

STATE OF NORTH CAROLINA

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COUNTY OF BRUNSWICK

ROBERT J. ROBINSON
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

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PROTECTIVE COVENANTS
BALD HEAD ISLAND STAGE TWO

August 3, 1995

R E C I T A L S:

Declarant is the developer of property generally referred to as Bald Head Island. The properties on Bald Head Island have been in the process of being subdivided and developed by Declarant and its predecessors in interest for a number of years prior to the recordation of these Protective Covenants. Bald Head Island has generally been divided into two developmental districts, called Stage One and Stage Two. All or most of the properties within Stage One are subject to the terms, provisions and conditions of an Amended and Restated Declaration of Covenants, Conditions and Restrictions dated January 29, 1982, recorded in Book 498, Page 260, et seq. Brunswick County Registry ("Original Covenants"). The Original Covenants reserved to Declarant the right to annex additional properties therein and thereto, for a period of fifteen (15) years from the date of recordation of the Original Covenants.

The properties generally referred to as Bald Head Island Stage Two, are described on Exhibit A attached hereto ("Stage Two Properties"). Declarant has prepared and received approval for a master plan for the development of Stage Two. Declarant warrants and represents that all residential properties within Stage Two, as shown on said master plan, and as said master plan may be amended from time to time (which right Declarant fully reserves) shall be made subject to these Protective Covenants ("Protective Covenants").

Declarant further recognizes that it is in the long-term best interest of the majority of the property owners on Bald Head Island for ultimately there to be one primary homeowners' association administering the operation of all of the residential properties on Bald Head Island. Therefore Declarant has determined, as is more fully set out hereinafter, to provide for the eventual merger of the Bald Head Association, which nonprofit corporation administers the Original Covenants, and the Bald Head Island Stage Two Association, Inc., ("Association") which corporation shall administer and enforce these Protective Covenants.

Therefore, in order to provide properly for the administration of property within Bald Head Island Stage Two, to provide for appropriate architectural controls relating to land clearing and construction, to provide a corporation to own common properties and to enforce applicable restrictions and covenants, Declarant has chartered a North Carolina nonprofit corporation named Bald Head Island Stage Two Association, Inc., and does record these Protective Covenants, for the benefit of Declarant and all present and future owners of property on Bald Head Island and within Bald Head Island Stage Two.

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Therefore, Declarant hereby subjects the property described in Paragraph 1 to the terms and provisions of these Protective Covenants for the use and benefit of all present and future owners of residential real property within Bald Head Island Stage Two, as and when such properties are annexed hereto.

1. DESCRIPTION. This Declaration shall run with the land and shall bind and inure to the benefit of the owner of each Lot within the Subdivision, and the property made subject to these Protective Covenants is all of the property shown on that plat of Braemar Subdivision (the "Subdivision") recorded in Map Cabinet Z , Instrument 386 , Brunswick County Registry (the "Plat"), as the same may be amended from time to time. As used herein, "Lot" shall mean any numbered lot designated for residential use on the Plat or any such lot on any plat of properties made subject hereto by amended Declaration. Where appropriate, "Lot" shall include a living unit ("Living Unit") constructed thereon or within a multi-family cluster.

2. ADDITIONAL PROPERTIES. Declarant reserves the right to annex additional property on Bald Head Island which is now owned, or which is hereafter acquired by Declarant, to the provisions of these Protective Covenants, and to subject such additional property to the terms and provisions of these Protective Covenants without the consent of the members of the Association. 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. Any such Declaration of Annexation, to be effective, must be filed on or before December 31, 2012. More than one supplemental or amended Declaration may be filed so that properties may be annexed from time to time. Nothing contained herein shall obligate Declarant to annex any nonresidential property to the terms and provisions of the Protective Covenants; however, Declarant shall annex all residential properties described on Exhibit A to the terms, provisions and conditions of these Protective Covenants, (as amended from time to time), except that Tract 2 may or may not be so annexed, and except that properties within Stage II previously made subject to the Original Covenants may or may not be so annexed.

Declarant has previously subdivided and developed certain properties within Bald Head Island Stage Two. The subdivision plats describing such properties are described on Exhibit B attached hereto. Also on Exhibit B are the references to the Restrictive Covenants encumbering such properties. The Restrictive Covenants encumbering said properties provisionally subjected said properties to the terms, provisions and conditions of the Original Covenants; however, Declarant reserved the right to withdraw such properties from the encumbrance of the Original Covenants, and from membership in the Bald Head Association, at such time as Declarant elected to create a Bald Head Island Stage Two Association. Declarant specifically reserves the right to subject such properties described on Exhibit B ("Provisional Properties") to the terms, provisions and conditions of these Protective Covenants by recording in the Office of the Register of Deeds of Brunswick County an amendment hereto, which amendment specifically describes the property impacted thereby, and which amendment specifically withdraws said described properties from the encumbrance of the Original Covenants, and subjects said described properties to the encumbrance of these Protective Covenants. Such amendment shall specify an effective date for such transition.

The provisions and restrictions contained in Paragraphs 3, 8, 19 and 24 of these Protective Covenants may be modified at the discretion of Declarant as to properties made subject hereto by annexation. The amended Declaration annexing said properties shall specify the particular provisions and restrictions applicable to such annexed properties. In lieu of modified provisions and restrictions contained in the amended Declaration, those contained herein shall be applicable to said annexed properties.

3. SINGLE FAMILY UTILIZATION. These Protective Covenants restrict all numbered Lots within the Subdivision to use only for single family residential purposes. No home or other structure constructed within the Subdivision shall be utilized for commercial purposes, except that home offices shall be permitted as long as such offices do not induce traffic, require signage, or include retail space. Nothing contained herein shall prohibit or restrict, if otherwise approved in accordance with the procedures and standards set out within these Protective Covenants, the construction of any appurtenant structure to any residence, including, but not limited to, decks, walkways crofter's cottages or cart storage facilities.

Nothing contained herein shall prohibit Declarant from annexing additional properties to the terms of these Protective Covenants, as allowed hereinbefore, and, in said amendment, allowing residential utilization other than single family within the property annexed. The amendment annexing said property shall specify the allowed utilization and density of any non-single family residential use allowed. Such uses may include single family, townhome or condominium ownership, and may include, among others, building types generally referred to as single family, patio home, duplex, zero lot line or multi-family.

No Living Unit, including any ancillary structure or annex on a Lot, shall be utilized at any time for occupancy by more than one family or one family with guests. The Owner of a Living Unit is specifically prohibited from occupying an ancillary structure or annex located on his Lot while renting the primary residential Living Unit, or from occupying the primary residential Living Unit 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.

4. CREATION OF ARCHITECTURAL CONTROL COMMITTEE. The Association shall create an Architectural Control Committee ("the Committee") to review all substantial site alterations and all proposed building and construction plans. The particular architectural standards to be utilized in evaluating the plans shall be as set out in the amendment subjecting properties to the terms, provisions and conditions of these Protective Covenants. Particular site and construction standards applicable to each community within Stage II, and supplemental procedural guidelines to facilitate implementation of the processes and authorizations contained in Paragraphs 5 and 6 herein, shall be adopted by the Committee. These implementing standards and procedures ("Guidelines") shall be approved by the Board of Directors of the Association and shall be fully enforceable as though set out herein.

