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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

ALVA G. WISE
REGISTER OF DEEDS
DARE COUNTY, N.C.

STATE OF NORTH CAROLINA

COUNTY OF DARE

KNOW ALL MEN BY THESE PRESENTS, that this Declaration of Covenants, Conditions and Restrictions, made and entered into on this 8th day of May, A.D., 1981, by RDC, INC., a North Carolina Corporation, with its office and principal place of business in Winston-Salem, Forsyth County, North Carolina (hereinafter referred to as the "Declarant").

W I T N E S S E T H:

WHEREAS, Declarant is the owner of the real property described in Article One of this Declaration and desires to create thereon a residential community (the "Community") together with streets, roads, footways, open spaces, entrances, drainage facilities, access easements, site lighting and signage, recreation area(s) and any other common facilities (hereinafter referred to collectively as the "facilities") for the benefit of the Community; and,

WHEREAS, Declarant desires to provide for the preservation of the values and amenities in the Community and for the maintenance of the facilities and, to this end, desires to subject the real property described in Article One to the covenants, conditions, restrictions, easements, charges and liens, hereinafter set forth, each and all of which is, and are, for the benefit of said real property and each owner of a portion thereof; and,

WHEREAS, Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Community, to create an agency to which should be delegated and assigned the powers of maintaining and administering the community properties and facilities, administering and enforcing the covenants, conditions and restrictions, and collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, Declarant has caused to be incorporated under the laws of the State of North Carolina a non-profit corporation, Sanderling Property Owners Association, Inc. (the "Association"), for the purpose of exercising the functions aforesaid;

NOW, THEREFORE, the Declarant declares that the real property described in Article One, is and shall be held, transferred, sold, conveyed and occupied subject to the terms and provisions of the covenants, conditions, restrictions, charges and liens (sometimes referred to herein as "covenants and restrictions" or "this Declaration") as hereinafter set forth.

ARTICLE ONE

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The real property which is, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration (the "Existing Property") is located in Dare County, North Carolina, and is more particularly described as follows:

See Schedule "A" attached hereto and incorporated herein by reference.

Section 2. Additions to Existing Property. Real property in addition to the Existing Property may hereafter become subject to this Declaration in the following manner:

(a) Additions in Accordance with a Master Plan of Development.

The Declarant, its successors and assigns, shall have the right but not the obligation, without the further consent of the Association, to bring within the scheme and operation of this Declaration, additional properties, provided, however, that such additions shall be limited to lands which are lying between (i) the eastern edge of the mean high water line of Currituck Sound and the western edge of the mean high water line of the Atlantic Ocean and (ii) the north property lines of Ernest Brickhouse (now or formerly) and Sanderling Phase 4 and a line which is located 600 feet north of and parallel to the Currituck-Dare County Line.

The additions authorized under this and the succeeding subsection, shall be made by filing of record in Dare County Register of Deeds Office, one or more Supplementary Declaration of Covenants, Conditions and Restrictions with respect to such additional property or properties which shall extend the operation and effect of this Declaration to such additional property or properties.

Any Supplemental Declaration(s) may contain such complementary additions and modifications of this Declaration as may be necessary or

convenient, in the judgment of the Declarant, to reflect and adapt to any difference in character of the added properties, and as are not inconsistent with the scheme of this Declaration. In no event, however, shall any such Supplementary Declaration revoke, modify, or add to the covenants and restrictions established by this Declaration so as to affect the Existing Property; however, this proviso shall not be interpreted to prohibit or prevent any increase in the "assessments" (as hereinafter defined) payable by an Owner of any portion of the Existing Property by reason of any such additions.

(b) Other Additions. Upon approval in writing of the Association, pursuant to authorization of two-thirds of the vote of all of its Members, voting as provided in Article Five of Section 2 hereof, the owner of any property who desires to add such property to the scheme of this Declaration and subject such property to the jurisdiction of the Association, may file of record a Supplemental Declaration of Covenants, Conditions and Restrictions as described in subsection (a) above.

