obligation hereunder which remains unpaid for a period of sixty (60) days, every lender who is a first mortgagee or first beneficiary under a deed of trust as to the Unit of the defaulting Member will be immediately notified of such default, provided that such lender will have given specific written notice to the Association that it is the holder of a first mortgage, or first deed of trust, and will have requested the notice of default as herein set forth.

6.2 Failure of Mortgagee to Respond. Any mortgagee or beneficiary under a deed of trust who receives a written request from the Board to respond to or consent to any action, will be deemed to have approved such action if the Association does not receive a written response within thirty (30) days of the mailing of such request, provided such request is delivered to the mortgagee or beneficiary of a deed of trust by certified or registered mail, return receipt requested.

**ARTICLE 7
DESIGN GUIDELINES**

7.1 General.

(a) No structures, buildings, improvements or construction, which shall include within its definition, clearing, grading, excavation and other sitework, will be commenced, erected, or maintained upon any Unit or the Properties, nor will any exterior addition, change, alteration, or change of color be made, except in compliance with this ARTICLE, the Design Guidelines and until the plans and specifications showing the nature, kind, shape, heights, materials, and location of the same will have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Committee according to the provisions of Section 7.2. Structures, buildings and improvements shall include, but not be limited to any dwelling, garage, fence, wall, sidewalk, walkways, hedge, mass planting, change in grade or slope, drainage pipe, drainage canal, ditch, swale, catch basin, swimming pool, tree house, playhouse, sign, flagpole, exterior illumination, monument or marker, outdoor statuary, exterior lights, security lights, storm door, well utility facility, mailbox, patio, deck, screening for outdoor trash cans or other purposes, sprinkler system, driveway, outdoor decorative objects, shrubbery or landscaping.

(b) Any Owner may remodel, paint or redecorate the interior of structures on his Unit without approval. No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

(c) This ARTICLE will apply to improvements to the Common Area by, or on behalf of, the Association.

(d) This ARTICLE will apply to improvements located on golf course property, but not to the design of the golf course.

7.2 Architectural Review.

(a) Responsibility for administration of the Design Guidelines, as defined below, and review of all applications for construction and modifications under this Article will be handled by the Committee as described in this Section 7.2. All members of the ARC shall be members of the Association with the exception that a maximum of two (2) members of the ARC may be Design Professionals ("Design Professionals" shall include engineers, architects, surveyors, interior designers, landscapers, and other professionals engaged in the business of constructing or designing residential homes or landscaping) who are not members of the Association. No more than one-third of the Committee's membership shall be contractors, builders, architects or others involved in the design or construction of structures on the Properties. The Board may hire such professionals as it deems necessary to assist the Committee in the discharge of its duties. The Board may establish and charge reasonable fees for review of applications hereunder. These fees may include the fees charged by any professional employed by the Board and may require such fees to be paid in full prior to review.

(b) The Committee will consist of at least five (5) persons appointed by the Board beginning on January 1, 2000, and will have jurisdiction over all construction on any portion of the Properties. Thereafter, the Board may change the number of persons serving on the Committee to an odd number of at least five (5) and not more than eighteen (18) persons by a vote of not less than two-thirds (2/3) of the Board.

(c) The Committee will consider as part of the review process the natural beauty and features of the land, adherence to the Community Wide Standards, aesthetic compatibility of architectural style and materials with other structures on Bald Head Island, and will maximize the conservation of trees and natural vegetation.

7.3 Design Guidelines and Procedures.

(a) The Committee will prepare design guidelines, application and review procedures (the "Design Guidelines"), and amendments thereto which shall apply to all construction activities within the Properties. The Design Guidelines will contain general provisions applicable to all of the Properties. The Design Guidelines will also contain specific provisions which vary from one portion of the Properties to another depending upon the location, unique characteristics, intended use, and applicable covenants. The Design Guidelines, application and review procedures, and any amendments thereto must be adopted and approved by the Board of Directors initially and reviewed at least every five (5) years thereafter.

(b) Any amendments to the Design Guidelines will apply to construction and modifications commenced after the date of such amendment only, and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced.

(c) The Committee will make the Design Guidelines available to Owners and contractors who seek to engage in development or construction within the Properties, and all such Persons will conduct their activities in accordance with such Design Guidelines.

7.4 Submission of Plans and Specifications.

(a) No construction or improvements, as defined in Section 7.1(a), will be commenced, erected, placed or maintained on any Unit; nor will any exterior addition, change or alteration be made thereto, until the plans and specifications ("Plans") will have been submitted to and approved by the Committee. The approval of the Plans will be consistent with the Design Guidelines. The Plans will show site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout, screening, and grading plans. The Design Guidelines will set forth the procedure for submission of the Plans. A reasonable fee for the review of the Plans will be required and submitted, along with the Plans and any other supporting documents required by the Committee. The Board may require a deposit to be posted prior to the commencement of any construction or work, which will be used for administrative costs, fees, damage to any Common Area, fines, or penalties incurred during construction or work. Any sums still due and owing will be a Special

Assessment and may be collected in accordance with ARTICLE 5 or to insure that construction is completed in accordance with the Plans (including landscaping) approved by the Committee. Any sums remaining at the completion of construction will be returned to Owners or contractor.

(b) In reviewing each submission, the Committee will consider such parameters as the suitability of the proposed building, improvements, structure, landscaping, and the materials of which it is to be built; the proposed site; visual aesthetics; natural platforms and finish grade elevations; harmony of external design with nearby structures, property and environment; location in relation to surrounding structures, property and plant life which it deems appropriate and to the extent they are articulated in the Design Guidelines; possible negative impact on other Units; and compliance with the Design Guidelines and this Declaration. The Committee, for the purpose of retaining the natural features of the Lots, may require relocation of native plants within the construction site as a condition of approval of any submission. The Committee may also consider whether the construction methodology to be utilized and the method of transporting the components to be used in construction will cause substantial damage to the private streets or vegetation. Location of any driveways will be subject to the approval of the Committee.

(c) The Committee will have the right to refuse to approve any Plans which, based on the Design Guidelines, are not suitable or desirable, in its sole discretion, for aesthetic or any other reasons, provided such approval is not unreasonably withheld.

(d) No bulldozing or clearing of trees or excavation of lakes or ponds will be commenced until the Plans showing the nature, kind, shape and location of work to be done have been submitted to and approved in writing by the Committee and a copy filed permanently with the Committee.

(e) The Committee, within forty-five (45) days from the meeting at which each complete submission has been reviewed, will advise the Property Owner submitting the Plans, in writing, at an address specified at the time of submission of (1) the approval of Plans, or (2) the segments or features of the Plans which are deemed by the Committee to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines. In the event the Committee fails to advise the submitting party by written notice within the time set forth above of either the approval or disapproval of the Plans, approval will be deemed to have been given. Notice will be deemed to have been given at the time the envelope containing such notice, properly addressed and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice will, however, be sufficient and will be deemed to have been given at the time of delivery.

(f) If construction does not commence on a project for which Plans have been approved within 24 months of such approval, such approval will be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans for reconsideration.

(g) An applicant of any Unit disagreeing with the finding of the Committee may appeal the decision to the Board of Directors by giving written notice of appeal to the president of the Association within fifteen (15) days following receipt of notice of denial.

The Board may refer the matter to an independent board of appeals of at least three (3) persons appointed by the Board, none of whom shall be a member of the Board or the Architectural Review Committee. Such board of appeals appointed by the Board shall review the decision of the Architectural Review Committee and make a recommendation or take other action as directed by the Board. The rules and procedures under which such board of appeals operates shall be determined by the Board. The Board of Directors will then review the plans, giving the chairman of the Architectural Review Committee, or his designee, the opportunity to present to the Board of Directors specific reasons why the plans were rejected, and the Owner of the Unit or his agent may present information challenging the findings of the Committee. The decision of the Committee will only be overridden by a two-thirds vote of the Board of Directors, and the actions of the Board must be consistent with this Declaration and the Design Guidelines. The Board of Directors will adopt an appeals procedure which is in accordance with the framework set forth in this paragraph.

7.5 No Waiver of Future Approvals. Each Owner acknowledges that the members of the Committee and the Design Guidelines will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of Plans for any work done or proposed, or any other matter requiring approval, will not be deemed to constitute a waiver of the right to withhold approval for any similar Plans subsequently or additionally submitted for approval.

7.6 Variance. The Committee may authorize in its discretion reasonable variances or adjustments from compliance with any of its guidelines and procedures in order to alleviate practical difficulties and hardship in their enforcement and operation. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; or (b) stop the Committee from denying a variance in other circumstances. Any such variances shall not violate the spirit or the intent of this document to create a subdivision of Units owned in fee by various persons with each such Owner having an easement upon areas owned by the Association.

7.7 Limitation of Liability. Review and approval of any application pursuant to this ARTICLE will be made on the basis of this ARTICLE and the Design Guidelines only and the Committee will not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Association, the Board nor the Committee, will be held liable for any injury, damages, or loss arising out of the review and approval of any application. This includes, but is not limited to, the granting of a variance, the manner or quality of construction, defects in any Plans, deficiencies in kind or quality of materials used, or for ensuring compliance with building codes and other governmental requirements.

