

**STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK**

**DECLARATION OF COVENANTS
CONDITIONS & RESTRICTIONS
SABAL PALM COTTAGES**

THIS Declaration, made the 6th day of December, 1995, by **BALD HEAD ISLAND , LIMITED**, a Texas limited partnership (hereinafter referred to as "Declarant");

WITNESSETH:

WHEREAS, Declarant is the owner of certain real property in Smithville Township, Brunswick County, North Carolina, which is more particularly described as follows:

Being all of Phase I of Sabal Palm Cottages, according to the plat thereof recorded in Map Cabinet _____, Instrument _____, in the Office of the Register of Deeds of Brunswick County, North Carolina (the "Plat"), to which Plat reference is hereby made for a more particular description, the property described herein being referred to as the "Property" or "Properties."

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

ARTICLE I

DEFINITIONS

SECTION 1. Association shall mean and refer to Sabal Palm Cottages, a North Carolina nonprofit corporation, its successors and assigns, the owner's association organized for the mutual benefit and protection of the Properties. All property owners of Sites in Sabal Palm Cottages and any areas hereafter developed subjected to this Declaration, if any, shall be Members of the Association, which Membership shall be appurtenant to and may not be separated from the ownership of such single family Site.

SECTION 2. Additional Properties shall mean and refer to any lands which are now owned or may be hereafter acquired or developed by Declarant and which are annexed to and made a part of the Properties. Annexation of Additional Properties shall become effective by the recording by the Declarant of an Amended Declaration for each new phase annexed.

SECTION 3. Amenities shall mean the facilities constructed, erected, or installed on any Common Area for the use, benefit and enjoyment of Members. The amenities for Sabal Palm Cottages

shall consist of all improvements constructed on Common Areas (exclusive of Limited Common Areas), including, without limitation, an open-air gazebo with Bar-B-Q Pit and walkway (located or to be located between Sites 8 and 9), and walkways with overlooks between Sites 5 and 6 and Sites 12 and 13. Construction of the described amenities will commence no later than thirty (30) days after receipt of a deposit for purchase of the 12th cottage in the Properties, and will be completed within twelve (12) months after commencement.

SECTION 4. Board of Directors or Board shall mean those persons elected or appointed and acting collectively as the directors of the Association.

SECTION 5. Common Area shall mean and refer to all property owned by the Association from time-to-time for the common use and enjoyment of the Owners. Common Area shall include all areas shown on the Plat or the Plat of Additional Properties, not designated as a Site, except that, to the extent that the size or location of any Site is altered pursuant to Article II, Section 5, the Property so designated as a Site shall not be Common Area. The recordation of the Plat (or the Plat of any Additional Properties) shall not be deemed a dedication of any Common Area.

SECTION 6. Common Expense shall mean and include (a) expenses of administration, maintenance, repair or replacement of residences and Common Areas, and improvements thereon; (b) expenses declared to be common expenses under the provisions of this Declaration or the By-Laws of the Association; (c) hazard, liability or such other insurance premiums as the Declaration or By-Laws may require or the Association shall, from time-to-time, purchase; (d) expenses agreed by the Members to be Common Expenses of the Association.

SECTION 7. Declarant shall be used interchangeably with "Developer" (which designations may be used herein in the third person neuter for convenience only, but such terms shall include singular, plural, masculine and neuter as required by the context) to mean and refer to Bald Head Island Limited, a limited partnership, or its assigns to whom the rights of Declarant shall be expressly transferred.

SECTION 8. Declaration shall mean this instrument as it may be from time-to-time amended or supplemented.

SECTION 9. Declaration Restated shall mean that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island, Stage I, recorded in Book 460 at Page 263 of the Brunswick County Registry, and all amendments and modifications thereof, to the extent the same are applicable hereto, all of which are incorporated herein by reference.

SECTION 10. Limited Common Area shall mean those Common Areas and improvements thereon which are reserved for the use and benefit of a certain Site or Sites to the exclusion of all other Sites as more specifically shown and designated on the Plat or maps of any and all phases of Additional Properties, and which shall include garages as shown on said Plat or maps.

SECTION 11. Member shall mean and refer to every person or entity who has a Membership in the Association.

SECTION 12. Membership shall mean and refer to the rights, benefits, duties and obligations which shall inure to the benefit of and burden each Member as hereinafter set forth in Article V.

Every person who is a record owner of a fee or undivided fee interest in any Site which is subject, by covenants of record, to assessment by the Association, including contract sellers but excluding persons who hold an interest merely as security for the performance of an obligation, shall be a member both of Bald Head Association and the Association. Ownership of such interest shall be the sole qualification for such membership. There shall be two (2) classes of Membership in the Association as set forth hereinafter in Article V, Section 3, (Voting Rights) and each class of Membership shall have the votes as defined therein. Membership shall be appurtenant to and may not be separated from ownership of any Site which is the subject of this Declaration. The Board of Directors may make reasonable rules regarding proof of ownership.

SECTION 13. Owner shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Site 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.