(c) Mergers, Combinations or Consolidations. Upon merger, combination or consolidation of the Association with another association, the properties, rights and obligations of the Association may, by operation of law, be transferred to another surviving or consolidated association, or, in the alternative, the properties, rights, and obligations of another association may, by operation of law, be added to The Properties of the Association as a surviving corporation pursuant to a merger, combination or consolidation. The surviving or consolidated association may administer the Covenants, Conditions and Restrictions established by this Declaration within the Existing Property, together with the covenants and restrictions established upon any other properties as one scheme. No such merger, combination or consolidation, however, shall effect any revocation or change of, or addition to the Covenants, Conditions and Restrictions established by this Declaration within the Existing Property, except as herein provided.

ARTICLE TWO

DEFINITIONS

Section 1. The following words when used in this Declaration or any amended or supplemental Declaration (unless the context shall require otherwise) shall have the following meanings:

(a) "Assessments" or "assessments" or "Common Charges" shall mean and refer to the assessments and charges levied against the Owners of Lots or Dwelling Units in The Properties, as hereinafter defined, pursuant to Article Seven of the Declaration and Article X of the Bylaws; and the words assessments or Assessment shall have the same meaning as Common Charges, unless the context requires otherwise.

(b) "Association" shall mean and refer to the Sanderling Property Owners Association, Inc.; and "Bylaws" shall mean and refer to the Bylaws of the Association.

(c) "Board" shall mean and refer to the Board of Directors of the Association.

(d) "Common Expenses" shall mean and refer to:

(i) Expense of administration, maintenance, repair or replacement of the Common Properties.

(ii) Expense declared Common Expense by the provisions of this Declaration or the Bylaws.

(iii) Expense agreed upon as Common Expense by the Association and lawfully assessed against Owners of Lots or Dwelling Units in accordance with the Bylaws or this Declaration.

(iv) Any valid charge against the Association or against the Common Properties as a whole.

(e) "Common Properties" shall mean and refer to those areas of land shown on any recorded subdivision plat of The Properties labeled as "Common Properties" or shown as streets or roads, (together with all improvements located thereon), and as such intended to be devoted to the common use and enjoyment of the Owners of the Lots and Dwelling Units, subject to special rights, if any, granted Owners of particular Lots or Dwelling Units, which are a part of The Properties.

(f) The "Declarant" shall mean and refer to RDC, Inc., and any person or entity who is specifically assigned the rights and interests of Declarant hereunder.

(g) "Dwelling Unit" shall mean and refer to any improved property intended for use and occupancy as one (1) single family dwelling, including any single family detached dwelling, townhouse unit or each part (one-half) of a duplex located within The Properties.

(h) "Limited Common Properties" or "Limited Common Areas" shall mean and refer to those areas of land (including without limitation any joint driveways) and improvements (including without limitation any common entrances to a Dwelling Unit) shown on or designated as Limited Common Properties or Limited Common Areas on any recorded subdivision map of The Properties, and intended for the use of the Owners of particular Lots or Dwelling Units to the exclusion of other Owners. Any property so designated shall be for the exclusive use of the Owners of the Dwelling Units or the Lots so designated on the recorded plats.

(i) "Limited Common Expense" shall mean and refer to (i) expense of administration, maintenance, repair or replacement of Limited Common Properties or Limited Common Area which shall be assessed against those Lots or Dwelling Units having the exclusive or special rights in the use or enjoyment thereof.

(j) "Living Area" shall mean and refer to those heated and/or air-conditioned areas within a Dwelling Unit which shall not include garages, carports, porches, patios, storage areas, breezeways, or terraces.

(k) "Lot" shall mean and refer to any unimproved parcel of land within The Properties which is intended for use as a site for a single family detached dwelling, townhouse, or duplex, as shown upon any recorded subdivision map of any part of The Properties, with the exception of Common Properties or Limited Common Properties. A parcel of land shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to assessment as improved property, i.e., a Dwelling Unit.

(l) "Member" shall mean and refer to all those Owners who are members of the Association as provided in Article Five, Section 1, of this Declaration.

(m) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or Dwelling Unit situated upon The Properties, but notwithstanding any applicable theory of any lien or mortgage law, shall not mean or refer to any mortgagee or trust beneficiary unless and until such mortgagee or trust beneficiary has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

(n) "The Properties" shall mean and refer to all the Existing Property and any additions thereto as are made subject to this Declaration by any Supplemental Declaration under the provisions of Article One of this Declaration.