(a) Any structure placed or improvement made in violation of this ARTICLE will be deemed to be non-conforming. Upon written request from the Board, Owner shall, at its own cost and expense, remove such structure or improvement and restore the land to substantially the same condition which existed prior to the non-conforming work. Should an Owner fail to remove and restore as required, the Board will have the right to enter the property,

remove the violation, and restore the property to substantially the same condition as it previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the Unit Owner and the benefited Unit and collected as a Special Assessment in accordance with the provisions of ARTICLE 5.

(b) The Association shall have the authority to establish fines for violations of this ARTICLE and the Design Guidelines, including fines for continuing violations. The fine amounts may be deducted from any deposit posted. If the fines are not paid, the Association may establish a Special Assessment in accordance with the provisions of ARTICLE 5.

(c) In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available, including injunctive relief and proceedings for contempt, to enforce the provisions of this ARTICLE and the decisions of the Committee in accordance with the provisions of ARTICLE 15.

7.8 Specific Design Guidelines.

(a) Site Placement. To insure that the maximum balance of view, privacy and breeze will be available to each home located within the Properties; and to assure that all structures will be located with regard to the topography of each individual Unit or Multi-Family Site taking into consideration the height of the dunes, the location of trees on each Unit and similar considerations, the Committee will have the right of approval of the precise site and location of any Multi-Family structure, house or dwelling or other structure upon all the Properties. In its right to approve, the following guidelines for building will be used as a minimum standard, be adhered to, and be followed except with the prior written approval of Committee:

(1) On Estate Lots no building or structure will be located within fifty (50) feet of the street property line in front of said Unit, within twenty-five (25) feet of the side or ten (10) feet of the rear of said Estate Lots.

(2) No Lots shall be merged with one another, except as provided in Section 13.1. On Merged Lots, no building or structure will be located within thirty-five (35) feet of the front property line abutting the roadway, within twenty-five (25) feet of the side or ten (10) feet of the rear lines of the resulting Merged Lot.

(3) Any setbacks or any allowed building pad shown on any recorded subdivision plat are incorporated herein by reference. Unless otherwise shown on such a plat or specified in an amended declaration annexing properties hereto, no building or structure will be located (a) on any other Lot within the properties described in **EXHIBIT A**, within thirty-five (35) feet of the street property line in front of said Unit or within ten (10) feet of the side or rear lines of said Unit, and within fifteen (15) feet of any side street and (b) on any Lot within the properties described in **EXHIBIT B**, within thirty-five (35) feet of the street property line in front of said Unit or within ten (10) feet of the side or rear lines of said Unit. To the extent there is a conflict between this sub-section and the requirements of the approved Planned

Unit Development (PUD) applicable to all or a portion of the Properties, the PUD shall be controlling.

(b) General Building Restrictions. Construction on numbered single-family Units within the Properties will be governed by the following general minimum requirements:

(1) Except with the prior written approval of the Board, all single family residences will have a maximum height of thirty-five (35) feet as measured from the lowest natural point where the main building perimeter and any attached structures meet grade (“Lowest Point”) to the highest point of the roof. For the purpose of determining the Lowest Point on a lot where any elevation beneath the building perimeter falls below an elevation of five feet (5’) above mean sea level (AMSL), the Lowest Point shall be considered five feet (5’) AMSL. Height limitations for properties annexed hereto may differ from the height limitation set forth herein; any such limitation on height shall be contained in the amendment subjecting such annexed properties to the terms, provisions and conditions of this Declaration; provided that the Lowest Point for all properties shall be determined as set forth herein. The Board will establish the maximum height of Multi-Family and Non-Residential structures as part of the Design Guidelines, which may not exceed forty-five (45) feet except with the prior written approval of the Board.

(2) Except as provided herein or in the Stage Two Secondary Covenants, single-family residences will have the minimum square footage of sixteen hundred (1600) square feet of enclosed living area, exclusive of garages, boat sheds, terraces, decks and open porches. A maximum of three hundred (300) square feet of the square footage of the floor plan may be included in a fully screened porch, so long as the roof of such porch forms an integral part of the roof line of the main structure.

(3) No temporary structures, such as trailers, tents, canopies or mobile homes, will be placed on any Unit within the Properties; provided, however, that in the course of the construction of the building as set out above, the contractor or builder may have shelters or storage sheds used in the course of the construction and for no other purpose, which will be removed from the premises within ten days after the completion of the building. No tents or canopies will be placed on any Unit without the written consent of the Association.

The Committee will approve the location of any structure, having regard for the foregoing considerations, aesthetic considerations, Community-Wide Standard, size, shape and location of the property, type of housing, and any other reasonable considerations. The Committee has the right to require maintenance and/or removal of plant material to protect an Owner’s view.

(c) Completion. Once construction of a dwelling or other improvements is started on any Unit, the exterior improvements, including painting and landscaping must be completed in accordance with the approved plans and specifications within twenty-four (24) months from the Commencement Date. “Commencement Date” will be the date of the issuance of the building permit. Failure to complete construction within twenty-four (24) months from commencement date may result in a fine being imposed in the minimum

amount of \$500.00 per month, which shall be payable to the Association. The fine imposed under this Section will be a Special Assessment enforceable in accordance with ARTICLE 5.

(d) Compliance with Local Regulations. Buildings must in all particulars meet the requirements of the Brunswick County Health Department regulations and the Village of Bald Head Island building code and ordinances, including the procuring of a building permit and landscape permit.

(e) Water and Sewer Service. All buildings must hook up to water and sewer service at the time of construction, whether provided by a private utility company or the Village of Bald Head Island.

(f) Non-Residential Guidelines. The Board may adopt specific guidelines governing any Non-Residential structure located within, annexed to, or merged with the Properties.

(g) Braemar Building and Site Restrictions. Lots within the Braemar Subdivision shall be subject to the further building and site restrictions set forth in **EXHIBIT D** hereto.

**ARTICLE 8
COMMON AREA**

8.1 Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, will manage and control the Common Area and all improvements thereon (including, but not limited to, private roads, rights of way, furnishings, equipment, walkways, gazebos, master walkway, and common landscaped areas); and will keep it in good, clean, attractive, and sanitary condition, order and repair, consistent with this Declaration and the Community-wide Standard.

8.2 Dedication of Common Area. The Association may dedicate portions of the Common Area to any local, state, or federal governmental entity, public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association.

8.3 Management of Common Area. The management and administration of the Association, Common Area, recreation areas and Amenities will be the sole right and responsibility of the Association.

8.4 Permitted Use of Portions of Common Area.

(a) The Association does, subject to the terms and conditions contained in this Declaration, hereby establish, declare and grant, for the benefit of the Bald Head Island Club (“Club”) and its successors in ownership of the Club Property, the following non-exclusive licenses for use of the portions of the Common Area further described below:

(i) Landscaping. A license over that certain portion of the Common Area that (A) is located directly adjacent to the Club Property, (B) lies within thirty (30) feet of the boundary between the Common Area and the Club Property and (C) is currently being landscaped by the Club (the "Landscape License Area"), for the limited purposes of landscaping, planting of grass, watering the Golf Course, application of fertilizer to the Golf Course as needed, and otherwise mowing and maintaining the Landscape License Area (the "Landscape License"). The Landscape License will include the right to trim underbrush and remove trees less than three inches in diameter (outside bark to outside bark) when measured four (4) feet above ground level, stumps, trash and debris that would or could be in conflict with the plans and specifications of the Golf Course as reasonably determined by the Club. No strip clearing, including, without limitation, the removal of underbrush including all roots, shall be permitted.

(ii) Play Areas. A license to permit and authorize registered Golf Course players and their caddies to enter upon the Landscape License Area to recover a ball or play a ball (the "Play License"). The Play License is subject to the official regulations of the course, and such entering and playing will not be deemed a trespass. Registered Golf Course players or their caddies will not be privileged to enter the Landscape License Area with a golf cart or other vehicle. The Club and its successors in ownership of the Club Property shall place and maintain "out of bounds" markers on said areas at the expense of the Club or its successors in ownership of the Club Property.

(b) The Association shall also cooperate with the Club in identifying any areas outside of the Landscape License Area that are currently being landscaped or maintained by the Club (the "Extended Landscape License Area"), and any such use shall be (i) considered a license subject to the same restrictions and limitations as the Landscape License Area and as otherwise set forth herein, including, without limitation, Section 3 below (the "Extended Landscape License") and (ii) non-hostile to the right and title of the Association and non-exclusive to the use of such area by the Association and its members.

(c) To the extent the Club has compelling reason to maintain or use areas within or outside of the Landscape License Area or the Extended Landscape License Area in a manner that is beyond the rights to landscape granted herein (e.g. for phragmite reduction), (i) the Association shall, upon request by the Club, discuss appropriate terms for such use, (ii) any such use shall be terminable by the Association at any time unless otherwise agreed in writing by the Association and (iii) to the extent any such use is currently occurring, it shall be deemed non-hostile to the right and title of the Association and non-exclusive to the use of such areas by the Association and its members.