SECTION 14. Properties shall mean and refer to all of Sabal Palm Cottages, Phase 1 as shown on the Plat and any of the Additional Properties that may hereafter be brought within the jurisdiction of the Association as herein provided, all of which are hereby designated as a multi-family Site as defined in Article II, Section 6 of the Declaration Restated (see Section 10 above).

SECTION 15. Site shall mean and refer to any of the numbered building pads in any phase of Sabal Palm Cottages as shown on the Plat or recorded maps of Additional Properties, as recorded in the Brunswick County Registry, together with all improvements, including any structure or dwelling unit, constructed thereon.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area (but not the Limited Common Area), if any, which shall be appurtenant to and shall pass with the title to every Site, subject to the following provisions:

- A. The right of the Association to suspend the voting rights and privileges of an Owner for any period during which any assessment against his Site remains

unpaid and for a period not to exceed sixty (60) days for any infraction of the published rules and regulations, but access to the Owner's Site shall not be denied.

- B. The right of the Association to dedicate or transfer all or part of the Common Area, if any, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective until approved by vote of at least two-thirds (2/3) of the Members as indicated in an instrument executed by the Association and recorded in the Brunswick County Registry.
- C. The right of the Association to impose regulations for the use and enjoyment of the Common Area, if any, and improvements thereon, which regulations may further restrict the use of the Common Area.
- D. The right of the Association to limit the number of guests of Members allowed to utilize any Site or Common Area.
- E. The Association may not restrict the right of utilization of any Limited Common Area nor may any Limited Common Area be conveyed without the consent of the Member entitled to utilization thereof.

SECTION 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Areas to the members of his family, his tenants or contract purchasers provided that such shall occupy the Owner's Site.

SECTION 3. Conveyance of Common Areas. The Declarant hereby covenants, for itself, its successors and assigns, that it will, at the time determined by Declarant but in no event later than five (5) years from the date hereof, convey fee simple title to the roadways and areas not designated as Sites for individual ownership to the Association free and clear of all liens and encumbrances but subject to these restrictions, utility and drainage easements of record, easements to governmental authorities and easements to utility companies providing services to the Property. Similarly the Declarant will convey to the Association, upon the same conditions and for the same uses and purposes, the Common Areas which are part of any Additional Properties annexed hereto in the future.

SECTION 4. Off-Street Parking. The Association, in its discretion, may control or prohibit the use of Common Areas for parking of private vehicles. The Owner shall be entitled to the right of ingress and egress to his Site. No boats, trailers, campers or recreational vehicles shall be parked upon the Common Areas or rights of way of any public or private street in or adjacent to the Property unless in a place designated therefor by the Association. All boats, trailers, campers or recreational vehicles shall be parked only in areas if any designated for parking such vehicles and upon such terms and conditions as shall be established by the Association.

SECTION 5. Site Restrictions. Each Site shall constitute an allowed residential building pad and shall be used for residential purposes only. The lay of the Sites, as shown on the Plat, may be altered by recordation of an amended Plat prior to conveyance of the Common Area to the Association; provided further that no Site or group of Sites may be resubdivided so as to produce a greater number of Sites than shown on the aforementioned Plat, and no structure shall be erected, altered, placed or permitted to remain on any Site other than one detached single-family dwelling unless otherwise approved by the Association.

SECTION 6. Housing Easement. Should any primary residential structure be constructed with an encroachment on Common Areas, there is hereby granted to the Owner of such structure from time to time a perpetual easement (for so long as said structure remains, including any replacement structure) for the sole use and benefit of said Owner for the purpose of maintaining said structure thereon, and the area covered by such structure shall be Limited Common Area. The Association shall have authority to convey such area to the Owner without consent of any Member.

ARTICLE III

EASEMENTS

SECTION 1. Utilities. Perpetual, alienable easements are reserved as necessary in the Properties and the Common Areas thereof for the installation and maintenance of underground utilities and drainage facilities. The Association shall have the power and authority to create and establish in, over, upon and across the Common Area conveyed to it such further easements as are requisite for the convenient use and enjoyment of the Property.

SECTION 2. Encroachments. All Sites, Common Areas and Limited Common Areas are hereby subjected to an easement for encroachments created by construction, settling and overhangs for all buildings including, without limitation, the overhanging eaves, gutters, down spouts, exterior storage rooms, walls, boardwalks or walkways thereof, constructed by Declarant, its successors and assigns. A valid easement for said encroachments is hereby created and shall exist for the maintenance of same so long as such encroachments shall stand.

SECTION 3. Access. The Declarant hereby reserves unto itself, its successors and assigns, perpetual, alienable easements over all streets and Common Areas as necessary to provide access, ingress and egress to the Additional Properties, should Declarant acquire or develop any Additional Properties and annex the same to this Declaration as herein provided.

SECTION 4. Emergency. An easement is hereby granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency services to enter upon the Sites and Common Areas in performance of their duties.

SECTION 5. Entry. In case of any emergency originating or threatening any Site or the Common Areas, regardless whether any Site Owner is present at the time of such emergency, the Board of Directors or any other person authorized by it, shall have the right to enter any Site for the purpose of remedying or abating the causes of such emergency and making any other necessary repairs, and such right of entry shall be immediate.