(o) "Recreational Facilities" shall mean and refer to that area shown and designated as such on any recorded subdivision map of The Properties, and any improvements erected or to be erected upon such area.

ARTICLE THREE

GENERAL PROVISIONS

Section 1. Duration. The covenants and restrictions of this Declaration shall run with the land, and shall inure to the benefit of, and be enforceable by, The Association or any Owner, its and their respective legal representatives, heirs, successors, and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time said covenants and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by the then Owners of two-thirds of the Lots and Dwelling Units has been recorded, agreeing to change said covenants and restrictions in whole or in part, provided, however, that no such agreement to change shall be effective unless written notice of the proposed agreement is sent to every Owner at least ninety (90) days in advance of any action taken.

Section 2. Notices. Any notice required to be sent to any Member or Owner, under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postpaid, Certified Mail - Return Receipt Requested, to the last known address of the person who appears as Member or Owner on the records of the Association at the time of such mailing. Notice to any one of the Owners, if title to a Lot or Dwelling Unit is held by more than one, shall constitute notice to all Owners of a Lot or Dwelling Unit.

Section 3. Enforcement. Enforcement of these covenants and restrictions shall be by an appropriate civil proceeding against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, or both, and against the land to enforce any lien created by these covenants; and failure by the Association or any Owner to enforce any covenant or restriction herein contained shall not be deemed a waiver of the right to do so thereafter.

Section 4. Severability. Invalidation of any one of these covenants and restrictions by judgment or court order shall in no wise affect any other provision which shall remain in full force and effect.

ARTICLE FOUR

ARCHITECTURAL CONTROL AND RESTRICTIONS ON USE AND RIGHTS
OF THE ASSOCIATION AND OWNERS

Section 1. Architectural Control.

(a) Purposes. The Declarant desires to provide for the preservation of the values in the Properties with respect to any Dwelling Unit to be constructed on any Lot constituting a portion of The Properties, and to that end, desires to establish an Architectural Control Committee in order to provide and maintain certain standards as to harmony of external design and location in relation to surrounding structures and topography.

(b) Architectural Control. Unless expressly authorized in writing by the Architectural Control Committee (the "Committee") no Dwelling Unit, fence, wall, driveway or other structure nor any exterior addition or alteration to any existing Dwelling Unit, nor any clearing or site work shall be commenced, erected or maintained upon The Properties, until plans and specifications therefor showing the shape, dimensions, materials, basic exterior finishes and colors, location on site, driveway, parking, well, septic tank and drain field, floor plan and elevations therefor (all of which is hereinafter referred to as the "Plans"), shall have been submitted in duplicate to and approved in writing, as to harmony of external design and location in relation to any surrounding structures and topography, by the Committee. The Committee shall have the absolute and exclusive right to refuse to approve any such plans and specifications which are not suitable or desirable in the opinion of the Committee for any reason, including purely aesthetic reasons which in the sole and uncontrolled discretion of the Committee shall be deemed sufficient; provided that the Committee shall not refuse to approve any plans and specifications which are substantially similar to any other plans and specifications which previously have been approved for any Dwelling Unit.

(c) Architectural Control Committee.

(i) Membership. The Committee shall be composed of three (3) persons, who need not be Members of the Association, appointed by the Board. A majority of the Committee may designate a representative to act for it. In the event of death, resignation, or removal by the Board of any member of the Committee, the Board shall have full authority to designate a successor. Unless otherwise approved by the Association, neither the members of the Committee nor its designated representative shall be entitled to any compensation for services performed pursuant to this covenant. The Association shall keep, or cause to be kept, a list of the names and addresses of the persons who form the Committee and a list of the names and addresses of any designated representatives of the Committee, and such a list shall be available to any Owner.

(ii) Procedure. At least thirty (30) days prior to the commencement of any construction, the Plans shall be submitted to the Committee. The Committee's approval, disapproval or waiver as required in these covenants shall be in writing, and the decision of a majority of the Committee, in case of any disagreement among the Committee Members, as to the approval, disapproval or waiver by the Committee, shall be controlling. In the event the Committee, or its designated representative, fails to approve or disapprove within thirty (30) days after Plans have been received by it, whether before or after construction has commenced, approval by the Committee will not be required and the related covenants and conditions of this Declaration shall be deemed to have been fully complied with; furthermore, in the event any construction is commenced on any lot without submission to the Committee of the Plans with respect thereto and no action or suit is instituted against the Owner of such lot by the Association, or any Owner of any other lot constituting a portion of The Properties, within ninety (90) days after the foundation of any Dwelling Unit being constructed on any such lot is completed, then and in any such event approval by the Committee will not be required and the related covenants and conditions of this Declaration shall be deemed to have been fully complied with.