(d) Cart Paths. The Association hereby declares that (a) all use, operation, maintenance, repair and replacement of the golf cart paths in existence as of January 30, 1998 (the "Cart Paths"), being the date of that certain Deed from Bald Head Island Limited to the Association recorded in Book 1205, Page 63 of the Brunswick County Public Registry, and the area they occupied as of such date (the "Cart Path Area"), by the Club and its agents, contractors and employees, shall be for the limited purpose of inspecting, maintaining, removing, replacing and operating the Cart Paths for the benefit of Golf Course players and their caddies, and (b) any

use by the Club of Common Area outside the Cart Path Area for any cart paths (the “Cart Path License Area” and, together with the Landscape License Area and the Extended Landscape License Area, referred to herein as the “License Areas”) shall be (i) considered a license subject to the same restrictions and limitations as the Cart Path Area and as otherwise set forth herein, including, without limitation, Section 3 below (the “Cart Path License” and, together with the Landscape License, the Extended Landscape License and the Play License, referred to herein as the “Licenses”) and (ii) non-hostile to the right and title of the Association and non-exclusive to the use of such area by the Association and its members.

(e) Term of Licenses. Subject to this Section, the term of the Licenses shall continue in effect until the Association or the Club provides the other at least six (6) months prior written notice of its desire to terminate the same. In the event of a termination of the Licenses, the Club shall be solely responsible for the dismantling and removal of any facilities and equipment from the License Areas within sixty (60) days following such termination. The termination of the Licenses shall not affect the other restrictions and declarations set forth in this Declaration unless otherwise agreed in writing by the Association.

(f) Existing Golf Course Maintenance Easement Area. The Association hereby declares that (a) the “golf course maintenance easement area” described in Section 12.10(b) of the Covenants (the “Easement Area”) as interpreted by the Association includes only those areas within thirty (30) feet of the boundary between such Units and the Club Property and (b) any use by the Club of property that is part of a Unit but lies outside the Easement Area (the “Extended Maintenance Area”) shall be (i) subject to the same restrictions and limitations applicable to the Easement Area, but terminable by such Unit owner at any time and (ii) non-hostile to the right and title of the owner of such Unit and non-exclusive to the use of such area by the owner of such Unit.

(g) Compliance. If the Club’s use fails to comply, or ceases to comply, with any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities (collectively, the “Requirements”) having jurisdiction over the License Areas, the Easement Area, the Extended Maintenance Area or the Cart Path Area (collectively, the “Accessed Areas”), then the Licenses or other rights under this Declaration shall be terminable by the Association immediately at any time.

(h) Liability. The Association shall not be liable or responsible in any way for any claims against the Association with respect to or arising out of: (i) any death or any injury of any nature whatsoever that may be suffered or sustained by the Club or any other person, from any causes whatsoever relating to the Club’s use of the Licenses or other rights under this Declaration; or (ii) any loss or damage or injury to any property outside or within the Accessed Areas belonging to the Club or any other person.

(i) Reserved Rights; Amendment or Termination. The Association reserves, for itself and its successors and assigns, all rights to use the Accessed Areas in any manner that does not directly and materially interfere with the rights granted to the Club in this Declaration or in the Covenants. The Association, on behalf of itself and its successors and assigns, reserves

the right to revoke, amend, further define, limit, or create exceptions to this Declaration and make and enforce any additional reasonable rules governing the use of the Accessed Areas, all as may be deemed necessary or desirable in the sole judgment of the Association. All rights and obligations reserved or granted to the Association hereunder shall be binding upon and inure to the benefit of its successors and assigns.

(j) No Liens or Right to Assign. The Club shall not have the right, directly, indirectly, by operation of law or otherwise assign, mortgage, pledge, encumber, sub-license or otherwise transfer any interest under this Declaration; provided, however, this Declaration apply to any successor owner of the Club Property. Nothing contained in this Declaration shall empower or confer upon the Club any right to do any act which can, shall or may encumber the interest or title of the Association or Unit owners in and to the Accessed Areas.

(k) License Only; No Warranties. Notwithstanding anything to the contrary contained herein, any and all rights conferred upon the Club pursuant to this Section create a license only, and no lease, easement or other right or interest of any kind or nature (other than a license) is created or conferred pursuant to this Section. Acceptance of any areas by the Club shall be on an “AS IS, WHERE IS and WITH ALL FAULTS” basis and any warranty, covenant, or guaranty, oral or written, express or implied or by operation of law is disclaimed.

(l) No Public Dedication. Nothing contained in this Section shall ever constitute or be construed as a dedication of any interest herein to the public or give any member of the public any right whatsoever.

(m) Acceptance by Club. The Club, by its use of the Accessed Areas, shall be deemed to have accepted and agreed to the terms and conditions herein.

**ARTICLE 9
PROPERTY RIGHTS IN COMMON AREA**

9.1 Easement Rights of Owner in Common Area. Every Owner will have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area which shall be appurtenant to and pass with the title to every Unit, subject to the following provisions:

- (a) this Declaration, the Articles, the Bylaws, the Rules and Regulations and any other applicable covenants;
- (b) any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) the right of the Board to adopt rules regulating the use and enjoyment of the Common Area and improvements thereon, including rules restricting use of the recreational facilities within the Common Area to occupants of Units and their guests and rules

limiting the number of guests who may use the Common Area; and the right of the Board to establish penalties for any infractions thereof;

(d) the right of the Board to suspend the voting rights and the right to use the Common Area and the recreational facilities within the Common Area by an Owner or User (1) for any period during which any charge against such Owner’s Unit remains unpaid, and (2) for a period not to exceed sixty (60) days for a single violation, or for a longer period in the case of any continuing violation, of this Declaration, the Bylaws, Articles, or the Rules and Regulations, after notice and a hearing pursuant to procedures adopted by the Board;

(e) the right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area;

(f) the right of the Board to impose reasonable fees for services or membership requirements and charge reasonable membership admission or other fees for the use of any recreational facility situated upon the Common Area;

(g) the right of the Board to permit use of any recreational facilities situated on the Common Area by persons, other than Owners and Users upon payment of use fees established by the Board;

(h) the right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth herein. The rights of such mortgagees in said Properties will be subordinate to the rights of the Unit Owners hereunder; and

(i) easements as provided in ARTICLE 12.

9.2 Extension of Easement Rights. Any Owner may extend his or her right of use and enjoyment to any User, subject to reasonable Board regulation. An Owner who leases his or her Unit will be deemed to have assigned all such rights to the lessee of such Unit for the duration of the lease and any such lessee will abide by all the restrictions contained herein. Any such lease will not release the Owner of his liability for damage to the Common Area caused by said lessee. Owner shall be liable for damage to the Common Area caused by any User.

**ARTICLE 10
USE GUIDELINES AND RESTRICTIONS**

10.1 Plan of Development, Applicability, Effect. The Properties are subject to architectural and Design Guidelines as set forth in ARTICLE 7 and to guidelines and restrictions governing land use, individual conduct, and uses of or actions upon the Properties as provided in this ARTICLE 10. This Declaration establishes affirmative and negative covenants, easements, and restrictions (the “Use Guidelines and Restrictions”).

10.2 Rules and Regulations. Subject to the terms of this ARTICLE 10, the Board will implement and manage the Use Guidelines and Restrictions through Rules and

Regulations which adopt, modify, cancel, limit, create exceptions to, or expand the Use Guidelines and Restrictions.

10.3 Acknowledgment of Owners.

(a) All Owners and all the Properties are subject to the Use Guidelines and Restrictions and are given notice that, (1) their ability to use their privately owned property is limited thereby, and (2) the Board may add, delete, modify, create exceptions to, or amend the Use Guidelines and Restrictions in accordance with Section 10.2.

(b) Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by these provisions, agrees to be bound thereby, and agrees that the Use Guidelines and Restrictions and Rules and Regulations may change from time to time.

10.4 Rights of Owners. Except as may be specifically provided in this Declaration, the Board may not adopt any rule which interferes with the activities carried on within the confines of Units; except that the Association may prohibit activities not normally associated with property restricted to residential or commercial use; that it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that generate excessive noise or traffic, that create unsightly conditions visible outside the Unit, that block the views from other Units, that create an unreasonable source of annoyance, embarrassment or discomfort to the Association or other Owners; that constitute an illegal, immoral, improper, noxious or offensive activity; or that create a nuisance.

10.5 Use Guidelines and Restrictions. The following Use Guidelines and Restrictions apply to all the Properties except for that real property owned by the Bald Head Island Club or the golf course at the time of the recordation of this Declaration:

(a) Single Family Utilization. This Declaration will restrict all Units to use only for single family residential purposes unless an amendment to this Declaration is adopted in accordance with Section 14.2. No home or other structure constructed within the described area will be utilized for commercial purposes, except that home offices will be permitted as long as such offices do not induce traffic, require signage, require outdoor storage of equipment, inventory, vehicles, or include retail space. If otherwise approved in accordance with the procedures and standards set out within this Declaration, nothing contained herein will prohibit or restrict the construction of any appurtenant structure to any residence, including, but not limited to, decks, walkways, crofter's cottages or cart storage facilities.