No clearing shall be allowed on any Lot which includes any tree of a diameter one inch or greater until such time as the owner of the Lot has notified the Committee that clearing or construction is being considered for such Lot and a representative of the Committee has visited the Lot and delineated any tree or vegetation deserving of special protection. Any such trees or vegetation so designated must be shown on the plat submitted by the owner to the Committee and no such specially designated tree or vegetation shall be removed without the prior permission of the Committee. In addition to any such specially designated tree or vegetation, the Committee must give prior approval of any removal of any tree of a size of three inches in diameter or greater (measured 4 feet above natural grade at the base of the tree) from any Lot or the construction, erection, establishment or modification of any improvement or structure on any Lot, or any significant change in the exterior appearance of any structure, such as repainting, new siding or new roofing, differing from those elements previously approved, in accordance with the procedures described in Paragraph 5 of these Protective Covenants.

5. ARCHITECTURAL CONTROL COMMITTEE PROCEDURES. 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 Lot or to any Living Unit, the owner of such property (or his duly appointed agent) shall submit to the Chairman of the Committee a plat of the Lot, which plat shall show each Lot corner. There shall further be shown on each such plat the proposed location of all proposed and existing structures or improvements, including driveways, bulkheads, piers, patios, decks and walkways. There shall further be provided to the Committee sufficient building elevations and other site plans, including a statement of exterior building materials and proposed exterior colors, to allow the Committee to appropriately and accurately evaluate all structures and improvements proposed for construction on the Lot. The plat shall be professionally prepared, but there shall be no requirement that it be prepared by a registered surveyor or licensed architect. 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 further either be included on the plat, or submitted as a separate plan, a complete landscape plan for any portion of the Lot to be disturbed. There shall be submitted four (4) copies of all information required to be submitted.

Within forty-five (45) days after receipt of all required information, the Committee shall submit in writing to the owner of the Lot whether or not the requested improvements and landscape plan are approved. Unless a response is given by the Committee within forty-five (45) days, the plan shall be deemed approved. The response of the 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 Lot of the conditions imposed. Any approved 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 Lot, and shall further be conditioned upon the commitment of the owner of the Lot that such landscape plan, once implemented, shall be maintained in a professional manner at all times. Nothing shall prohibit the owner of a Lot from leaving portions of his Lot in a natural condition; it is the intent of these Protective Covenants that as much land as possible be left in a natural condition.

The Committee shall approve the plans as submitted, if all required information is submitted, and if the following affirmative findings are made by the Committee:

- (a) that the improvements sought to be constructed will not have negative economic impact on any other Lot;
- (b) that all required specific building standards and other conditions contained within the Protective Covenants, the implementing Guidelines established by the Committee, and other applicable legal documents have been complied with;
- (c) that the improvements are architecturally compatible with proposed or constructed improvements on other Lots;
- (d) that the natural features of the Lot 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 Lot without substantial damage to the natural vegetation on the Lot or without substantial damage to streets or vegetation, and that the components, when incorporated into the Living Unit, do not create a structure otherwise inconsistent with the standards imposed hereby.

Following assignment of architectural review authority from Declarant to the Association (see Paragraph 16 of these Protective Covenants), any owner of any Lot disagreeing with the finding of the Committee may appeal the decision to the Board of Directors of the Association by giving written notice of appeal to the President of the Association within fifteen (15) days following receipt of notice of denial. The Board of Directors of the Association shall then review the plans, giving the Chairman of the Committee, or his designee, the opportunity to present to the Board of Directors of the Association specific reasons why the plans were rejected, in the presence of the owner of the Lot or his agent, and the owner of the Lot or his agent may present information challenging the findings of the Committee. The decision of the Committee shall only be overridden by unanimous vote of the Board of Directors of the Association.

All notices required to be given herein shall be given in writing, hand-delivered or mailed postage prepaid, return receipt requested, and the Committee shall be obligated to specify the particular grounds upon which denial of any application is founded. One set of plans, denoted as approved (or approved with specified conditions) shall be retained by the Committee and another shall be returned to the applicant. No submission of information to

the Committee shall be deemed a submittal requiring a response unless the submittal provides on its face all information required within this paragraph 5.

6. ASSOCIATION. The owner or owners of every Lot, including Declarant, shall be a voting member of the Association. There shall be two classes of membership, Class A and Class B. The owner of each Lot other than Declarant shall be a Class A member, and shall be allowed one vote per Lot. Declarant will be the only Class B member, and each Class B member shall receive three votes per Lot. To the extent that there is more than one owner of any one Lot, said owners shall determine among themselves, and designate, one voting member, which voting member shall cast the vote allocated to said Lot. If the owners cannot agree among themselves, the Board of Directors of the Association shall determine and designate a voting member from among the owners of the Lot. The Association shall be governed by a Board of Directors, selected in accordance with the By-Laws of the Association, and the Association shall operate and do business in accordance with the terms of its By-Laws.

The Association shall have the responsibility of maintaining in good condition all improvements constructed on property owned by or conveyed to the Association. It is specifically understood that properties may be deeded to the Association by Declarant which are to remain substantially unused, or which may be used only by a defined user group. Such areas may include buffer areas, greenway areas or areas necessary or appropriate for use for drainage or utility purposes. The Association shall be obligated to accept ownership of such properties, and shall accept such properties subject to any restrictions on utilization which may be or have been imposed upon such properties by Declarant. Declarant may also construct recreational amenities on properties on Bald Head Island, and convey such properties, including amenities thereon, to the Association. The Association shall be obligated to accept such conveyances and shall, if such conveyances are made, maintain any improvements located on such properties in good, functional and attractive condition. All properties of any kind conveyed to the Association by Declarant shall be considered Common Properties. Common Properties shall specifically include all areas shown on any recorded subdivision plat located within Stage Two of Bald Head Island to the extent the properties thereon are made subject hereto, except areas denoted as Lots, or reserved in the amended Declaration or on the plat for conveyance to a third party. There shall be no right of utilization by any member of the Association of any Common Property because of ownership thereof by the Association.

The Association shall have the obligation to provide for itself and for the benefit of the owner of each Lot all necessary professional services to maintain the Common Properties, including the improvements thereon, and to provide a smooth, proper and legal administration of the Association. These services may include services of an engineer, lawyer, accountant or other professional. The Association is specifically authorized to provide such other incidental services for the benefit of its members and in the management of the Association as deemed reasonably necessary by the Board of Directors of the Association.

The Association shall also have an affirmative obligation to maintain all private access easements and all driveway easements and improvements on either, to the extent conveyed to the Association or to the extent such responsibility is assigned to the Association by these Protective Covenants or any amendment hereto, in good condition, utilizing its funds so to

do, notwithstanding the utilization or lack of utilization of such facilities by any or all Lot owners. The Association shall 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.

In order to fund its obligations, the owner of every Lot is obligated and bound, whether or not expressly stated in any instrument of conveyance, to pay to the Association the following:

- (a) annual charges or dues, including Supplemental Dues;
- (b) special assessments; and
- (c) fees or charges made for services, as specifically allowed hereinafter.

All such assessments, dues, and fees, together with any interest thereon, shall be a charge on the land and shall be a continuing lien upon the Lot or Living Unit against which such charges are made. Liens shall be perfected in the manner of a mechanics or materialmen's lien under North Carolina General Statutes, and any lien for dues unpaid shall be filed within nine (9) months after the due date of the payment of such assessment. The due date shall be the first day of the fiscal year of the Association, as to annual dues; and the date established for payment of a special assessment, as more fully set out hereinafter. The Association may, in its discretion, allow periodic payments. Any such lien may be enforced in the manner of a deed of trust with power of sale, as allowed by North Carolina General Statutes, through a foreclosure proceeding. This instrument shall be deemed to give to the President of the Association, or his designee, said power of sale.