(iii) Application of this Article. This Article Four shall apply to any additions to The Existing Property subsequently made subject to this Declaration and the terms and provisions of any supplemental or amended Declaration.

Section 2. Restriction on Use and Rights of the Association and Owners.

(a) Permissible Uses. No Lot shall be used except for residential purposes (with the exception of a sales center constructed by the Declarant), and no building of any type shall be erected, altered, placed, or permitted to remain on any Lot other than a Dwelling Unit or Dwelling Units in the case of a duplex, which shall comply with any applicable zoning regulations. The Declarant retains the right to designate specific areas, shown and designated as such on any recorded plat of The Properties, for use as sites for duplexes or townhouses. When construction of any Dwelling Unit, structure, improvement, or addition thereto has once begun, work thereon shall be prosecuted diligently and continuously until the full completion thereof.

(b) Division of Lots. Except as set forth in subparagraph (a) of this Section 2, no Lot shall be further divided, except that any two Owners may divide a Lot between them if such Lot is adjacent to the Lots owned by each Owner and provided further that only one Dwelling Unit may be constructed on the Lot as subdivided and combined.

(c) Utilities and Easement. All utility lines of every type, including but not limited to water, electricity, telephone, sewage and television cables, running from the main trunk line or service location to any Dwelling Unit must be underground. The Declarant reserves unto itself, its successors and assigns, a perpetual alienable and releasable easement and right on, over and under the ground to erect, maintain and use electric and telephone systems, wires, cables, and conduits for the purpose of bringing public services to The Properties, on, in or over (i) streets or roads shown on any recorded plat of The Properties, (ii) ten (10) feet of each Lot line fronting on a street and ten (10) feet along the side lines of each Lot, and (iii) fifteen (15) feet along the rear line of each Lot, and such other areas as are shown on any recorded plats of The Properties; provided further, that the Association may cut, at its own expense, drainways for surface water wherever and whenever such action is required by applicable health or sanitation authorities in order to maintain reasonable standards of health, safety and appearance. In the event of any additions to The Properties, as provided in Article One, by the Declarant or others, the easements

created hereby shall exist on the Lots in such additions to The Properties. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, take or add any soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation or to maintain reasonable standards of health, safety and appearance.

(d) Minimum Square Feet in Dwelling Unit. Each Dwelling Unit, whether a single family detached dwelling, a townhouse, or each portion of a duplex (there being two (2) Dwelling Units within each duplex), shall contain a minimum of 1,200 square feet of Living Area. Measurements shall be made to exterior walls. A Dwelling Unit may be constructed on a Lot and have a common party wall, or walls, with a Dwelling Unit located on a contiguous Lot (thereby having a zero lot line setback); however, any such Dwelling Units must be permitted by applicable zoning, health and sanitation regulations.

(e) Temporary Structures. No structure of a temporary character shall be placed upon any portion of The Properties at any time, provided, however, that this prohibition shall not apply to shelters or huts used by contractors during the construction of a Dwelling Unit, or improvements or additions thereto, on any Lot. Temporary shelters, tents, recreational vehicles, trailers (whether attached or unattached to the realty) may not, at any time, be used as a temporary or permanent residence or permitted to remain on any portion of The Properties.

(f) Committee Approval of Plans and Other Prohibitions.

(i) As provided in Section 1 of this Article Four, no Dwelling Unit, structure, building, appurtenance, attachment, improvement or addition shall be built, constructed or maintained unless the Plans therefor have been approved in writing by the Committee and such building or construction is completed in strict accordance with said Plans. In addition, any such Dwelling Unit shall comply with all applicable building, plumbing, electrical and other codes.

(ii) No vent or other pipes or appendages may extend from the front of any Dwelling Unit, unless screened from public view by a screening material or shrubbery approved by the Committee.