No dwelling, including any ancillary structure or annex to a Unit, will be utilized at any time for occupancy by more than one family or one family with guests. The Owner of a Unit is specifically prohibited from occupying an ancillary structure or annex located on his Unit while renting the primary residential dwelling, or from occupying the primary residential dwelling while renting the ancillary structure or annex, or from renting to two or more rental parties, the primary residence and the ancillary structure or annex.

(b) Dunes. An Owner will not remove, reduce, cut down or otherwise change or cause to be removed, reduced, cut down or changed the elevation of any sand dunes or ridges or both within the Properties, even upon their respective Unit, except with the written permission and consent of the Association.

(c) Parking Rights. The Association may regulate the parking of vehicles, boats, trailers and other such items on the Common Area or the Properties. No vehicles, boats, trailers or other similar types of equipment shall be parked within the traffic lane of any street maintained by the Association.

(d) Parking Restrictions. Each Unit Owner will provide off-street parking space(s) for his Unit as required by the Design Guidelines. Off-street parking spaces may be established by the Association at various places for access to selected Common Areas. No boat, water craft of any kind, and no boat trailer will be allowed to be parked overnight on any Unit or Common Area unless screened in accordance with the Design Guidelines. Any vehicle violating this restriction may be removed and impounded by the Association and towing charges assessed.

(e) Satellite Receivers/Antennae. No exterior structure or device intended for receiving or transmitting radio, television or other electronic signals or waves will be allowed. Notwithstanding the foregoing, (i) antennae or satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) antennae or satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (iii) antennae or satellite dishes designed to receive television broadcast signals which are less than one meter in diameter ("Permitted Devices") shall be permitted, *provided that* any such Permitted Device is placed in the least conspicuous location on the Lot in which an acceptable quality signal can be received and is screened from the view of adjacent Living Units, streets and Common Area in a manner consistent with the Community Wide Standard and the Design Guidelines. No Permitted Device may be placed on the Common Area without the written approval of the Board.

(f) Quiet Enjoyment. No immoral, illegal, improper, obnoxious or offensive activity will be carried on upon the Properties which may be or may become a nuisance or annoyance to the neighborhood or Unit Owners.

(g) Prohibited Uses. It is the intent and purpose of the Association to ensure development and maintenance of the Bald Head Island complex as an exclusive residential community of the highest quality and at the same time to endeavor to retain the natural, unspoiled beauty of the Island. To that end the following restrictive uses and limitations are placed on all Units within the Properties:

(1) No fuel tanks or storage receptacles will be exposed to public view and will either be located and kept in an accessory building, underground receptacles or screened from view. Trash and garbage receptacles will be enclosed or screened from view.

(2) No open or exposed storage, including junk or abandoned items of personal property, will be maintained on any Unit. No trash or refuse, including leaves, will be burned in an open incinerator within the Properties.

(3) No animals, livestock or poultry of any kind will be raised, bred or kept within the Properties except household pets, which may not be kept, bred or maintained for any commercial purpose. Pets must be kept under control by the Owner at all times and attended as required by the ordinances of the Village of Bald Head Island. The Owner will be responsible to remove all pet excrement deposited on the Properties.

(4) No (i) cluster growths of vegetation in excess of two square feet, (ii) trees measuring three inches or more in diameter (outside bark to outside bark) at four feet along the trunk from the ground level, and (iii) tree limbs of more than three inches or more in diameter may be removed without prior written approval of the Association, which approval will not be unreasonably withheld.

(5) No beach access will be allowed or created other than in a location permitted by the Board.

(h) Signs. No commercial signs, including “for rent”, “for sale” and other similar signs will be erected or maintained within the Properties except those which conform to the then-existing Design Guidelines. The Board retains the right to modify the Association standard for signs, including the right to disallow signs altogether and to change the standard specifications, including, but not limited to, the size, shape, color, content, type of material and location of the sign or symbol. Any modification to the defined Association sign standard must be approved by a two-thirds (2/3) vote of all Board members.

(i) Construction. Construction signage and temporary structures, including trailers, shall conform to the then-existing Design Guidelines. The Association will adopt standards for construction sites for the purpose of reasonably controlling the aesthetics, trash, and noise resulting from construction. The Association must approve all identification signs. Only one construction sign will be allowed per Unit.

(j) Non-Residential Structures. The Board may adopt regulations regarding the land use, individual conduct and uses of or actions upon any Non-Residential Areas, at the time any property is annexed into or merged with the Properties, at the time of any amendment permitting non-residential use within any areas currently designated as single family residential Units, or at any other time deemed appropriate by the Board.

ARTICLE 11 MAINTENANCE

11.1 Responsibility of Association. The Association will be responsible to maintain and keep in good repair the Common Area and other Property which the Board may decide to maintain in the interest of the Association.

The Association shall have an affirmative obligation to maintain all private access easements and all driveway easements in **EXHIBIT B** Properties and improvements on either, to the extent conveyed to the Association or to the extent such responsibility is assigned to the Association by this Declaration or any amendment hereto, in good condition, subject to the payment of Supplemental Assessments by the Owners of all Lots benefitted by the easements. Under no circumstances shall the Association have an obligation to utilize Association funds to maintain the access and driveway easements and improvements thereon, other than those funds collected for those purposes. Some of these private access easements (referred to herein as “Easements” and each an “Easement”) are described in amendments to the Stage Two Primary Covenants recorded in the following Books and Pages of the Brunswick County Register of Deeds: Book 1380, at Page 707; Book 1380, at Page 714; Book 1480, at Page 721; Book 1382, at Page 241; Book 1573, at Page 785; Book 1590, at Page 290; Book 1953, at Page 505; and Book 1979, at Page 1227. The Association, with the approval, as to each particular Easement, of all the owners of the Lots subject to the particular Easement, as depicted on recorded plats of the Easements (“Easement Owners”) may dedicate the Easement to the Village of Bald Head Island for use by the public. Upon approval by the Association and the Easement Owners, a plat shall be recorded that indicates the dedication of the Easement to the Village of Bald Head Island for use as a public street. After the Association’s compliance with the Village Code of Ordinances, including, without limitation, those provisions applicable to a service access thoroughfare, and any other legal requirements applicable to the dedication and acceptance of the dedication of the Easement by the Village of Bald Head Island, the Association shall be responsible for the maintenance of the Easements only in the event the Village fails to keep the Easements in proper repair and free from unnecessary obstructions, abandons the Easements as provided by law, or by agreement of the Association and Village.

11.2 Responsibility of Owner. Each Unit Owner will maintain and preserve the grounds of the Unit, Living Unit, and all structures located thereon in a clean, neat, sightly and attractive condition; and will provide for the removal of all trash or refuse from the Unit. This removal will be consistent with the Community Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to this Declaration. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may, but is not required to, perform such maintenance responsibility and assess all costs incurred by the Association against the Unit and the Owner in accordance with ARTICLE 5. The Association will afford the Owner reasonable notice and an opportunity to cure the problem prior to entry.

Within certain subdivisions or communities depicted in **EXHIBIT B**, certain properties as shown on recorded plats of said subdivisions shall be owned by the owner of more than one Lot, for the sole benefit and use of said owners. For example, a common driveway may provide access to two or more Lots, or a common walkway may provide beach access or access to other areas to the owners of two or more Lots. The owners of such Lots shall have the primary responsibility for the maintenance and upkeep of such jointly-owned properties. However, to the extent that one or more of said owners fails or refuses to maintain such properties in a good, useable and sightly condition, or to the extent that one or more of such owners does not pay said owner’s pro rata share for the upkeep and maintenance of such facility,

the Association shall have the full right and authority to go upon such property, and to bring such improvements located hereon into a good, slightly, useable condition, or to cause landscaping or maintenance to be undertaken to maintain the safety and slightly appearance of such property, and the Association shall have the right to assess, in the nature of a special assessment, without approval of any owner, the cost thereof against any owner not contributing said owner's fair and prorated share of the cost of such activities or improvements. Before the Association undertakes such action or expends any funds, the Association shall give a written notice to all affected owners, giving such owners thirty (30) days in which to take the required action or to pay the required fees. Failure of the owners to then so act shall give the absolute right to the Association to proceed as allowed herein, and to collect as part of the assessment an additional twenty percent (20%) of the cost of the work performed as an administrative and supervisory fee.

11.3 Maintenance of Units. If, in the opinion of the Association, any Owner fails to maintain any Unit owned by him in a manner which is reasonably neat and orderly and as is required by ARTICLE 10 or 11 or shall fail to keep improvements constructed thereon in a state of repair so as not to be unsightly, all in the sole opinion of the Association, the Association in its discretion, by the affirmative vote of a majority of the members of the Board of Directors, and following ten (10) days written notice to Owner, may enter upon and make or cause to be made repairs to such improvements and perform such maintenance on the Unit as may be required. This maintenance includes the removal of trash, pruning of shrubbery, weeding, performing items of erosion control, and removing unsightly structures and objects. The Association shall have an easement for the purpose of accomplishing the foregoing.