Annual dues shall be in an amount determined by a majority vote of the Directors of the Association. Supplemental Dues shall be as required by these Protective Covenants or any amendment hereto. Lots with primary Living Units thereon shall pay dues (as of the beginning of the fiscal year of the Association following issuance of a certificate of occupancy for said Living Unit) equal to three times the dues payable by the owner of every Lot without a Living Unit thereon. In making this calculation, Supplemental Dues as hereinafter defined shall be disregarded. Notwithstanding any provisions of these Protective Covenants, including this Paragraph 6, the Board of Directors shall have authority to levy a special assessment against any or all of the Lots made subject hereto if, in the sole discretion of said Directors, the assessment is reasonably required to protect properties impacted in case of an emergency, such as a storm causing severe erosion, so as to prevent continued or anticipated damage. In such event, the Directors shall give written notice to the members so affected as promptly as possible after the determination of said assessment and the action shall be binding as though ratified by the requisite vote of the owners of Lots. Any other special assessment shall only be adopted following a vote of the majority of the Directors with concurrence of a majority of all of the owners of Lots. The Board of Directors shall determine the due date for payment of any special assessment.

The Association shall specifically have authority to specially assess a common group of Lots subjected hereto, if such assessment is for the benefit of such Lots. The Association shall further have the right to specially assess differing levels of assessment to different categories of Lots, if such special assessment bears a rational relationship to the benefits to be derived from the imposition of such special assessment. No special assessment shall be allowed unless such special assessment has been approved by a majority of the property owners included within each category of assessment payment, except as specifically allowed by the preceding paragraph in case of an emergency.

Assessments and dues shall be collected equally from each Lot, without a Living Unit thereon, and equally from each Lot with a Living Unit thereon, notwithstanding the size or value of such Lot, except for special assessments providing a special benefit, as more fully set out hereinbefore, and except for Supplemental Dues. Notwithstanding any other provision of these Protective Covenants, particular recurring charges for maintenance of particular improvements available for utilization by a limited number of defined users may be included as dues to such user group, and shall not be considered an assessment. These supplemental dues are herein referred to as "Supplemental Dues."

The Association shall specifically have the right to adopt a fee schedule and to collect fees for services provided to its members. This shall specifically include the right to charge a fee for plan review by the Committee. Further, the Association shall have specific authority to collect a construction deposit from the owner of every Lot causing construction to be done on said Lot, or from said owners' selected contractor, which deposit may or may not be refundable, and which deposit shall be made for the purpose of providing for the administrative cost of inspection, construction and site alteration, for damage to Common Properties or rights of way caused by the construction process, and to insure that construction is completed in accordance with the plan (including landscaping) approved by the Committee. Prior to collecting such deposit, the Association shall adopt and publish a schedule of same, and shall uniformly assess such fees and charges against all Lot owners. All such fees and charges shall be collected by the Association in the nature of an approved, unpaid special assessment.

To the extent that specific active recreational properties used for active recreational or social purposes are conveyed to the Association, such as a sports club, beach club, or tennis courts, the Association shall have the right to impose fees or charges, whether by nature of a membership or a single use fee, for those entitled to utilize such facilities, if the Association elects to do so. Any such charges shall be made to reimburse to the Association the cost of maintenance and operation of such facilities, and shall not be intended to generate any profit or surplus funds for the Association. All such fees shall be published, and shall be equally applicable to all members of the Association. Use by guests of members, including rental guests, may be allowed subject to rules and charges adopted by the Board of Directors of the Association.

Within certain subdivisions or communities made subject hereto, 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 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 prorata 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 thereon into a good, sightly, useable condition, or to cause landscaping or maintenance to be undertaken to maintain the safety and sightly 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 prorata share for 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.

7. ENFORCEMENT. These Protective Covenants, including any amendment hereto, may be enforced by any individual Lot owner; by the Association, upon action by its Board of Directors; or by Declarant, as long as Declarant owns any Lot. Appropriate remedies shall include, but are not limited to, specific performance. In any action to enforce these Protective Covenants, including any action to collect dues or assessments, either regular or special, or to foreclose upon any real property for payment of such assessment, all costs associated with said collection, including court costs and reasonable attorney's fees, shall be collected as an additional assessment. In addition, interest at the rate of fifteen percent (15%) per annum shall be collected from the due date of any dues or assessment, until paid in full.

8. SETBACKS. Any setbacks shown on any subdivision plat, the Lots on which have been subjected hereto, and any allowed building pad shown thereon, shall be incorporated herein by reference. Unless otherwise shown on such a plat or specified in an amended Declaration annexing properties hereto, the presumed setbacks for single family Lots shall be thirty-five (35) feet from the front lot line, and ten feet from any side or rear lot line. These provisional setbacks, as well as any setbacks shown on any plat or contained within any amended Declaration, may be varied by the Committee if such a variance is reasonably necessary to further compliance with the standards contained in Paragraph 5, for good cause demonstrated.

9. AMENDMENTS. These Protective Covenants shall continue in full force and effect until 12:00 noon on January 1, 2013, at which time it shall automatically extend for additional successive periods of ten (10) years, unless a document terminating or modifying these Protective Covenants is recorded prior to any renewal date in the office of the Register of Deeds of Brunswick County, which amendment shall require approval by sixty percent (60%) of the votes cast in a meeting of the Association called for the purpose of amending these Protective Covenants.

10. BINDING EFFECT. All covenants, restrictions, reservations, easements and privileges contained herein shall run with the land and the grantee, by accepting any deed to any portion of such land described herein, accepts the same subject to these Protective Covenants and its terms and conditions and agrees for himself, his heirs, successors and assigns, to be fully bound by each and all of the terms and conditions of these Protective Covenants, jointly, separately, and severally.

11. ROADS, STREETS AND UTILITY EASEMENTS. Declarant reserves the right to convey the fee simple title to any road right-of-way or utility easement to the Association or to the Village of Bald Head Island. Upon such conveyance, Declarant shall reserve the right of utilization of such roadway or utility easement for the benefit of Declarant, and for the benefit of the property owned by Declarant.

12. RESUBDIVISION. No resubdivision of any single Lot shall be allowed. Nothing contained herein shall prohibit conveyance of more than one Lot, or portions of contiguous Lots, as long as the resulting Lot or Lots are greater in size than those originally subdivided. The deed of conveyance of any such resubdivided or recombined Lots shall restrict the construction thereon to one primary single family residential home per redivided Lot, so that the maximum number of homes which can be constructed within Stage Two shall not increase. Upon the recombination of any Lots to reduce the total number of allowable building Lots within Stage Two, for purposes of membership in the Association and for purposes of the payment of dues and assessments, any recombined Lots shall be considered a single Lot. Furthermore, should any Lot be determined by Declarant to be unbuildable, and should such Lot then be deeded to the Association as Common Property, or dedicated by Declarant as recreation or open space area for the benefit of the Association, its members or the Village of Bald Head, all by document duly recorded in the office of the Register of Deeds of Brunswick County, there shall be no further dues owed from the date of such recordation; however, any dues prepaid shall not be reimbursed.