SECTION 6. Public Convenience. The Declarant reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right, on, over and under the Properties with persons and equipment to erect, maintain, inspect, repair and use electric and telephone poles, wires, cables, conduits, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public conveniences or utilities on, in or over such Site and such other areas as are shown on the Plat, provided further, that the Declarant may cut drain ways for surface water whenever such action may appear to the Declarant to be necessary in order to maintain reasonable standards of health, safety and appearance. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any grading of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. Declarant further reserves the right to locate wells, pumping stations, and tanks on any Common Area. Such rights may be exercised by any licensee or assignee of the Declarant, but this reservation shall not be considered an obligation of the Declarant to provide or maintain any such utility or service.

SECTION 7. Lighting. The Declarant reserves unto itself, its successors and assigns, the right to subject the Property to a contract with Carolina Power & Light Company for installation of street lighting, which contract requires or will require a continuing monthly payment to Carolina Power & Light Company by each residential customer or the Association for street lighting service.

SECTION 8. Survival. All easements and rights described herein are easements appurtenant, running with the Property, and shall inure to the benefit of and be binding on the undersigned, its successors and assigns, and any owner, purchaser, mortgagee and other person(s) having interest in the Property, 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 trust deed or other evidence of obligation.

ARTICLE IV

UTILITIES

Water service for Sabal Palm Cottages shall be provided by Bald Head Island Utilities, Inc., its successors or assigns. No Site owner may drill or otherwise construct a water well on any Site in Sabal Palm Cottages, or use any other source of water supply for household or irrigation purposes. Periodic charges for water usage shall be the responsibility of each individual Site owner. Landscaping on Common Area shall be maintained and watered by Association.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Qualification. Every Owner of a Site in the Properties shall be a member of Bald Head Association and the Association. Membership in both Associations shall be appurtenant to and may not be separated from ownership of any Site.

SECTION 2. Control of Association. The Declarant, so long as it owns any Site, but in any event, until December 31, 2000, shall have the right to designate and select a majority of the persons who shall serve as member(s) of the Board of Directors of Sabal Palm Cottages, Inc. So long as Declarant shall be entitled to designate person(s) to serve on said Board of Directors, Declarant shall have the right at any time in its sole discretion to remove any person(s) selected by it and to replace said person(s) with another person or persons to act in the place of any member so removed for the remainder of the removed persons unexpired term.

SECTION 3. Voting Rights. The Association shall have two (2) classes of voting membership:

- A. Class A. Class A Members shall be all Owners of Sites in Sabal Palm Cottages with the exception of the Declarant and each shall be entitled to one vote in the affairs of the Association for each Site owned. When more than one person holds an interest in any Site, all such persons shall be Members. The vote for such Site shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Site.
- B. Class B. The Class B Member shall be the Declarant who shall be entitled to ten (10) votes for each Site owned by it in Sabal Palm Cottages, any and all phases. The Class B membership shall cease and be converted to Class A membership upon the earlier to occur of:
 - (1) January 1, 2001, or
 - (2) when the Class A votes outnumber the Class B votes.

ARTICLE VI

COVENANTS FOR ASSESSMENTS

SECTION 1. Creation of the Lien; Personal Obligation of Assessments. The Declarant, for each Site owned within the Properties, hereby covenants, and each Owner of any Site by acceptance of a deed therefrom, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

- A. Annual assessments or charges, and
- B. Special assessments, such assessments to be established and collected as hereinafter provided.

The Annual and Special assessments, together with interest, costs and reasonable attorney's fees incurred for collecting such assessments, shall be a charge on the land and shall be a continuing lien upon the Site against which each assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Site at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. Purpose of Assessment. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Properties and for the improvement and maintenance of all easements, utilities and the Common Areas, to carry out the obligations of the Association and to administer the Association.

SECTION 3. Annual Assessments. Annual assessments shall be in an amount to be fixed from year-to-year by the Board of Directors which may establish different rates from year-to-year as it may deem necessary for the purposes set forth in Section 2 above. The amount of the annual assessment against each Site for any given year shall be fixed at least thirty (30) days in advance of the annual assessment period; provided, however, that the first annual assessment shall be set prior to the conveyance of the first Site to an Owner and written notice to the Owners to be subjected thereto shall be delivered to the Owners at or prior to the closing of their Site(s). Written notice of each annual assessment thereafter shall be sent to every Owner subject thereto. The due date shall be established by the Board of Directors and the Board of Directors shall have the authority to require the assessments to be paid in pro rata monthly or quarterly installments. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether any assessment of a specified Site has been paid.

SECTION 4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, one or more special assessments, applicable to the year only, for any purpose for which the Association is authorized to expend funds provided that any such assessment for the purpose of constructing new capital improvements on Common Areas shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose. All other special assessments may be adopted by a majority of all of the members of the Board of Directors.