11.4 Standard of Performance.

Maintenance, as used in this ARTICLE, will include, but not be limited to, repair and replacement as needed, as well as other duties, as the Board may determine necessary or appropriate to satisfy the Community Wide Standard. All maintenance will be performed in a manner consistent with the Community Wide Standard and all applicable covenants and restrictions.

**ARTICLE 12
EASEMENTS**

12.1 Easement for Utility Installation.

(a) All of the Common Area will be subject to a perpetual non-exclusive easement for water lines, sanitary sewers, storm drainage facilities, telephone and electric power lines, television antenna lines, and other public utilities as may be established by the Association whether the same be within the boundaries of any Unit; provided, however, to the extent that the Properties have been made subject to utility easements by that instrument recorded in Book 490, Page 260 of the Brunswick County Registry or other recorded easement, and such easements have been utilized by public utilities for the placement or construction of utilities easements, or are reasonably necessary, as determined by the Board of the Association, for use for such placement based upon the location of existing utilities within such easements, such easements shall survive the recording of this Declaration. All other utility easements

reserved to Bald Head Island Limited, LLC or its predecessors, i.e., easements which have not been utilized by public utilities in the construction or placement of utility systems or are not deemed necessary to be utilized by public utilities in the construction or placement of utility systems, are extinguished.

(b) The Association may grant easements for utility or other purposes for the benefit of the Properties and the Units, over, under, along and through the Common Areas. Provided, however that no such grant of easement will have a material adverse effect on the use, enjoyment or value of any Unit.

(c) All utility wires, lines, cables and lines, and pipes, without exception, will be underground.

(d) The Owners of Lots described in **EXHIBIT B** agree to execute a contract for availability of utility services in the form as approved from time to time by the North Carolina Utilities Commission, and to pay such charges as required thereby and as the same may be amended from time to time with approval of the North Carolina Utilities Commission. To the extent allowed by the North Carolina Utilities Commission, said fee may be collected as part of Supplemental Dues payable to the Association, and the Association shall remit such sums collected to the appropriate utility company.

12.2 Easements for Cross-Drainage. Every Unit and the Common Area will be burdened with easements for drainage of water runoff from other portions of the Properties. No Unit Owner will alter the drainage on any Unit so as to materially increase the drainage of water onto, or prevent drainage from, adjacent portions of the Properties without the consent of the Owner of the affected property.

12.3 Power to Grant Easements. The Association will 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 Properties.

12.4 Easement for Entry. The Association will have the right, but not the obligation, to enter upon any Unit to perform maintenance pursuant to ARTICLE 11 hereof, and to inspect for the purpose of ensuring compliance with this Declaration, Bylaws, and the Rules and Regulations. This right may be exercised by any member of the Board and its officers, agents, employees, and managers without being guilty of a trespass. Except in an emergency situation, entry will only be during reasonable hours and after notice to the Owner.

12.5 Easement for Maintenance. All maintenance of any water, sewer or drainage easement will be the responsibility of the Owner of the Unit on which said easement is located. No structure, planting or other material will be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, sewer or drainage facilities, or which may change the direction of flow of drainage channels in the easements. The easement area of each Unit and all improvements in it will be maintained continuously by the Owner of the Unit, except for those improvements for which a public authority or utility company is responsible.

12.6 Easements for Owner's Ingress and Egress. Every Owner and User shall have a perpetual non-exclusive easement and right of ingress and egress over and across any of the private roads and sidewalks located or to be located within the Properties, as shown on any recorded plats of the Property, for the purpose of providing vehicular and pedestrian access to and from the Properties.

12.7 Easement for Pathways. Each Owner and User will have a perpetual, non-exclusive easement for the use and enjoyment of bicycle paths, pedestrian paths, or nature preserve trails, if any, which may be established by the Association.

12.8 Common Area Easement. Every Owner of a Unit within the Properties, as an appurtenance to such Unit, shall have a perpetual easement over and upon the Common Area within the Properties for each and every purpose or use to which such Common Area is intended as determined by its type, or for which such Common Area generally is used, including, but not limited to, easement of access, maintenance, repair or replacement of the Common Area.

12.9 Grading Easement. The Association reserves unto itself, its successors and assigns, perpetual, alienable and releasable easements within the Properties, including an easement on, over and under the ground to cut drainways for surface water and an easement to grade soil whenever and wherever such action may appear to the Association to be necessary.

12.10 Golf Course Restrictions for Fairway Units. The following special restrictions will apply to all Units abutting, adjoining or lying contiguous to the golf course:

(a) Owners of such Units will not engage in any activities which would detract from the playing qualities of the Bald Head Island Golf Course, or from the Properties and its attractive overall landscaping plan for the entire golf course area.

(b) The owner of the golf course ("Golf Course Owner") is hereby granted an assignable "golf course maintenance easement area" of thirty (30) feet from the boundary between the Units and the golf course for the purpose of landscaping, planting of grass, watering the golf area, application of fertilizer to the golf area as needed, and otherwise mowing and maintaining the easement area. This easement privilege will include the removal of underbrush, trees less than three inches in diameter (outside bark to outside bark) when measured four feet along the tree trunk, clustered growth measuring less than two square feet, stumps, trash and debris that would or could be in conflict with the plans and specifications of the golf course area as determined by the Golf Course Owner.

(c) Golf Course Owner is hereby granted for itself, its successors or assigns, an easement to permit and authorize registered golf course players and their caddies to enter upon the golf course easement maintenance area to recover a ball or play a ball. This easement is subject to the official regulations of the course, and such entering and playing will not be deemed a trespass. Registered golf players or their caddies will not be privileged to enter the golf course maintenance easement area on any Unit with a golf cart or other vehicle. Golf

Course Owner, its successors or assigns, agree to place and maintain “out of bounds” markers on said lots at the expense of the Golf Course Owner, its successors and assigns.

12.11 Prior Easements. Notwithstanding the replacement of the 2000 Declaration and Stage Two Primary Covenants with this Declaration, all easements created and described in the 2000 Declaration and Stage Two Primary Covenants shall be easements appurtenant to, and shall run with, the land by whomsoever owned, whether or not the same shall be contained or referred to in any future deed or conveyance, and shall at all times inure to the benefit and be binding upon the Association and the Owners, all their grantees and their respective heirs, successors, personal representatives or assigns.

12.12 Easements Run with the Land. All easements and rights described herein are easements appurtenant, running with the land, and shall inure to the benefit of and be binding on all undersigned, their heirs, successors and assigns, and any Owner, purchaser, mortgagee, beneficiary under a deed of trust and other Person having an interest in said land, or any part or portion thereof, regardless of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the benefit of and be binding on the undersigned, its successors and assigns, and any Owner, purchaser, mortgagee, beneficiary under a deed of trust and other Person having an interest in said land, or any part or portion thereof, regardless of whether or not reference to said easement is made in the respective deeds of conveyance, or in any mortgage or deed of trust or other evidence of obligation, to the easements and rights described in this Declaration.

ARTICLE 13 SUBDIVISION OF LOTS AND ANNEXATION

13.1 Subdivision. No Unit within the Properties shall be subdivided or divided into smaller Unit(s) or its boundary lines changed, nor shall any Unit or portion of a Unit be added to or incorporated into any other Unit, without the written consent of the Association, except that subdivision or division of any Unit into Time Share Units is prohibited. However, any two property Owners may jointly purchase and divide a Unit between their respective Units, but in such event, the Unit then ceases in perpetuity to be a Unit in the Properties and is merged into the Ownership of the respective adjoining property Owners in the ratio of their division. Such division must be recorded in writing with the Association. The total number of Units, as indicated on **EXHIBIT A and B** shall not be increased. This Section shall not preclude the addition of Units by subsequent annexation of additional areas.

If the recombination of any Units reduces the total number of allowable building Units within Properties, for purposes of membership in the Association and for purposes of the payment of dues and assessments, recombined Units will be considered a single Unit.

13.2 Annexation. The Association may annex and subject any property on Bald Head Island to the provisions of this Declaration with the consent of the owner of such property (and any mortgagee or holder of a deed of trust on such property) and the affirmative vote of a majority of the members of the Board of Directors of the Association then holding office. Such annexation shall be accomplished by recording a supplemental declaration in the office of the Register of Deeds of Brunswick County describing the property to be annexed and

specifically subjecting it to the terms of this Declaration and the jurisdiction of the Association. Any such supplemental Declaration shall be signed by the President of the Association and the owner of the annexed property (and the mortgagee or holder of a deed of trust on the annexed property, if any). Any such annexation shall be effective upon recording the supplemental declaration in the office of the Register of Deeds of Brunswick County unless otherwise provided therein. Any property annexed and made subject to this Declaration shall be subject to all the terms and conditions of this Declaration, and the owner of such annexed property shall be a member of the Association.