13. UTILITY EASEMENTS. Any utility easement shown on the recorded plat of any property made subject to the terms of these Protective Covenants shall be considered dedicated to the benefit of Declarant and the Association. There shall be a reserved drainage and utility easement on each Lot and on Common Property ten (10) feet in width adjacent to every Lot line and every road or driveway right of way. The Association shall have the right of utilization of such easements for purposes deemed to be in the best interest of the Association and any or all of the owners of the properties made subject hereto, unless such utilization negatively impacts the primary purpose for which such easement was reserved. In no event, however, shall the Association or any owner keep or prohibit Declarant from any utilization of such reserved easements for any purpose, as long as Declarant has the right to subject additional properties to the terms and provisions of these Protective Covenants.

14. MINOR AMENDMENT. Declarant, its successors or assigns, shall be allowed to amend these Protective Covenants, notwithstanding any other provision contained herein, and without joinder of any other party, for the purpose of correcting any discovered error contained herein, clarifying any ambiguity contained herein, or adding or deleting any incidental provisions deemed in the sole discretion of Declarant to be in the best interest of

the Declarant. This right may be exercised, and shall be effective, only upon the recordation of a "Corrected Declaration" in the office of the Register of Deeds of Brunswick County, which Corrected Declaration shall specifically reference this document, and the provision impacted.

15. RULES. The Board of Directors may from time to time establish rules for use of any property within Stage Two in order to protect the value of Lots, the aesthetic qualities of Stage Two and the tranquility of the owners of Lots. Said rules may include, but are not limited to, reasonable restrictions on pets, rental use of homes, and parking of cars, trailers, boats, campers and other vehicles on Lots and Common Properties. All such rules shall be effective after written notice of adoption is mailed to the record owners of all Lots. All such rules shall be enforceable as though set out within these Protective Covenants.

16. DECLARANT CONTROL. Notwithstanding any other provision contained herein or in the By-Laws of the Association, Declarant shall select all directors of the Association until the first annual meeting of the Association following the earlier to occur of the following:

- (a) Sale of two hundred (200) Lots within Stage Two to third parties (excluding the Provisional Lots); or
- (b) December 31, 2000.

Thereafter, directors shall be elected as set out in the By-laws of the Association.

Furthermore, Declarant or its assigns shall appoint all members of the Architectural Control Committee (who shall number at least three) until the earlier to occur of the following:

- (a) Assignment by Declarant of such rights to the Association; or
- (b) December 31, 2012.

17. MERGER. The Board of Directors and the membership of the Association are hereby required and directed to take such action as may be necessary to cause a legal merger of the Association and the Bald Head Association, subject to the limitations contained hereinafter, upon the earlier to occur of the following:

- (a) December 31, 2012; or
- (b) On December 31 next following a written request for such merger provided to the Association by Declarant.

The merger shall occur and shall be effective subject to adoption of an agreement between the Board of Directors of the Association and the Board of Directors of the Bald Head Association, following any legally required membership approval, wherein:

- (a) The method of collection of dues and assessments is approved as to all lots in both associations;
- (b) There is agreement between the two associations as to the applicable general architectural standards to impose upon future construction and renovation on properties on Bald Head Island; and
- (c) General membership of either the Association or Bald Head Association does not reject merger by votes representing sixty percent (60%) or more of the total number of lots represented by membership in the respective association.

18. VILLAGE OF BALD HEAD. The owner of each Lot acknowledges that a building permit and a landscape permit must be procured from the Village of Bald Head, and all ordinances of the Village of Bald Head must be complied with in making site alterations and in constructing improvements on each Lot.

19. LIMITATION ON HEIGHT. No structure constructed on any Lot shall exceed thirty-five (35) feet in height as measured from the lowest natural point where the building perimeter meets grade. Height limitations may be altered by Declarant for properties annexed hereto; any such limitation on height shall be contained in the amendment subjecting such annexed properties to the terms, provisions and conditions of these Protective Covenants. The mass of structures allowed on each living floor, and the total number of living and non-living floors in each Living Unit, shall be established by the Committee based upon particular Lot site conditions and restraints, and the prevailing architectural style within a particular Subdivision.

20. SIGNAGE. No commercial signs, including "For Sale" or "For Rent" signs shall be erected or maintained on any Lot or on the Common Properties nor shall any such sign be allowed within any Living Unit or structure if readily visible from any Living Unit or street. Nothing contained herein, however, shall prohibit the erection and maintenance on any Common Property 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 Lots within a designated subdivision have been sold, and may maintain signage on the Lot whereon the model home is located, which signage shall be removed upon sale of all Lots within the particular subdivision.

21. ASSIGNMENT. As used herein, Declarant shall mean and include Bald Head Island Limited and any of its successors and assigns specifically assigned rights of Declarant herein.

22. PESTS. The Association shall have the right to go upon the exterior of any Lot made subject hereto for the purpose of treating for or exterminating any vermin, insect or pest or to treat for any disease contaminating trees or vegetation, which treatment may include use of pesticides or herbicides. Neither the Association nor any of its members, directors, agents, contractors or employees shall have any liability for lawful use of chemicals or poisons, including pesticides and herbicides.

23. UTILITIES. The owner of each Lot agrees 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 Bald Head Island Utilities, Inc.

24. BUILDING AND SITE RESTRICTIONS - BRAEMAR. All Lots within the Subdivision shall be subject to the following restrictions:

- (a) The minimum square footage of heated, enclosed living space for each approved primary residential structure shall be 2,000 square feet.
- (b) No primary structure will be allowed to extend outward from any building pad 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 Paragraph 5 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 slightly 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 Coastal 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 surfaces (as defined by the Department of Environmental Management), which limitations are as set out on Exhibit C attached hereto. 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 of the Protective Covenants is intended to insure continued compliance with stormwater runoff regulations, and therefore this covenant may be enforced by the State of North Carolina, as well as any other party designated in paragraph 7 hereunder. This provision, as well as all other provisions of the Protective Covenants, 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 the Subdivision shall be deeded by Declarant undivided interests in certain properties within the Subdivision, 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 Paragraph 6 of these Protective Covenants.
- (g) Access to and from South Bald Head Wynd is limited to the areas 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.

25. CONSTRUCTION. Sign restrictions contained in Paragraph 20 and requirements relative to use of temporary structures, including trailers, shall not be applicable to active construction sites. The Committee shall adopt standards for construction sites for the purpose of reasonably controlling the aesthetics, trash and noise resulting from construction. The Committee must approve all identification signs, including content, size, color and material. The Committee will adopt uniform standards for construction signage within each community. Only one construction sign shall be allowed per Lot.

26. SATELLITE RECEIVERS/ANTENNAE. No exterior structure or device intended for the purpose of receiving or transmitting radio, television or other electronic signals or waves shall be allowed unless of a size twenty-four (24) inches or less in diameter and unless screened from view of adjoining Lots, Living Units, Common Property and roadways. The location of any such device, as well as required screening, shall specifically be subject to approval by the Committee.

27. VEHICLES. No vehicle powered by an internal combustion engine shall be allowed to be parked overnight on any Lot or Common Property. No boat or water craft of any kind and no boat trailer shall be allowed to be parked overnight on any Lot or Common Property unless screened horizontally so as not to be visible from any adjoining Lot, Living Unit, roadway or Common Property.