SECTION 5. Insurance. The Board of Directors on behalf of the Association, as a Common Expense, shall at all times keep the property of the Association insured against loss or damage by fire or other hazards and other such risks, including but not limited to directors' liability and public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time-to-time to protect the Properties and Common Areas (including Limited Common Areas), which

insurance shall be payable in case of loss to the Association for all Members. The Association shall have the sole authority to deal with the insurer in the settlement of claims. Such insurance shall be obtained without prejudice to the right of each Member to insure his personal property for his own benefit at his own expense. In no event shall the insurance coverage obtained by the Association be brought into contribution with insurance purchased by Members or their mortgagees. The Association shall insure no personal property of an Owner, even if located on or in a Common Area (whether Limited Common Area or not).

Section 6. Insurance Assessments. All insurance policy premiums on the Common Areas for the benefit of the Association purchased by the Board of Directors or its designee and any deductibles payable by the Association upon loss shall be a Common Expense and the Association may either levy against the Owners equally as an additional annual assessed said amount, (herein call "Insurance Assessment") which shall be in addition to the amounts provided for under Section 2 above, in an amount sufficient to pay the annual cost of all such insurance premiums, or shall include such amount in its annual budget as a Common Expense.

SECTION 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Sites and may be collected on a monthly, quarterly or annual basis as determined by the Board.

SECTION 8. Commencement of Assessments. Annual assessments for each Site shall commence upon the date of acceptance by an Owner of a deed from Declarant. Declarant shall not be required to pay annual assessments on unsold Sites retained by the Declarant until a primary residential structure, with Certificate of Occupancy issued, has been constructed on a Site. No special assessment shall be payable by Declarant for any Site for which, as of the due date for such assessment, there is no completed primary residential structure with Certificate of Occupancy thereon.

SECTION 9. Effect of Nonpayment of Assessments and Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate allowable by law. The Association may bring an action at law against the Owner personally obligated to pay the same, or file and foreclose a lien against the Site, which lien shall be filed as a prime contractor's lien as set out in the North Carolina General Statutes. No Owner may waive or otherwise escape liability for any assessments provided for herein by non-use of the Common Area or abandonment of his Site. All costs, including attorney fees, shall be the responsibility of the delinquent Owner, and shall be included in any judgement entered as a cost of the proceeding.

SECTION 10. Subordination of the Lien to Mortgagee. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Site shall not affect the assessment lien. However, the sale or transfer of any Site pursuant to mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Site from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE VII

ARCHITECTURAL CONTROL

SECTION 1. Building and Site Improvements. No dwelling, fence, wall or other structure shall be commenced, erected, or maintained upon any Site in the Properties, nor shall any exterior addition to or change in or alteration thereof (including painting or repainting of exterior surfaces) be made until the plans and specifications have been submitted and approved as more fully set out hereinafter.

The Board of Directors of the Association shall, as determined by it, either sit as an Architectural Control Board, or shall appoint a three (3) man committee to sit as an Architectural Control Board ("Association Committee"). The Association Committee shall review all alterations to previously approved improvements (including renovations and repairs impacting exterior appearance), and shall further review all changes in the initially approved landscape or site plans for each Site.

All new construction and initial landscaping plans must be approved under the Restated Covenants, in accordance with the provisions adopted by the Architectural Review Board created in accordance with the Restated Covenants. Notwithstanding any other provisions of the Restated Covenants, the Architectural Review Board shall not be required to approve any construction or improvements delegated hereunder to the jurisdiction of the Association Committee unless the Association Committee does not vote unanimously for approval; in the event that a proposal is approved by less than a unanimous vote, an appeal may be taken by the applicant to the Architectural Review Board.

At least thirty (30) days prior to the anticipated commencement of any landscaping or the construction, erection, establishment or modification of any structure or improvement on any Site, the Owner of such Property (or his duly appointed agent) shall submit to the Chairman of either the Association Committee or the Architectural Review Board as appropriate, a plat of the Site, which plat shall show each Site corner, as to new construction, and there shall be shown thereon the proposed location of all proposed and existing structures or improvements, including driveways, bulkheads, piers, patios, decks and walkways. There shall further be provided sufficient building elevations and other site plans, including a statement of exterior building materials and proposed exterior colors, to allow the appropriate committee to accurately evaluate all structures and improvements proposed for construction on the Site. Plans for a primary residence must be prepared by an Architect licensed to practice by the State of North Carolina or by a state which shares licensing reciprocity with the State of North Carolina. There shall be submitted four (4) copies of all information required to be submitted.

Within forty-five (45) days after the receipt of all required information, the appropriate committee shall submit in writing to the Owner of the Site whether or not the requested construction

and/or landscape plans are improved. Unless a response is given by the appropriate committee within forty-five (45) days, the plan shall be deemed approved. The response of the appropriate committee may be an approval, a denial, an approval with conditions or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was inadequate, and the forty-five (45) day time for response shall only commence upon receipt of the requested additional information. If approval with conditions is granted, and construction then begins, the construction shall be deemed approval by the Owner of the Site of the conditions imposed. Any improved landscape plan shall be approved subject to the express condition, whether or not so stated in the Letter of Approval, that the landscape plan shall be fully implemented in a professional way as soon as reasonably possible following completion of construction of improvements on the Site, and shall be further conditioned upon the commitment of the Owner of the Site to complete timely such landscape plan, and once implemented, said landscaping shall be maintained in a professional manner at all times. Nothing shall prohibit the Owner of a Site from leaving portions of his Site in a natural condition; furthermore, the Association may and is encouraged to maintain Common Areas in a natural condition, or to allow areas that were cleared during construction to reestablish natural vegetation. It is the intent of Declarant that ultimately the areas within approximately eight feet (8') of housing foundations be maintained with plants, but that the remaining portions of Sites and Common Areas be allowed to establish natural vegetation.