ARTICLE 14
DURATION, AMENDMENT AND TERMINATION

14.1 Units, Persons and Entities Subject to this Declaration, Duration and Termination. All present and future Owners and Users, shall be subject to, and shall comply with the covenants, conditions, restrictions and affirmative obligations set forth in this Declaration, and as the Declaration may be amended from time to time. The acceptance of a deed of conveyance, the entering into of a lease, or the entering into occupancy or the visiting of any Unit will constitute an agreement that the provisions of this Declaration are accepted and ratified by such Owner and User and that they will fully comply with the terms and conditions of this Declaration. The covenants, conditions, restrictions, and affirmative obligations of this Declaration shall inure to the benefit of and be enforceable by the Association, or the Owner of any Unit, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this Declaration is recorded in the Brunswick County Registry, after which date this Declaration shall be extended for successive periods of thirty (30) years, unless a majority of the then Owners agree to revoke the same. The covenants, restrictions, conditions and affirmative obligations of this Declaration shall run with and bind the land and shall bind any Person having at any time any interest or estate in any Unit as though such provision were made a part of each and every deed of conveyance or lease.

14.2 Amendment. This Declaration may be amended by vote of two-thirds of those present and voting in person or voting by proxy at a meeting of the Members. An instrument which has attached as an exhibit, a certified copy of the resolution adopting the amendment and which has been signed by the president of the Association and attested to by its secretary, must be recorded in the Brunswick County Registry for such an amendment to be effective. In no event may this Declaration be amended so as to alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or to affect any lien for the payment thereof established herein.

The Board of Directors of the Association may amend this Declaration as shall be necessary, in its opinion, and without the consent of any Owner, in order to qualify the Association or the Subject Property or any portion thereof, for tax-exempt status. Such amendment will become effective upon the date of its recordation in the Brunswick County Registry.

The Association through a vote of two-thirds of its Board of Directors will be allowed to amend this Declaration, notwithstanding any other provision contained herein, and without joinder of any other party, to correct any discovered error contained herein, to clarify any ambiguity contained herein, or to add or delete any incidental provisions deemed in the sole discretion of Association to be in the best interest of the Association. This right may be exercised, and will be effective, only upon the recordation of a "Corrected Declaration" in the office of the Register of Deeds of Brunswick County. The Corrected Declaration shall specifically reference this document, and the provision impacted.

ARTICLE 15 COMPLIANCE WITH THIS DECLARATION, THE ARTICLES, THE BYLAWS, AND THE RULES AND REGULATIONS OF THE ASSOCIATION

In the case of failure of an Owner or User to comply with the terms and provisions contained in this Declaration, the Articles, the Bylaws, Rules and Regulations or Design Guidelines, the following relief shall be available:

15.1 Enforcement. The Association, any Owner, any aggrieved Owner on Bald Head Island on behalf of the Association, or any Owner on behalf of all the Owners on Bald Head Island who are Members of the Association shall have the right to enforce by any proceeding at law or in equity, all of the conditions, covenants and restrictions of this Declaration and the Articles, Bylaws, Rules and Regulations of the Association, Design Guidelines and any and all laws hereinafter imposed pursuant to the terms of this Declaration. The prevailing party will be entitled to collect all costs thereof, including reasonable attorneys' fees.

15.2 Remedies. The Association shall have the right to remedy the violation, including the right of entry onto any Unit without being guilty of trespass, and assess the costs of remedying same against the offending Owner as a Special Assessment as provided in ARTICLE 5 herein.

15.3 Suspension of Rights. For any violation of any provision of this Declaration, the Articles, the Bylaws, the Rules and Regulations, or Design Guidelines by an Owner or his User, including, but not limited to, the nonpayment of any General Assessment, Special Assessment, or Supplemental Assessment, the Association shall have the right to suspend the offending Owner's voting rights and/or the use by such Owner and his/her Users of the Common Area and recreational facilities and Amenities for any period during which a violation continues. Such penalties may not be for more than sixty (60) days for violation of any of the Association's published Rules and Regulations.

15.4 Fines. The Association may establish a schedule of fines for the violation of this Declaration, the Articles, Bylaws and Rules and Regulations and Design Guidelines. If an Owner does not pay the fine within fifteen (15) days the fine shall be a Special Assessment

against the Owner's Unit and may be enforced by the Association in accordance with ARTICLE 5 herein.

15.5 Remedies Cumulative. The remedies provided by this Article are cumulative, and are in addition to any other remedies provided by law.

15.6 Waiver. No provision contained in this Declaration, the Articles, the Bylaws, the Rules and Regulations, or the Design Guidelines will be deemed to have been waived, abandoned, or abrogated by reason of failure to enforce them on the part of any Person or the Association as to the same or similar future violations, no matter how often the failure to enforce is repeated. The Association will not be liable to any Owner or other aggrieved party for failure to enforce any provision of this Declaration, the Articles, Bylaws, Rules and Regulations, or Design Guidelines.

ARTICLE 16 GENERAL PROVISIONS

16.1 Dispute Resolution. If a dispute, controversy or claim (whether based upon contract, tort, statute, common law or otherwise) (collectively, a "Dispute") involving the Association arises from or relates directly or indirectly to Bald Head Island, to the development of Bald Head Island, or to this Declaration, Articles, Bylaws, Rules and Regulations, or Design Guidelines; and if the dispute cannot be settled through direct discussions; the parties, including the Association or any Owner, shall submit the dispute for resolution in a mediation administered by a North Carolina certified mediator with experience in homeowners association matters. The mediator will be chosen by agreement by both parties under rules consistent with the rules for mediation required by North Carolina Superior Court. The mediation shall be nonbinding on the parties.

16.2 Amenities and Facilities. Every park, recreation area, recreation facility, dedicated access, and other Amenities appurtenant to the Properties, whether or not shown and delineated on any recorded plat of the Properties, will be considered private and for the sole and exclusive use of the Owners of Units within the Properties. Neither the recording of any plat nor any act of the Association with respect to such area is, or is intended to be, or will be construed as a dedication to the public of any such areas, facilities, or Amenities.

16.3 Applicability; Leases. All provisions of this Declaration and of any Association Rules and Regulations will apply to all Owners and Users of any Unit. Any lease on a Unit will provide that the User of the Unit will be bound by the terms of this Declaration, the Bylaws, and the Rules and Regulations of the Association.

16.4 Other Associations. Other associations have been or may be established within the Properties (e.g., condominium associations) and in connection therewith may designate limited common areas solely for the benefit of members of such associations. The annexation to Bald Head Association of such areas does not and will not entitle the Members of Bald Head Association to the use of any limited common area established for the benefit of members of such other associations.

16.5 Variances. The Board in its discretion by a vote of at least two-thirds of the members of the Board may allow reasonable variances and adjustments of this Declaration in order to alleviate practical difficulties and hardship in their enforcement and operation. Any such variances will not violate the spirit or the intent of this document to create a subdivision of Units owned in fee by various persons, with each such Owner having an easement upon areas owned by the Association.

16.6 Conflict. In the event of any irreconcilable conflict between this Declaration and the Bylaws of the Association or the Articles of Incorporation of the Association, the provisions of this Declaration will control. In the event of any irreconcilable conflict between **EXHIBIT C** and the Declaration itself, the provisions of **EXHIBIT C** will control with respect to those Properties in **EXHIBIT B** (Stage Two). As to Properties in **EXHIBIT A**, the remainder of the Declaration will control.

16.7 Severability. Invalidation of any one of the covenants or restrictions set forth herein by judgment of any court, agency or legislative order will in no way affect any other provisions, covenants, conditions or restrictions contained in this Declaration.

16.8 Captions. The captions preceding the various Articles of this Declaration are for the convenience of reference only, and will not be used as an aid in interpretation or construction of this Declaration. As used herein, the singular includes the plural and where there is more than one Owner of a Unit said Owners are jointly and severally liable for the obligations herein imposed. Throughout this Declaration, references to the masculine will be deemed to include the feminine, the feminine to include the masculine, and the neuter to include the masculine and feminine.

16.9 Liberal Construction. The provisions of this Declaration shall be construed liberally to effectuate its purpose of creating a common plan or scheme of development of fee simple ownership of Units and buildings governed and controlled by rules, regulations, restrictions, covenants, conditions, reservations and easements administered by an owners' association with each Owner entitled to and burdened with the rights and easements equivalent to those of other Owners.

ARTICLE 17

STAGE TWO SECONDARY COVENANTS

17.1 References in Stage Two Secondary Covenants to Stage Two Primary Covenants. The Stage Two Secondary Covenants shall remain in full force and effect, but the Stage Two Primary Covenants are no longer in effect and have been replaced and superseded by this Declaration. The Stage Two Secondary Covenants contain references to the Stage Two Primary Covenants. Those references shall refer to certain sections of this Declaration as set forth on **EXHIBIT C**.

17.2 Enforcement of Stage Two Secondary Covenants. The Association is vested with exclusive authority to enforce the Stage Two Secondary Covenants, except to the extent that any of the communities so authorized by the Stage Two Secondary Covenants may, if they so desire, form a sub-association for the purpose of enforcing the Stage Two Secondary Covenants applicable to the particular community; provided that these communities may not be forced or otherwise compelled by the Association to form a sub-association.