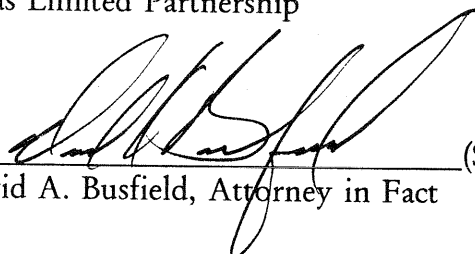
28. TRANSFER OF PROPERTY. It shall be the obligation of the owner of each and every Lot and Living Unit to notify, in writing, the Association of said owner's name and mailing address, including the specific identity of the Lot or Living Unit owned, within thirty (30) days following acquisition of title to said Lot or Living Unit. Failure of an owner to provide such notification within the time allowed shall result in the imposition of a \$100.00 administrative fee collectable in the manner of a special assessment against the owner of such Lot or Living Unit. Owners acquiring property from the Declarant shall be exempt from this requirement.

29. CLUB. By purchasing a Lot or Living Unit, no ownership of or right of utilization of the Bald Head Island Club or its facilities or properties is conveyed or granted. Bald Head Island Club is a private club and, subject to rules adopted by the Club and availability of memberships, membership may be purchased therein by Bald Head Island property owners.

30. ISLAND Bald Head Island, because it is an island, is subject to natural phenomena, including erosion and accretion, and impacts from storms. Such impacts may in the future impact the use of Lots, and may impair transportation to the Island and service on the Island. The Village of Bald Head Island, as a municipal government, has historically engaged in erosion control activities, but Declarant makes no warranty that such activities will be continued or, if continued, will be effective.

These Protective Covenants are executed as of the day and year first above written, under authority duly granted.

BALD HEAD ISLAND LIMITED,
a Texas Limited Partnership

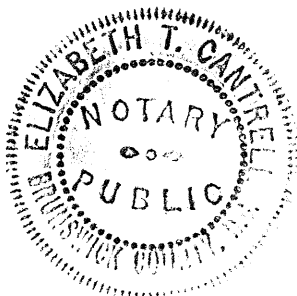
By:  (SEAL)
David A. Busfield, Attorney in Fact

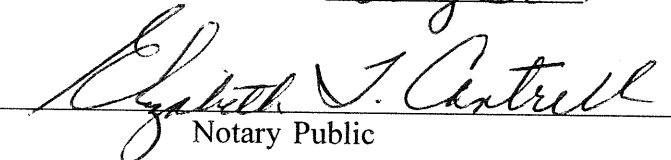
**STATE OF NORTH CAROLINA,
COUNTY OF BRUNSWICK:**

I, Elizabeth T. Cantrell, 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 by me 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 an annexed instrument for the purposes therein expressed for and in behalf of the said Bald Head Island Limited.

WITNESS my hand and official seal, this the 3RD day of August, 1995.




Notary Public

My commission expires: 12-11-96

EXHIBIT A

STAGE TWO PROPERTIES

PARCEL A:

All that certain tract or parcel of land lying and being in Smithville Township, Brunswick County, North Carolina, being bound, more or less, on the south and east by the Atlantic Ocean, on the north by Bald Head Creek and on the west by Muscadine Wynd, and being all and the same property described as "Tract Four" which was acquired by Bald Head Island Limited, a Texas limited partnership, from Walter R. Davis and wife, Jo Ann Davis, by deed dated June 1, 1983, and duly filed in the Office of the Register of Deeds for Brunswick County, North Carolina, in Book 532 at Page 579, et seq. Reference is here made to the aforementioned deed for a more particular description of the property, including the metes and bounds thereof; and,

PARCEL B:

All of that certain tract of land containing approximately 6.24 acres, more or less, and being shown and described as "Duke of Albemarle Manor Houses" on that certain map recorded in Map Cabinet J at Page 181 of the Brunswick County Registry.

EXHIBIT B**PROVISIONAL PROPERTIES****TRACT ONE:**

All that certain real property lying and being situate in the Village of Bald Head Island, Brunswick County, North Carolina, and more particularly shown and described on plats of survey made by William W. DeLaney, II, R.L.S., Tide Water Engineering and Surveying and of record in the office of the Register of Deeds for Brunswick County, North Carolina, as follows:

PHASE ONE, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 101-2, and being all and the same property conveyed to Flora's Bluff Homeowners Association, Inc. a North Carolina non-profit corporation, by deed dated August 9, 1993 and filed for registration in Book 942 at Page 1090 of the Brunswick County Registry;

PHASE TWO, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 253;

PHASE THREE, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 262;

PHASE FOUR, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 297;

PHASE FIVE, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 318;

PHASE SIX, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 356;

PHASE SEVEN, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 362;

PHASE EIGHT, Flora's Bluff, as shown on plat recorded in Map Cabinet X, Instrument 371;

PHASE NINE, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 37;

PHASE TEN, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 79;

PHASE ELEVEN, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 95;

PHASE TWELVE, Flora's Bluff, as shown on plat recorded in Map Cabinet Y, Instrument 186;

PHASE TWELVE-A (Revised), Flora's Bluff, as shown on plat recorded in Map Cabinet Z, Instrument 62;

The foregoing property being subject to Declaration of Covenants, Conditions and Restrictions for Flora's Bluff, recorded in the aforesaid Registry in Book 911, Page 497, et seq.

Exhibit B (con't.)
Provisional Properties

TRACT TWO:

All that certain real property lying and being situate in the Village of Bald Head Island, Brunswick County, North Carolina, and more particularly shown and described on plats of survey made by McKim & Creed and of record in the office of the Register of Deeds for Brunswick County, North Carolina, as follows:

PHASE ONE, Section One, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 92;

PHASE ONE, Section Two, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 165;

PHASE ONE, Section Three, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 253;

PHASE ONE, Section Four, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 231;

PHASE ONE, Section Five, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 232;

PHASE TWO, Section One, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 171;

PHASE TWO, Section Two, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 192;

PHASE TWO, Section Three, Killegray Ridge, as shown on plat recorded in Map Cabinet Z, Instrument 303.

The foregoing property being subject to Declaration of Covenants, Conditions and Restrictions for Killegray Ridge, recorded in the aforesaid Registry in Book 1007, Page 1015, et seq.

Exhibit B (cont'd.)
Provisional Properties

TRACT THREE:

That certain land known as "Palm Court" as shown on plat of survey prepared by Timothy J. Cawood, R.L.S., McKim & Creed, recorded in the aforesaid Registry in Map Cabinet Y, Instrument Number 348, and as described in Declaration of Annexation filed in the aforesaid Registry in Book 989 at Page 782 as amended in Book 1019 at Page 809.

TRACT FOUR:

That certain land known as "Cedar Court" as shown on plat of survey prepared by Thomas W. Morgan, R.L.S., Brunswick Surveying, recorded in the aforesaid Registry in Map Cabinet Z, Instrument Number 44, and as described in Declaration of Annexation filed in the aforesaid Registry in Book 1002 at Page 1012 as amended in Book 1019 at Page 809.

**EXHIBIT C
MAXIMUM IMPERVIOUS SURFACE RESTRICTIONS
BRAEMAR LOTS**

LOT NUMBER	MAXIMUM IMPERVIOUS AREA (in square feet)
2251	4,000
2253	4,000
2255	4,000
2257	4,000
2259	4,000
2261	4,000
2263	4,000
2265	4,000
2052	4,500
2054	4,500
2056	4,500
2058	4,500
2060	4,500
2062	4,500
2064	4,500
2066	4,500

FILED FOR REGISTRATION
BOOK 1045 PAGE 696

100062

95 AUG -3 PM 3: 35

ROBERT J. ROBINSON
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

AMENDED DECLARATION OF PROTECTIVE COVENANTS AND ANNEXATION

THIS AMENDED DECLARATION OF PROTECTIVE COVENANTS AND ANNEXATION is dated for purposes of reference only this 3rd day of August, 1995, by Bald Head Island Limited, a Texas limited partnership ("Declarant").