The appropriate committee shall approve the plans as submitted, if all required information is submitted, if all specific requirements imposed by this Declaration are met, and if the following affirmative findings are made:

- A. That the improvements sought to be constructed will not have negative economic impact on any other Sites;
- B. That all required specific building standards and other conditions contained within this Declaration, the guidelines established by the applicable committee for utilization throughout Sabal Palm, and other applicable legal documents have been complied with;
- C. That the improvements are architecturally compatible with proposed or constructed improvements on other Sites;
- D. That the natural features of the Site have been retained to the maximum extent feasible; and
- E. That the construction methodology to be utilized and the method of transporting the components to be used in construction can be installed on the Site without substantial damage to the natural vegetation on the Site or without substantial damage to streets or vegetation and that the components, when incorporated into a structure, do not create a structure otherwise inconsistent with the standards imposed hereby.

SECTION 2. Approval of Plans.

- A. No house plans will be approved unless the proposed house shall have a minimum of 1,600 square feet of enclosed dwelling area. The term "enclosed dwelling area" as used in the minimum requirements shall be the total enclosed area within a dwelling; provided, however, that such term does not include garages, terraces, decks, open porches, and like areas; provided further, that shed-type porches, even though attached to the house, are specifically excluded from the definition of the aforesaid term "enclosed dwelling area."
- B. Since the establishment of inflexible building setback lines for location of house on Sites tends to have detrimental effects on privacy, view, preservation of important trees and other vegetation, and may have ecological consequences which are undesirable, no specific setback lines are established by this Declaration. In order to assure, however, that the foregoing considerations are given maximum effect, the Site and location of any house or other structure upon any Site shall be controlled by and must be approved by the appropriate committee.
- C. No structure shall be erected, altered, placed or permitted to remain on any Site, except one single-family dwelling not to exceed two stories in height, and one or more accessory buildings (which may include detached private garage, or guest facilities) provided the use of such dwelling or accessory building does not in the opinion of the appropriate committee overcrowd the Site, and provided further, that such buildings are not used for any activity normally conducted as a business. Architectural features extending above the roof line may be approved if compatible with the primary structure.
- D. All service utilities, fuel tanks, clothes lines, wood piles and trash and garbage accumulations are to be enclosed within a fence, wall or plant screen of a type and size approved by the appropriate committee, so as to preclude the same from causing an unsightly view from any highway, street or way within the Property, or from any other Site. All mail and newspaper boxes shall be uniform in design. Design for mail and newspaper boxes shall be furnished by Declarant for the benefit of the Association.
- E. Any fences must be approved as to location and style by the appropriate committee.
- F. Off-street parking for not less than two (2) authorized passenger vehicles must be provided on each Site prior to the occupancy of any dwelling constructed on said Site, utilizing materials approved by the appropriate committee for use within Sabal Palm.

SECTION 3. Maintenance by Association. The Association, at its expense, shall be responsible for maintaining, repairing and replacing the planted areas, the storm water drainage

system, including any detention pond, all drainage lines, pipes and ditches which are located on the Properties, except those constructed by individual Site owners and located within individual Sites. The Association shall have the right to go onto the Sites at reasonable times for the purpose of maintaining, repairing and replacing all utility and drainage lines and pipes which might be located on such Sites; and each Owner hereby grants permission to the Association for its representatives to enter his Site for such purposes.

In the event that such need for maintenance, repair or replacement (other than such being caused by fire, lightning, windstorm, hail, explosion, riot, riots attending a strike, civil commotion, aircraft, vehicles, and smoke, as the foregoing is defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies) is caused through the willful, or negligent act of the Owner, his family, guest(s) or invitee(s), the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such Site is subject. Insurable risks are not the responsibility of the Association.

The Association shall maintain all Common Areas (including Limited Common Areas), including roadways, plantings and shrubbery, boardwalks or walkways located thereon, garages within Common Areas, exterior lighting fixtures (including bulbs) and shall pay all costs of operation thereof, including premiums associated with general liability insurance insuring the Association from liability arising from ownership and operation thereof.

In addition to the maintenance and repair of the Common Areas, the Association shall be responsible for and provide for the maintenance and repair of the following:

- A. All yards, trees, shrubs, grass and other landscaping on each Site; and
- B. All exterior surfaces of the structures and improvements located on a Site including by way of example but not in limitation, painting, repairing, replacing of exterior siding, roofs, decks, porches, patios, walks, driveways, parking areas and all other exterior parts of the structures and improvements located on a Site excepting, however, glass surfaces and screens which shall be replaced, repaired and maintained by Owner.

In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over, on, upon, through and across each Site and the structures and improvements thereon and its Limited Common Area, if any, at all reasonable times to perform the maintenance and repair required under this Article.