IN WITNESS WHEREOF, the Association, acting pursuant to the authority recited above, and Bald Head Island Limited, LLC, for the purpose of consenting to the terms of this Declaration, have caused this Declaration to be executed under seal in a manner so as to be binding this the day and year first above written.

BALD HEAD ASSOCIATION

By: _____
President

ATTEST:

Secretary
(SEAL)

BALD HEAD ISLAND LIMITED, LLC

By: _____
President

ATTEST:

Secretary
(SEAL)

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, _____, a Notary Public of the State and County aforesaid, certify that _____ personally came before me this day and acknowledged that he/she is _____ Secretary of Bald Head Association, a North Carolina corporation with its principal office in Brunswick County, 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 himself/herself as its _____ Secretary.

WITNESS my hand and official seal this _____ day of _____, 2017.

Notary Public

My Commission Expires:

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that _____, personally came before me this day and acknowledged that he is President of Bald Head Island Limited, LLC, a North Carolina limited liability company, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President.

WITNESS my hand and official seal this _____ day of _____, 2017.

Notary Public

My Commission Expires:

EXHIBIT A

BEING all of that real property located on Bald Head Island, Smithville Township, Brunswick County, North Carolina, and more particularly described as follows:

That portion of Bald Head Island bounded on the northeast by North Bald Head Wynd, as located on the subdivision plats hereinafter described, extended to the high water mark of the Cape Fear River, on the east by Muscadine Wynd, as located on the subdivision plats hereinafter described, extended to the high water mark of the Atlantic Ocean, and on the South, West and Northwest by the high water mark of the Atlantic Ocean and the Cape Fear River, which is not shown on subdivision plats recorded in Map Book 12, Pages 1-11 and 38 of the Brunswick County Registry, or included in the tracts set aside for the Bald Head Inn as described in that deed of trust to Dotson G. Palmer, et al., Trustees for Mutual Savings and Loan Association, recorded in Book 288 at Page 470 of the Brunswick County Registry, and amended by Modification Agreement recorded in Book 342, Page 129 of the Brunswick County Registry; and

BEING all of that real property annexed to the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island Stage I, Brunswick County recorded in Book 498, Page 260, of the Brunswick County Registry; and

BEING all of that real property described in the documents set forth below and all amendments thereto, all of which are recorded in the Brunswick County Registry:

Book 263, Page 621.
Book 288, Page 470.
Book 342, Page 129.
Book 374, Page 645.
Book 379, Page 583.
Book 399, Page 488.
Book 409, Page 421.
Book 498, Page 260.
Book 514, Page 164.
Book 580, Page 880.
Book 588, Page 877.
Book 661, Page 441.
Book 661, Page 443.
Book 666, Page 678.
Book 679, Page 344
Book 679, Page 349.
Book 700, Page 522.
Book 700, Page 528
Book 715, Page 803.
Book 882, Page 431.
Book 925, Page 149.
Book 961, Page 754.

Book 976, Page 977.
Book 1005, Page 953.
Book 1023, Page 362.
Book 1177, Page 391; and

BEING all of that real property described in the maps set forth below and all revisions and additions thereto, which maps are all recorded in the Brunswick County Registry:

Map Book 12, Pages 1-11.
Map Book 12, Pages 14-17.
Map Book 12, Pages 36-39.
Map Cabinet I, Page 373.
Map Cabinet J, Pages 178-184.
Map Cabinet J, Page 319.
Map Cabinet L, Page 195.
Map Cabinet M, Pages 84-86.
Map Cabinet O, Page 380.
Map Cabinet Q, Page 206.
Map Cabinet S, Page 12.
Map Cabinet S, Page 112.
Map Cabinet S, Pages 143-144.
Map Cabinet U, Page 287.
Map Cabinet X, Page 231.
Map Cabinet Y, Page 93.
Map Cabinet Y, Page 246.
Map Cabinet Z, Page 72.
Map Cabinet Z, Page 196; and

BEING all of that real property which is located in, made a part of, and annexed to the following subdivisions or sections, including, but not limited to those documents and maps set forth below and all amendments, revisions and additions thereto, all of which are recorded in the Brunswick County Registry:

Sabal Palm Cottages

Book 1068, Page 106
Book 1109, Page 753
Book 1100, Page 828

Map Book 17, Page 153
Map Book 18, Page 14

Timber Creek Condominiums

Book 597, Page 185
Book 600, Page 232
Book 601, Page 137
Book 649, Page 475

Map Cabinet O, Page 160
Map Cabinet O, Page 161
Condominium Plat Book 3, Pages 37-41

Lighthouse Landing

Book 766, Page 519
Book 1068, Page 124
Book 1075, Page 337
Book 1081, Page 365
Book 1195, Page 163
Book 1122, Page 288
Book 1132, Page 1015

Map Cabinet Z, Page 399
Map Book 17, Page 152
Map Book 17, Page 241
Map Book 17, Page 465
Map Book 18, Page 232
Map Book 18, Page 440

Bald Head Island Villas

Book 487, Page 687
Book 803, Page 580

Map Cabinet M, Page 250

Ibis Roost

Book 785, Page 231
Book 912, Page 168
Book 945, Page 491
Book 956, Page 1046
Book 966, Page 468
Book 971, Page 584
Book 979, Page 280
Book 983, Page 830
Book 1062, Page 118

Map Cabinet T, Pages 287-289
Map Cabinet T, Page 373
Map Cabinet U, Page 213
Map Cabinet X, Page 388
Map Cabinet Y, Page 71
Map Cabinet Y, Page 187
Map Cabinet Y, Page 268
Map Cabinet Y, Page 305

Middle Island

Book 399, Page 448
Book 814, Page 501
Book 824, Page 315

Swans Quarter

Book 651, Page 884
Book 663, Page 442

Condominium Plat Book 5, Pages 82-94
Condominium Plat Book 5, Pages 131-136

The Hammocks

Book 1240, Page 983
Book 1252, Page 47
Book 1261, Page 1148
Book 1263, Page 755
Book 1286, Page 919
Book 1310, Page 1039

Map Cabinet 7, Page 345
Map Cabinet 7, Page 346
Map Cabinet 7, Page 347
Map Cabinet 7, Page 348
Map Cabinet 7, Page 349
Map Cabinet 7, Page 350
Map Cabinet 7, Page 392
Map Cabinet 7, Page 393
Map Cabinet 7, Page 394
Map Cabinet 7, Page 395
Map Cabinet 7, Page 396
Map Cabinet 7, Page 397
Map Cabinet 7, Page 398

Map Cabinet 7, Page 432
Map Cabinet 7, Page 433
Map Cabinet 7, Page 434
Map Cabinet 7, Page 478
Map Cabinet 7, Page 479
Map Cabinet 7, Page 480
Map Cabinet 7, Page 481
Map Cabinet 7, Page 482
Map Cabinet 7, Page 483

Flora's Bluff

Book 911, Page 497
Book 926, Page 719
Book 927, Page 951
Book 930, Page 1066
Book 933, Page 550
Book 940, Page 197
Book 941, Page 344
Book 942, Page 1082
Book 953, Page 633
Book 959, Page 672
Book 961, Page 1009
Book 971, Page 582
Book 987, Page 594
Book 1004, Page 99
Book 1077, Page 255

Map Cabinet X, Pages 101-102
Map Cabinet X, Page 253
Map Cabinet X, Page 262
Map Cabinet X, Page 279
Map Cabinet X, Page 318
Map Cabinet X, Page 356
Map Cabinet X, Page 362
Map Cabinet X, Page 371
Map Cabinet Y, Page 37
Map Cabinet Y, Page 79
Map Cabinet Y, Page 95
Map Cabinet Y, Page 186
Map Cabinet Y, Page 333
Map Cabinet Z, Page 62
Map Book 17, Page 262

Killegray Ridge

Book 1007, Page 1015
Book 1017, Page 131
Book 1018, Page 44
Book 1020, Page 435
Book 1025, Page 806
Book 1025, Page 808
Book 1036, Page 115
Book 1040, Page 728
Book 1047, Page 292
Book 1064, Page 714
Book 1066, Page 211
Book 1084, Page 519
Book 1084, Page 521
Book 1095, Page 585
Book 1103, Page 1177

Map Cabinet Z, Page 89
Map Cabinet Z, Page 92
Map Cabinet Z, Page 165
Map Cabinet Z, Page 171
Map Cabinet Z, Page 192
Map Cabinet Z, Page 231
Map Cabinet Z, Page 232
Map Cabinet Z, Page 303
Map Cabinet Z, Page 337
Map Cabinet Z, Page 398
Map Book 17, Pages 127-128
Map Book 17, Page 146
Map Book 17, Page 341
Map Book 17, Page 342
Map Book 17, Page 345

Book 1112, Page 583
Book 1149, Page 792
Book 1155, Page 54
Book 1177, Page 54
Book 1177, Page 391
Book 1192, Page 746
Book 1208, Page 1139
Book 1219, Page 900
Book 1220, Page 740
Book 1238, Page 116

Map Book 17, Page 518
Map Book 18, Page 85
Map Book 18, Page 276
Map Book 18, Page 467
Map Book 19, Page 243
Map Book 19, Page 371
Map Book 19, Page 499
Map Book 20, Page 152

Bald Head Island Harbour

Book 697, Page 267
Book 722, Page 952
Book 808, Page 358
Book 892, Page 13
Book 955, Page 846
Book 982, Page 43
Book 985, Page 384
Book 991, Page 1022
Book 1005, Page 945
Book 1011, Page 189
Book 1069, Page 67
Book 1092, Page 196
Book 1169, Page 1129
Book 1185, Page 928

Map Cabinet R, Page 365
Map Cabinet S, Page 142
Map Cabinet S, Page 300
Map Cabinet U, Page 41
Map Cabinet U, Page 66
Map Cabinet U, Page 157
Map Cabinet W, Page 323
Map Cabinet X, Page 367
Map Cabinet Y, Page 61
Map Cabinet Y, Page 289
Map Cabinet Y, Page 313
Map Cabinet Z, Page 75
Map Cabinet Z, Page 118
Map Cabinet 17, Pages 176 and 177.