WITNESSETH:

WHEREAS, Declarant is the developer of the property generally referred to as Bald Head Island; and

WHEREAS, within the development generally known as Bald Head Island, Declarant has subdivided certain properties for purposes of sale and other utilization; and

WHEREAS, one of the subdivisions on Bald Head Island is referred to as Palmetto Cove, which subdivision consists of twenty-eight (28) single family residential lots; and

WHEREAS, by Declaration of Annexation recorded in Book 1036, Page 112 et seq., and corrected in Book 1045, Page 388, Brunswick County Registry, Declarant did provisionally annex the properties within Palmetto Cove to the terms, provisions and conditions of the Amended and Restated Declaration of Covenants and Restrictions for Bald Head Island recorded in Book 498, Page 260, et seq., Brunswick County Registry ("Original Covenants"); and

WHEREAS, Palmetto Cove is within an area of Bald Head Island generally referred to as Stage Two; and

WHEREAS, Declarant has caused to be recorded Protective Covenants for Bald Head Island Stage Two, which Protective Covenants are recorded in Book 1045, Page 676, et seq., Brunswick County Registry ("Stage Two Covenants"); and

WHEREAS, Declarant wishes to subject the property known as Palmetto Cove to the terms, provisions and conditions of the Stage Two Protective Covenants, and to otherwise amend, clarify and correct the Declaration of Annexation, recorded in Book 1036, Page 112, et seq. Brunswick County Registry.

NOW, THEREFORE, under authority reserved to Declarant in accordance with the Declaration of Annexation and the Stage Two Covenants, as above referenced, Declarant hereby submits and subjects the properties described hereinafter to the terms, provisions and conditions contained herein:

REL. E. Cartwell

TO 14.00

FR 38

AMT 102.00

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100 62

1. ANNEXATION. All of the property described on the Plat of Palmetto Cove recorded in Map Cabinet Z, Instrument 304, as amended in Map Cabinet Z, Instrument 387 (the "Plat"), in the Office of the Register of Deeds of Brunswick County, North Carolina, which property is herein referred to "Palmetto Cove," is and shall be made fully subject to the terms, provisions and conditions of the Stage Two Covenants, and such property shall be bound by all restrictions contained therein, except as specifically modified herein.

2. UTILIZATION. Each numbered residential Lot within Palmetto Cove shall be used for single family residential purposes only. Notwithstanding this restriction, Declarant reserves the right to utilize any home constructed within Palmetto Cove for the purposes of a sales model, and all purposes reasonably related thereto.

3. LIMITATION ON HEIGHT. No structure constructed on any Lot within Palmetto Cove shall exceed thirty-five (35) feet in height as measured from the lowest natural point where the building perimeter meets grade.

4. SETBACKS. Building setbacks for construction on Lots in Palmetto Cove shall be thirty-five (35) feet from the front lot line, and ten feet from any side or rear lot line; provided, however, that as set forth on said Plat, Lots adjacent to Bald Head Creek are subject to a provisional setback of thirty feet off mean high water line. The Committee shall determine which lot line is the front lot line on irregular lots, waterfront lots and lots potentially accessed from more than one street.

5. BUILDING AND SITE RESTRICTIONS - PALMETTO COVE. All Lots within Palmetto Cove shall be subject to the following restrictions:

- (a) The minimum square footage of heated, enclosed living space for each approved primary residential structure shall be 1,600 square feet.
- (b) No primary structure will be allowed to extend outward from any building pad shown on the Plat or setback line, and the construction of any improvement or structure extending outward from said building pad or setback line shall require approval of the Committee following an affirmative finding that said improvement or structure meets the standards imposed 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 slightly 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.

6. WITHDRAWAL. Declarant hereby withdraws all of the property within Palmetto Cove from the encumbrances of the Amended and Restated Declaration of Covenants and

Restrictions for Bald Head Island recorded in Book 498, Page 260, Brunswick County Registry, which withdrawal shall be effective at 11:59 PM, December 31, 1995.

7. COMMON AREA. All property within Palmetto Cove not included within a numbered residential subdivision lot shall be considered Common Property. All Common Property, with the exception of the rights of way shown on said plat as "Palmetto Cove Wynd," the "Palmetto Cove Court," all areas denoted "Pedestrian Access" and all property located between numbered subdivision lots and Federal Point Road, shall be available for the exclusive use and benefit of the owners of lots within Palmetto Cove, subject to reasonable rules and regulations adopted from time to time by the Board of Directors of Bald Head Island Stage Two Association, Inc., (the "Association"). Within twelve months following conveyance by Declarant to a third party of all lots within Palmetto Cove, Declarant shall convey all Common Property either to the Village of Bald Head, to the Bald Head Island Nature Conservancy, or to the Bald Head Island Stage Two Association, Inc.

The Common Area located between Lots 19 and 21, Palmetto Cove, shall be deeded to the Association. The Association shall maintain in good condition the improvements to be constructed thereon by Declarant, following construction of such improvements. In order to compensate the Association for such maintenance and upkeep obligations, the owner of each and every numbered residential Lot within Palmetto Cove is hereby obligated to pay Supplemental Dues to the Association, as authorized by the Stage Two Covenants, which dues shall initially be an annual sum of Twenty-Five Dollars (\$25.00), which sum shall compensate the Association for its repair and upkeep obligations for the improvements on the Common Properties within Palmetto Cove, and the administration thereof. The Association shall have full right and authority as allowed by the Stage Two Covenants to collect such payment as Supplemental Dues payable to the Association. Said sums shall be due and payable to the Association annually in advance, beginning January 1 immediately following completion of construction of a walkway accessing Bald Head Creek. The Association shall further have the right to make special assessments, subject to the terms and conditions of the Stage Two Covenants, against the owners of all Lots within Palmetto Cove necessary to fulfill its repair and maintenance obligations as to the Common Properties within Palmetto Cove. It is specifically acknowledged that such special assessment will be for the benefit of Lot owners within Palmetto Cove only, and need not be due and payable from any other or additional owners of property within Bald Head Island Stage Two.

8. IMPERVIOUS SURFACE LIMITATION. In accordance with the laws of the State of North Carolina, the amount of "impervious surface" allowed on any numbered residential Lot within Palmetto Cove is limited. Impervious surfaces as defined by the State of North Carolina include any site alteration which has a substantial negative impact on the ability of soil to absorb water, including coverage by structures, paved or hardened surfaces, walkways, and compacted parking areas. Lots numbered 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31 and 33 are allowed a maximum of 5,100 square feet of impervious surface per Lot; Lots numbered 2, 4, 6, 8, 10, 12, 14, 16, 18, 20 and 22 are allowed a maximum of 3,500 square feet of impervious surface per Lot. The provisions of this numbered paragraph are enforceable by the State of North Carolina, and the provisions contained herein cannot be altered, modified, rescinded or otherwise changed without the written consent of the State of North Carolina, Division of Environmental Management.

terms contained herein are for the benefit of each and every Lot within Palmetto Cove, and are further for the use and benefit of all of the owners of properties within Bald Head Island Stage Two. Any of such parties, including the Association and the Declarant, shall have full right and authority to enforce by legal or equitable means any of the provisions contained herein.