In the event that any maintenance or repair of the Site, and any structures and improvements thereon, is required to be done or performed as a result of the negligent or willful acts of the Owner or his guests, as determined by the Board of Directors of the association, or the family, tenants, contract purchasers, guest(s) or invitee(s) of the Owner, or is caused by fire, wind, rain, blowing water, lightning, smoke or other hazard or casualty, then, in the sole discretion of the Board of

Directors, the costs of such maintenance or repairs, not fully covered by insurance, may be levied as a special assessment against only the Site sustaining such damage, which assessment the Owner shall pay to the Association within fifteen (15) days of the date of written notice to the Owner from the Association requesting such payment.

ARTICLE VIII

USE RESTRICTIONS

SECTION 1. Land Use and Building Type. No Site in Sabal Palm Cottages shall be used for any purposes except for residential purposes provided, however, that so long as Declarant retains Sites for sale, nothing herein contained shall prevent or limit Declarant or its agents from maintaining a model unit on the Property and from conducting sales of Sabal Palm Cottages from said Site. Any building erected, altered, placed or permitted to remain on any Site shall be subject to the provisions of Article VII of this Declaration relating to architectural control. Different land use restrictions and architectural control guidelines may be established for adjoining properties to be developed by Declarant.

SECTION 2. Nuisances. No noxious or offensive activity shall be carried on upon any Site, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. There shall not be maintained any plants or animals, nor device or thing of any sort whose normal activities or existence is in any way noxious, dangerous, unsightly, or unpleasant so as to diminish or destroy the enjoyment of other properties by the Owners thereof. It shall be the responsibility of each Site owner to prevent the development of any unclean, unsightly or unkept condition of buildings or grounds on such Site which would tend to substantially decrease the beauty of the neighborhood as a whole or the specific area. The Board of Directors shall have complete authority to determine what activities are restricted by this section.

SECTION 3. Site Maintenance. In the event that any Site owner shall fail or refuse to keep his Site free from weeds, underbrush or refuse piles, or unsightly growth or objects, then, after thirty (30) days notice from the appropriate committee, the appropriate association, or its designee, shall enter upon such Site and remove the same at the expense of the Owner, and such entrance shall not be deemed a trespass. In the event of such removal, a lien shall arise and be created in favor of the appropriate Association for the full amount of the cost thereof chargeable to such Site, including collection costs and a 15% administrative charge, and such amounts shall be due and payable within thirty (30) days after the Owner is billed therefor. Such liens shall be enforceable by judicial proceedings as provided by law for enforcement of liens.

SECTION 4. Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuildings shall be used on any Site any time as a residence either temporarily or permanently.

SECTION 5. Recreational Vehicles. No boat, motorboat, camper, trailer, motor or mobile home, or similar type vehicle, except for temporary construction or sales trailers during the construction, shall be permitted to remain on any Site or on any street in the Properties at any time, without the written consent of the Association.

SECTION 6. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Site or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and proved further that they are not allowed to run free and are at all times properly leashed.

SECTION 7. TV Satellite Dishes and Outside Antennas. No TV satellite signal receiving dishes or antenna of any kind will be permitted on any Site at any time unless, in the opinion of the appropriate committee, such dish or antenna are adequately screened from view from Common Areas and other Sites. No outside radio or television antenna shall be erected on any Site or dwelling unit within the Properties unless and until permission for the same has been granted by the Architectural Control Board or its Association committee.

SECTION 8. Window Coverings. All drapes, curtains or other similar materials hung at windows, or in any manner as to be visible from the outside, the home shall be of a white or neutral background material.

SECTION 9. Exterior Lights. All light bulbs or other lights installed in any fixture located on the exterior of any building or any Sites shall be clear, white or nonfrosted lights or bulbs.

SECTION 10. Junk Vehicles. No inoperable vehicle or vehicles will be permitted on the Property. The Association shall have the right to have all such vehicles towed away at the Owner's expense.

SECTION 11. Signs. No commercial signs, including "For Sale" or "For Rent" signs, shall be erected or maintained on any Lot or on the Common Areas nor shall any such sign be allowed within any home or structure if readily visible from any Site or street. Nothing contained herein, however, shall prohibit the erection and maintenance on any Common Area of one or more subdivision identification signs, which signs shall be maintained by the Association; further provided that Declarant may maintain one or more model homes until all Sites have been sold, and may maintain signage on the Site whereon the model home is located, which signage shall be moved upon sale of all Sites within the Sabal Palm Cottages.

ARTICLE IX

ANNEXATION OF ADDITIONAL PROPERTIES AND ANNEXATION TO BALD HEAD ASSOCIATION

SECTION 1. Approval. Except as provided in Section 2 below, annexation of Additional Property shall require the assent of two-thirds (2/3) of the Members at a meeting called for this purpose. Written notice of such meeting shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

SECTION 2. By Declarant. If the Declarant, its successors or assigns, shall develop all or any lands described in Exhibit B, said additional tracts or any portion thereof may be annexed to said Properties without the assent of any other person or entity. Annexation provided for in this section shall become effective upon the filing by the Declarant of a Supplemental or Amended Declaration in the Office of the Register of Deeds of Brunswick County. Such additional phases to be annexed hereto shall be developed in the same general scheme of development as Sabal Palm Cottages, Phase I.