EXHIBIT B

STAGE TWO

All of the property previously made subject to the terms of the Protective Covenants for Bald Head Island Stage Two recorded in Book 1045, Page 676 in the office of the Register of Deeds of Brunswick County, including without limitation the property described in the following amendments, as they have been amended and supplemented (the Book and Page number in which these documents have been recorded in the office of the Register of Deeds of Brunswick County are included with each document in parentheses):

Braemar Extension (Book 1127, Page 1033);
Braemar Highlands (Book 1116, Page 689);
Cedar Court (Book 1062, Page 114);
Chicamacomico Woods, Cape Fear Station (Eco Tract A) (Book 2110, Page 508);
Eco-A-Prime, Cape Fear Station (Book 2172, Page 1426);
Eco-A-Prime Phase 2, Cape Fear Station (Book 2526, Page 795).
Eco Tract C - Kitty Hawk Cape Fear Station (Book 1915, Page 62);
Eco Tract C – Kitty Hawk (Book 1953, Page 505);
Eight (8) Lots in Commercial Tract 5A Cape Fear Station (Book 2173, Page 10);
Faire Isle, f/k/a Palmetto Point Island (Book 1260, Page 264);
Keeper's Landing Cape Fear Station - Multi Family 4 (Book 1766, Page 1200);
Keeper's Landing, Cape Fear Station – Multi-Family 4 (Book 1966, Page 132);
Kinnakeet Woods, Cape Fear Station (Eco Tract B) (Book 2110, Page 516);
Kitty Hawk Woods (Eco-B-Prime) Cape Fear Station (Book 2365, Page 276);
Loggerhead Beach (Book 1287, Page 1040);
Lot 2072 Extension (Book 1242, Page 855);
Palm Court (Book 1062, Page 110);
Palmetto Cove (Book 1045, Page 696);
Phase One, Surfman's Walk Cape Fear Station – Multi Family 3 (Book 1573, Page 785)
Phase Two, Surfman's Walk Cape Fear Station – Multi Family 3 (Book 1610, Page 132);

Recreation 1 – Village Common Cape Fear Station (Book 1388, Page 1353);
Single Family 1 Cape Fear Station (Book 1590, Page 290);
Single Family 2 Cape Fear Station (Book 1590, Page 297);
Single Family 3 Cape Fear Station (Book 1380, Page 707);
Single Family 4 Cape Fear Station (Book 1590, Page 304);
Single Family 5 and 7 Cape Fear Station (Book 1380, Page 714);
Single Family 6 Cape Fear Station (Book 1862, Page 1159);

Single Family 8 Cape Fear Station (Book 1382, Page 241);
Single Family 9 Cape Fear Station (Book 1380, Page 721);
Single Family 10 Cape Fear Station (Book 1380, Page 1147);
Single Family 11 Cape Fear Station (Book 1381, Page 98);
Single Family 12 Cape Fear Station (Book 1604, Page 71);
Single Family 13 Cape Fear Station (Book 1602, Page 410);
Single Family 14 Cape Fear Station (Book 1435, Page 657);
Single Family 15 Cape Fear Station (Book 1476, Page 1123);
Single Family 16 – Shoals Watch Cape Fear Station (Book 1733, Page 763);
Single Family 17 Cape Fear Station (Book 1372, Page 269);
Single Family 18 Cape Fear Station (Book 1372, Page 263);
Single Family 21 Cape Fear Station (Book 1979, Page 1227);

The Crescent (Book 2180, Page 1195);

The Crescent Cape Fear Station Multi Family 2 (Book 2075, Page 1220);

The Grove (Book 1261, Page 257)

**LESS AND EXCEPTING THE PROPERTIES COMPRISING FLORA'S BLUFF AND
KILLEGRAY RIDGE.**

EXHIBIT C

References in the Stage Two Secondary Covenants to sections of the Stage Two Primary Covenants shall mean and refer to certain sections of this Declaration as follows:

1. References to the "Protective Covenants" shall mean and refer to this Declaration.
2. References to the "Association" shall mean and refer to Bald Head Association.
3. All capitalized terms set forth in the Stage Two Secondary Covenants shall have the same meaning as specified therein, and if not so specified, shall have the meaning set forth in this Declaration.
4. References to "Common Property" shall mean and refer to "Common Area" as described in Section 1.8 of this Declaration.
5. References to "Paragraph 3 of the Protective Covenants" shall refer to Section 10.5(a) of this Declaration.
6. References to "Paragraph 4 of the Protective Covenants" shall refer to Article 7 of this Declaration.
7. References to "Paragraph 5 of the Protective Covenants" shall refer to Article 7 of this Declaration.
8. References to "Paragraph 6 of the Protective Covenants" shall refer to Article 5 of this Declaration.
9. References to "Paragraph 8 of the Protective Covenants" shall refer to Section 7.8(a)(3) of this Declaration.
10. References to "Paragraph 12 of the Protective Covenants" shall refer to Section 13.1 of this Declaration.
11. References to "Paragraph 19 of the Protective Covenants" shall refer to Section 7.8(b)(1) of this Declaration.

EXHIBIT D
(APPLICABLE TO BRAEMAR SUBDIVISION ONLY)

All Lots within the Braemar Subdivision ("Braemar") depicted on the plat recorded in Map Cabinet Z, Page 386 in the office of the Register of Deeds of Brunswick County ("Plat") shall be subject to the following restrictions, which were previously set forth in the Stage Two Primary Covenants:

(A) The minimum square footage of heated, enclosed living space for each approved primary residential structure shall be 2000 square feet.

(B) No primary structure will be allowed to extend outward from any building plan shown on the Plat, and the construction of any improvement or structure extending outward from said building pad shall require approval of the Committee following an affirmative finding that said improvement or structure meets the standards contained in Article 7 and will not have a negative impact on adjoining Lots.

(C) Each Lot owner shall keep the grounds on his Lot and all structures located thereon in a clean, neat and sightly condition, and shall provide for the regular removal of all trash or refuse from the Lot.

(D) No animals, livestock or poultry of any kind shall be kept or maintained on any Lot except that no more than two (2) dogs or cats are allowed, and provided they are attended as required by the ordinances of the Village of Bald Head.

(E) In order to comply with the North Carolina Stormwater Regulations enacted by the Department of Environmental Management of the State of North Carolina, each Lot shall contain a maximum square footage covered by impervious surface (as defined by the Department of Environmental Management), which limitations are as set out as follows:

Maximum Impervious Area of 4,000 Square Feet: Lots 2251, 2253, 2255, 2257, 2259, 2261, 2263, 2265

Maximum Impervious Area of 4,500 Square Feet: Lots 2052, 2054, 2056, 2058, 2060, 2062, 2064, 2066

Impervious surfaces include structures, paved surfaces, walkways, patios of brick, stone, slate, and similar materials, and use of other materials that substantially negatively impact the ability of water to be assimilated into the soil. This provision is intended to insure continued compliance with stormwater runoff regulations and therefore this covenant may be enforced by the State of North Carolina. This provision runs with the land and is binding on all persons owning any Lot as shown on the Plat. No amendment of this provision shall be allowed unless consented to in writing by the State of North Carolina, Department of Environmental Management.

(F) The owners of Lots within Braemar shall be deeded by Declarant undivided interests in certain properties within Braemar, shown on the Plat, which shall be used by and made available only to those owners with an undivided interest therein. All owners with an undivided interest in such areas shall maintain such areas, and the improvements thereon, in a good, sightly and functional condition, with costs thereof, if any, being paid by said owners in properties to their undivided interests in such properties. Failure to do so shall permit the Association to take action and collect monies as allowed in Article 5 of this Declaration.

(G) Access to and from South Bald Head Wynd is limited to the area designated "Private Drive" on the Plat. Owners of Lots are prohibited from establishing driveways, walkways, or entrances of any kind along South Bald Head Wynd.

(H) No beach access or other structures, other than those constructed in designated access easements, shall be permitted south of the southernmost point of the designated building pad on each Lot.