10. DEFINITIONS. Defined words or phrases, denoted by capitalization of the initial letter of such words or phrases, shall have the meaning set out in the Stage II Covenants, unless otherwise defined herein.

BALD HEAD ISLAND LIMITED,
a Texas Limited Partnership

By: *David A. Busfield* (SEAL)
David A. Busfield
Attorney in Fact

STATE OF NORTH CAROLINA

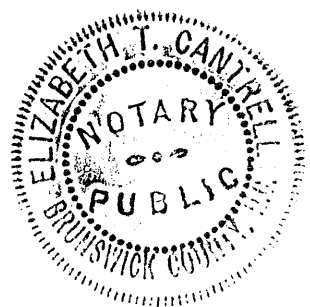
COUNTY OF BRUNSWICK

I, Elizabeth T. Cantrell, 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 by me 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 David A. Busfield acknowledged the due execution of the foregoing and annexed instrument for the purposes therein expressed for and in behalf of the said Bald Head Island Limited.

WITNESS my hand and official seal this the 3RD day of August, 1995.

Elizabeth T. Cantrell
Notary Public



My commission expires: December 11, 1996

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

T Foregoing (or annexed) Certificate(s) of Elizabeth T. Cantrell

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

This Instrument was filed for Registration on the Day and Hour in the Book and Page shown on the First Page hereof.

Robert T. Robinson / s/

CORRECTED DECLARATION
PROTECTIVE COVENANTS
BALD HEAD ISLAND STAGE TWO

FILED FOR REGISTRATION
BOOK 1100 PAGE 863

96 JUL 26 PM 3:07

ROBERT J. ROBINSON
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.

WHEREAS, Bald Head Island Limited, a Texas limited partnership and developer of that certain real property on Bald Head Island known as Bald Head Island Stage Two, Brunswick County, North Carolina; and,

WHEREAS, Bald Head Island Limited, as Declarant, has heretofore caused to be recorded in the records of the Brunswick County Registry in Book 1045 at Page 676, Protective Covenants for Bald Head Island Stage Two properties; and,

WHEREAS, Article 14 of said Protective Covenants reserves to Declarant the right to amend the Protective Covenants for the purpose of "adding or deleting any incidental provisions deemed in the sole discretion of Declarant to be in the best interest of the Declarant" without the consent, joinder or approval of any other owner; and,

WHEREAS, Article 5 of the Protective Covenants provides that "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;" and the Declarant wishes to modify this restriction to permit, at the discretion of the Architectural Control Committee, that such plans may be accepted for review if prepared by a North Carolina architect who is a member in good standing of the American Institute of Architects (AIA);

NOW, THEREFORE, Declarant, Bald Head Island Limited, hereby declares that the Protective Covenants for Bald Head Island Stage Two shall be amended as follows:

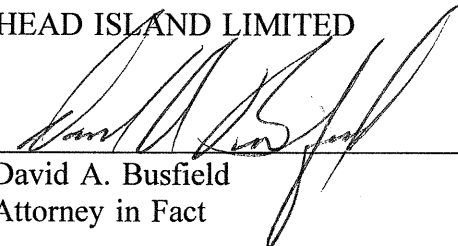
ARTICLE 5 ARCHITECTURAL CONTROL COMMITTEE PROCEDURES shall be amended to include the following language:

The Architectural Control Committee may, in its discretion, accept for review plans for a primary residence which are prepared by an individual who meets all of the following three criteria: 1) holds a degree in architecture from an accredited college or university; and 2) is a resident of the State of North Carolina; and 3) is a member or associate member in good standing of the American Institute of Architects (AIA).

000088

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed as of the 1st day of July, 1996.

BALD HEAD ISLAND LIMITED

By:  (SEAL)
David A. Busfield
Attorney in Fact

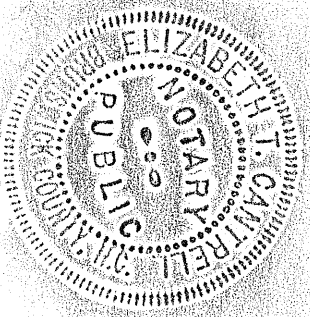
RET Liz Cantrell
TOTAL 10.00 REV _____
TC# 17 REC# 3407
CK AMT _____ # 0416
CASH _____ REF _____
BY _____ K

STATE OF NORTH CAROLINA,
BRUNSWICK COUNTY

I, Elizabeth T. Cantrell, 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 by me 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 an annexed instrument for the purposes therein expressed for and in behalf of the said Bald Head Island Limited.

WITNESS my hand and official seal, this the 1st day of July, 1996.



Elizabeth T. Cantrell
Notary Public

My commission expires: December 11, 1996

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of Elizabeth T. Cantrell

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

This Instrument was filed for Registration on the Day and Hour in the Book and Page shown on the First Page hereof.

Filed this 26th day of July, 1996.

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

IN WITNESS WHEREOF, the undersigned being the Declarant herein has caused this instrument to be executed by its duly authorized attorney in fact, under seal, this the 2ND day of June, 1999.

BALD HEAD ISLAND LIMITED (SEAL)
a Texas Limited Partnership

Inst # 15460 Book 1307 Page: 1071

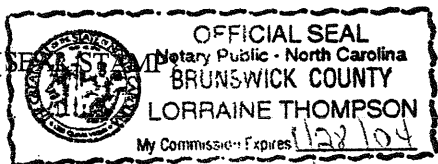
By: [Signature] (SEAL)
Kenneth M. Kirkman
Attorney in Fact

STATE OF NORTH CAROLINA
BRUNSWICK COUNTY

I, LORRAINE THOMPSON, a Notary Public for said County and State, do hereby certify that Kenneth M. Kirkman, attorney in fact for Bald Head Island Limited, personally appeared before me this day, and being by me duly sworn, says that he executed the foregoing and 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 1143 at Page 916, and that this instrument was executed under and by virtue of the authority given by said instrument granting him power of attorney.

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

WITNESS my hand and official seal, this the 2nd day of June, 1999.



[Signature]
Notary Public
My commission expires: _____

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of LORRAINE THOMPSON

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

This Instrument was filed for Registration on this 7th Day of June, 1999
in the Book and Page shown on the First Page hereof.

[Signature]
ROBERT J. ROBINSON, Register of Deeds

RET Judy (Bald Head)
TOTAL 1000 REV _____ TC# 04
REC# _____ CK AMT 1000 CK# 1151
CASH _____ REF _____ BY slc

AMENDMENT TO
PROTECTIVE COVENANTS
BALD HEAD ISLAND STAGE TWO

THIS AMENDMENT TO PROTECTIVE COVENANTS is made and executed the 24th day of February, 1999, by the **Bald Head Island Stage Two Association, Inc.**, a North Carolina non-profit corporation, by and on behalf of its members, to wit:

WHEREAS, Bald Head Island Limited, a Texas limited partnership, is the developer of that certain real property on Bald Head Island known as Bald Head Island Stage Two, Brunswick County, North Carolina; and,

WHEREAS, Bald Head Island Limited, as Declarant, has heretofore caused to be recorded in the records of the Brunswick County Registry in Book 1045 at Page 676, Protective Covenants for Bald Head Island Stage Two properties and has, in connection therewith, established the Bald Head Island Stage Two Association, Inc., a North Carolina non-profit corporation, ("Association") to administer and enforce said Protective Covenants; and,

WHEREAS, Article 9 of said Protective Covenants allows the Association to amend the Protective Covenants upon the approval of sixty (60%) percent of the votes cast in a meeting of the Association called for the purpose of amending said Protective Covenants; and,