SECTION 3. Association. Upon the filing of this Declaration in the Registry, the Declarant does hereby declare that the property described in Exhibit A and any additional parts or portions of the real property described in Exhibit B which shall hereafter be annexed as additional phases of Sabal Palm Cottages pursuant to the provisions of this Declaration shall also be held, sold, transferred and conveyed subject to the Declaration Restated except as modified by this Declaration. Declarant further declares that each Site in Sabal Palm Cottages shall be an assessable property as that term is defined in the "Declaration Restated" and that all rights and obligations appurtenant thereto shall inure to the owners of Sites as defined herein, including, without limitation, the obligation to pay such assessments as shall be levied or assessed from time-to-time by the Bald head Association. Every owner of a Site in Sabal Palm Cottages shall become and be a member of the Bald Head Association as well as a member of the Association. A membership in one association does not exclude the requirement of membership in the other association.

ARTICLE X

RULES AND REGULATIONS

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

SECTION 2. Enforcement of Storm Water Runoff Regulations. The State of North Carolina is hereby made a beneficiary of this Declaration to the extent necessary to enforce its storm water runoff regulations as the same may be amended from time-to-time.

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

SECTION 4. Sites Subject to Declaration. All present and future owners, tenants and occupants of Sites and their guest(s) or invitee(s), shall be subject to, and shall comply with the provisions of the Declaration, and as the Declaration may be amended from time-to-time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any Site shall constitute an agreement that the provisions of this Declaration are accepted and ratified by such owner, tenant or occupant. The covenants and restrictions of this Declaration shall inure to the benefit of and be enforceable by the Association, or the Owner of any Site. Their respective legal representative's heirs, successors and assigns, and shall run with and bind the land and shall bind any person having at any time any interest or estate in any Site as though such provisions were made a part of each and every Deed of Conveyance or Lease.

SECTION 5. Amendment of Declaration. Except as provided elsewhere, this Declaration may be amended only by an instrument duly recorded in the Office of the register of Deeds of Brunswick County executed by the duly authorized office of the Association upon the vote of not less than 60% of the Site Owners; provided that no amendment shall alter any obligation to pay dues or assessments as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant, with the consent of Declarant.

ARTICLE XI

RULES AND REGULATIONS

SECTION 1. Adoption. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of each Site and all Common Areas. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in the Book of Restrictions which shall be maintained in a place convenient to the Owners and available to them for inspection during normal business hours.

SECTION 2. Uses. Each Site and the Common Areas shall be for the following uses and subject to the following restrictions in addition to those set forth in the By-Laws.

- A. No Site shall be subdivided.
- B. No person shall undertake, cause or allow any alterations or construction in or upon any portion of the Common Areas and facilities except at the direction of and with the express written consent of the Association.
- C. All telephone, electric and other utility lines and connections between the main utility lines located on Common Areas and any improvements on any Site or other building located thereon shall be concealed or located underground so as not to be visible.
- D. All personal property of the owners, including yard furniture, firewood, bicycles, motorbikes, boats, beach furniture, toys, trash cans and all other personal property, must be stored or kept concealed within the improvements to any Site and no such item may be kept in the yard of any Site.

IN WITNESS WHEREOF, Bald Head Island Limited, a Texas limited partnership, the Declarant herein, has caused this Declaration to be executed this 6th day of December, 1995.

BALD HEAD ISLAND LIMITED,
A Texas Limited Partnership

[SEAL]

By: _____
David A. Busfield
Attorney in Fact

**STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK**

I, _____, a Notary Public for said County and State, do hereby certify that David A. Busfield, attorney in fact for Bald Head Island Limited, personally appeared before me this day, and being duly sworn, says that he executed the foregoing and annexed instrument for and in behalf of the said Bald Head Island Limited, and that his authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged, and recorded in the office of the Register of Deeds in the County of Brunswick, State of North Carolina, in Deed Book 1021 at Page 1089, and that this instrument was executed under and by virtue of the authority given by said instrument granting him power of attorney.

I do further certify that the said David A. Busfield acknowledged the due execution of the foregoing and annexed instrument for the purpose therein expressed for and in behalf of the said Bald Head Island Limited.

WITNESS my hand and official seal, this ____ day of _____, 19__.

Notary Public

My Commission Expires:



Brunswick County, NC Register of Deeds

 B3071 P0664 08-10-2010 08:45:06.002
 Brenda M. Clemmons
 page 1 of 4

Document # 8 Dady Ret: Bay
 Book 23 Key 20
 Cr \$ 23 Cr # 2597 Cash \$
 Refund: _____ Cash: _____ Finance
 I, _____, Clerk of the Court, do hereby certify that the
 contents of this document are as shown to me by the original
 instrument and that the same are correct and true.

**AMENDMENT TO
 DECLARATION OF
 COVENANTS, CONDITIONS, AND RESTRICTIONS
 FOR THE
 SABAL PALM COTTAGES**

(RE: MAINTENANCE BY ASSOCIATION)

THIS AMENDMENT DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE SABAL PALM COTTAGES is made on the date hereinafter set forth by SABAL PALM COTTAGES, a North Carolina non-profit corporation,, the Sabal Palm Cottage's owner's association, (hereinafter referred to as "Association")

WITNESS TO:

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for the Sabal Palm Cottages and amendments thereto ("Master Declaration") are recorded in Book 1068 at Page 106 in the Office of the Register of Deeds for Brunswick County, North Carolina and rerecorded in Book 1100 at Page 828; and

WHEREAS, Article X, Section 5, of said Amendment to the Master Declaration provides that the Declaration may be amended by an instrument duly recorded in the Office of the Register of Deeds for Brunswick County executed by the duly authorized officer of the Association upon the vote of not less than sixty percent (60%) of the owners of sites within Sabal Palm Cottages.; and

WHEREAS, the following amendment was unanimously approved by the owners of property in Sabal Palm Cottages at a duly convened meeting on February 27, 2010.



B3071 P0665 08-10-2010
08:45:06.002
Brunswick County, NC Register of Deeds Brenda M. Clemmons
page 2 of 4

ARTICLE VII DEFINITIONS

Section 3 of Article VII of said Master Declaration is hereby deleted in its entirety and the following substituted in its place and stead:

Section 3. Maintenance by Association. The Association, at its expense, shall be responsible for maintaining, repairing and replacing the planted areas, the storm water drainage system, including any retention ponds, all drainage lines, pipes and ditches which are located on the Properties, except those constructed by individual Site owners and located within individual Sites. The Association shall have the right to go onto the sites at reasonable times for the purpose of maintaining, repairing and replacing all utility and drainage lines and pipes which might be located on such Sites; and each Owner hereby grants permission to the Association for its representative to enter his Site for such purposes.

In the event that such need for maintenance, repair or replacement (other than such being caused by fire, lightning, windstorm, hail, explosion, riot riots attending a strike, civil commotion, aircraft, vehicles, and smoke, as the foregoing is defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies) is caused through the willful, or negligent act of the Owner, his family, guest(s) or invitee(s), the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such Site is subject. Insurable risks are not the responsibility of the Association.

The Association shall maintain all Common Areas, including the maintenance of boardwalks, walkways, and gazebo, and the exterior lighting systems (including light bulbs and the costs of operation thereof); the trimming of trees, palms, and shrubbery located in the Common Areas; and the premiums associated with general liability insurance insuring the Association from liability arising from ownership and operation of said Common Areas.

In addition to the maintenance and repair of the Common Areas, the Association shall be responsible for the painting of the following:

- A. House trim and the exterior of house doors.
- B. Garages, garage trim and the outside of garage doors.

Except as set forth above, each Owner shall be responsible for all exterior surfaces and improvements located on a Site including, but not limited to, repairing and replacing exterior siding, roofs, decks, porches, patios, walks and all other exterior parts of the structures and improvements located on the Site. All materials used to repair or replace portions of the structure shall be identical in color and appearance to the materials being replaced or must be specifically approved in accordance with this Declaration.



Brunswick County, NC Register of Deeds

B3071 P0666

08-10-2010 08:45:05.002

Branda M. Clemmons
page 3 of 4

In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over, on, upon, through, and across each Site and the structures and improvements thereon and its Limited Common Area, if any, at all reasonable time to perform the work required under this Article.

In the event that any maintenance or repair of the Site, and any structures and improvements thereon, is required to be done or performed as a result of the negligent or willful acts of the Owner or his guests, as determined by the Board of Directors of the Association, or the family, tenants, contract purchasers, guest(s) or invitee(s) of the Owner, or is caused by fire, wind, rain, blowing water, lightning, smoke or other hazard or casualty, then, in the sole discretion of the Board of Directors, the costs of such maintenance or repairs, not fully covered by insurance, may be levied as a special assessment against only the Site sustaining such damage, which assessment the Owner shall pay to the Association within fifteen (15) days of the date of written notice to the Owner from the Association requesting such payment.

Except as specifically amended herein, all provisions of said Declaration shall remain in full force and effect.

The undersigned President of Sabal Palm Cottages hereby certifies that the amendment set forth above was approved by one hundred percent (100%) of the owners of property within Sabal Palm Cottages at a duly convened meeting of the membership of the association on February 27, 2010.

IN WITNESS WHEREOF, the undersigned, being the President of Sabal Palm Cottages, Inc., has hereunto set his hand and seal this 5th day of August, 2010.

SABAL PALM COTTAGES, INC.

By: Robert E. Sheahan
Name: Robert E. Sheahan
Title: President



STATE OF NORTH CAROLINA)
COUNTY OF Brunswick)

I, Kelly V. Atkinson, a Notary Public for Brunswick County, North Carolina, do hereby certify that Robert E. Sheahan, President of Sabal Palm Cottages, Inc., (whose identity is known to me or proved to me by presenting identification in the form of a North Carolina driver's license) personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of corporation.

Witness my hand and seal this 6th day of August 2010.

Kelly V. Atkinson
Notary Public
My commission expires: 5/12/12