WHEREAS, on February 24, 1999, at a meeting of the Association duly called for the purpose of considering an amendment to said Protective Covenants, the Association did, by more than sixty (60%) percent of the votes cast in person and by proxy at said meeting, approve the Amendment to Protective Covenants hereinafter set forth, as certified by the officers whose signatures are affixed to this instrument;

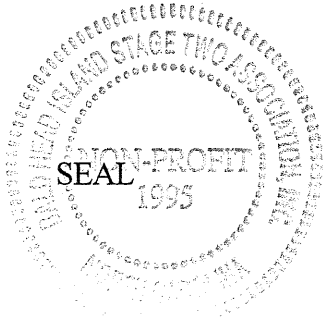
NOW, THEREFORE:

Article 3 of the Protective Covenants for Bald Head Island Statge Two, recorded in Deed Book 1045, Page 676, et seq., Brunswick County Registry, as the same has been heretofore recorded and amended, is hereby further amended by adding a new paragraph at the end of Article 3, which Article is entitled "Single Family Utilization", to read as follows:

As used within these Protective Covenants, a limitation on use for any lot for "single family residential purposes" as set out within this Article 3 shall prohibit the use of any such lot (or the Living Unit constructed thereon) as a "Timeshare". For purposes of this limitation, a "Timeshare" shall be a utilization that requires registration with the State of North Carolina under Chapter 93A, Article 4, of the North Carolina General Statutes, or any successor statute. This restriction shall be specifically applicable to all properties currently made subject to these Protective Covenants, and any additional properties made subject hereto by amendment to the Protective Covenants in the future, as allowed by Article 2 of these Protective Covenants, unless said amendment expressly allows there to be constructed within the annexed property a Timeshare as heretofore defined.

This Amendment shall become effective upon recordation in the Office of the Register of Deeds of Brunswick County, North Carolina.

IN WITNESS WHEREOF, the undersigned officers of the Association, by their signatures hereon, certify and cause this instrument to be executed as of the 24th day of February, 1999.



BALD HEAD ISLAND STAGE TWO ASSOCIATION, INC.,
a North Carolina non-profit corporation

By: Joyce C. Fulton
Joyce C. Fulton, President

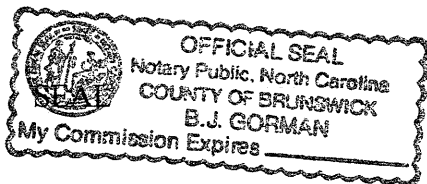
ATTEST:

[Signature]
James A. Janovetz, Secretary

STATE OF NORTH CAROLINA
BRUNSWICK COUNTY

I, B.J. Gorman, a Notary Public for said County and State, do hereby certify that James A. Janovetz personally appeared before me this day and acknowledged that he is Secretary of Bald Head Island Stage Two Association, Inc., a North Carolina non-profit corporation, and that by authority duly given, and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by him as its secretary.

WITNESS my hand and official seal, this the 26th day of February, 1999.



B.J. Gorman
Notary Public
My commission expires: 3/10/03

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of B. J. GORMAN

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

This Instrument was filed for Registration on this 1st Day of March, 1999
in the Book and Page shown on the First Page hereof.

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

LET Jude - Bald Head
TOTAL 10 REV 17 TC# 17
REC# 10 CK AMT 10 CK# 1206
CASH REF BY CB

SECOND
CORRECTED DECLARATION
PROTECTIVE COVENANTS
BALD HEAD ISLAND STAGE TWO

THIS SECOND CORRECTED DECLARATION TO PROTECTIVE COVENANTS is made and executed the 21st day of October, 1999, by **Bald Head Island Limited**, a Texas limited partnership, to wit:

WHEREAS, Bald Head Island Limited is the developer of that certain real property on Bald Head Island known as Bald Head Island Stage Two, Brunswick County, North Carolina; and,

WHEREAS, Bald Head Island Limited, as Declarant, has heretofore caused to be recorded in the records of the Brunswick County Registry in Book 1045 at Page 676, Protective Covenants for Bald Head Island Stage Two properties, which Protective Covenants have been corrected and amended by instruments subsequently recorded in said Registry in Book 1100 at Page 863 and Book 1283 at Page 800, respectively; and,

WHEREAS, Article 14 of said Protective Covenants reserves to Declarant the right to amend the Protective Covenants for the purpose of "adding or deleting any incidental provisions deemed in the sole discretion of Declarant to be in the best interest of the Declarant" without the consent, joinder or approval of any other owner; and,

WHEREAS, Article 24(g) of said Protective Covenants contains certain coastal stormwater restrictions and requirements arising out of regulations promulgated and imposed by the Department of Environmental Management of the State of North Carolina ("DEM") on the Subdivision known as Braemar, and the Declarant wishes to update and extend to other affected Stage Two Properties the general restrictions and requirements currently imposed by the Division of Water Quality of the DEM relating to stormwater management;

NOW, THEREFORE:

The Protective Covenants for Bald Head Island Statge Two, recorded in Deed Book 1045, Page 676, et seq., Brunswick County Registry, as the same has been heretofore recorded, corrected and amended, is hereby further corrected by adding a new Article between Article 24 and Article 25, which Article is designated Article 24A, entitled "BUILDING AND SITE RESTRICTIONS - STAGE TWO PROPERTIES", to read as follows:

In order to comply with the North Carolina Coastal Stormwater Regulations enacted by the Division of Water Quality, Department of Environmental Management of the State of North Carolina (DEM), each of the Stage Two Properties and Braemar Lots for which a limitation on the maximum square footage which may be built-upon or covered by impervious surfaces (as defined by the DEM) has been set, the following additional restrictions shall apply: Filling in or piping of any vegetative conveyances (ditches, swales, etc.) associated with the development, except average driveway crossings, is strictly prohibited.

Stage Two Properties or Lots within CAMA's Area of Environmental Concern may have the permitted built-upon area reduced due to CAMA jurisdiction within the AEC. Each affected (waterfront) property or lot will maintain a 30-foot wide vegetated buffer between all impervious areas and surface waters. The covenants pertaining to stormwater regulations may not be changed or deleted without concurrence of the Division of Water Quality.

This Second Corrected Declaration shall become effective upon recordation in the Office of the Register of Deeds of Brunswick County, North Carolina.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed by its duly authorized representative as of the ____ day of October, 1999.

BALD HEAD ISLAND LIMITED,
a Texas limited partnership

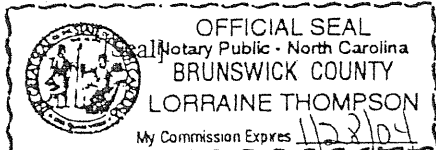
By: [Signature] (SEAL)
Kenneth M. Kirkman, Attorney in Fact

STATE OF NORTH CAROLINA
BRUNSWICK COUNTY

I, LORRAINE THOMPSON, a Notary Public for said County and State, do hereby certify that Kenneth M. Kirkman, attorney in fact for Bald Head Island Limited, personally appeared before me this day, and being by me duly sworn, says that he executed the foregoing and 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 1143 at Page 916, and that this instrument was executed under and by virtue of the authority given by said instrument granting him power of attorney.

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

WITNESS my hand and official seal, this the 21st day of October, 1999.



Lorraine Thompson
Notary Public
My commission expires: _____

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of LORRAINE THOMPSON