(iii) Any exterior air-conditioning or heating equipment must be screened from public view by a screening material or shrubbery approved by the Committee.

(iv) Down spouts and gutters must be so constructed as to not promote the erosion of the soil of any Lot.

(v) Exterior spotlighting shall be directed so as not to cast light directly on another Dwelling Unit.

(g) Garbage and Storage Receptacles. Except as required by any appropriate governmental authority, each Owner shall provide receptacles for garbage, and all garbage receptacles, tools and equipment for use on the Lot of any Owner or otherwise shall be placed in a fenced area in accordance with reasonable standards established by the Committee to shield same from general visibility from roads abutting the Lot. No fuel tanks or similar storage receptacles, other than solar panels and related storage facilities, may be exposed to view and such fuel tanks or similar storage receptacles may be installed only within the Dwelling Unit, or an accessory building, or buried underground.

(h) Debris. No leaves, trash, garbage or other similar debris shall be burned except as permitted by the appropriate governmental authority. No garbage, trash, construction debris or other unsightly or offensive materials shall be placed upon any portion of The Properties, except as is temporary and incidental to the bona fide improvement of any portion of The Properties.

(i) Antennas. No television antennas, radio receiver or sender or other similar device shall be attached to or installed on the exterior portion of any Dwelling Unit, structure or any Lot or Common Properties within The Properties; provided, however, that the provisions of this paragraph shall not apply to the installation by the Association of equipment necessary for a CATV and mobile radio systems within The Properties.

(j) Sewage Disposal. Prior to the occupancy of any Dwelling Unit located in The Properties, proper and suitable provisions shall be made by the Owner for the disposal of sewage by means of a septic tank or tanks constructed on his Lot. No sewage disposal system shall be used unless such system is designed, located, constructed and maintained in accordance with the

requirements, standards and recommendations of the appropriate public health or environmental authorities. Each septic tank and the nitrification (drain) field relating thereto shall be maintained in good condition so that its use and existence shall not constitute a nuisance to any other Owner. If at anytime a public or community sewerage system is constructed so as to provide service to The Properties, each Owner shall be required to bear his pro rata share of the cost of such system and shall be required to hook up to this public or community sewerage system and bear any expense incidental thereto.

(k) Trees and Foliage. Trees measuring three (3) inches or more in diameter, at a point two (2) feet above ground level, and any flowering trees or shrubs above five (5) feet in height may not be removed from The Properties without the written approval of the Committee, unless located within ten (10) feet of a Dwelling Unit, or site for such Dwelling Unit, or driveways and walkways located or to be located on any Lot. Excepted herefrom shall be damaged trees or trees which must be removed because of an emergency.

(l) Unsightly Conditions. It is the responsibility of each Owner to prevent any unclean, unsightly, or unkept conditions of his Dwelling Unit or grounds on a Lot of any Owner which shall tend to substantially decrease the beauty of The Properties specifically and as a whole.

(m) No Offensive Activity or Fires. No noxious, offensive activity or excessive noise shall be carried on upon any portion of The Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance or nuisance to any Owner, tenant or guest thereof, in any portion of The Properties. Fires on any portion of the Common Properties are prohibited unless procedures adopted by the Board are strictly complied with.

(n) Animals and Pets. Except as otherwise permitted herein, or in any amended Declaration, no plants, animals, or device or thing of any sort whose normal activities or existence is in any way noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of other Lots or Dwelling Units by any Owner, tenants and guests thereof, may be maintained. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot or Dwelling Unit, except that dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for any commercial purpose.

(o) Discharge of Firearms. Hunting and trapping of wild animals, fowl and game and the discharge of firearms and/or bows and arrows within The Properties is prohibited unless required for public safety.

(p) Docks, etc. No Owner of any Lot or Dwelling Unit shall erect or maintain a private dock, dam or similar structure on any portion of the Common Properties, such as any lakes, ponds, or waterways.

(q) Boats. No boat, canoe or water craft shall be operated upon any lake, pond or other waterway within The Properties if such boat, canoe or other water craft shall be propelled by an internal combustion engine or by any other form of motorized operation which may discharge liquids or gases into the water. No boat, canoe, or other water craft shall be beached or stored over night on the shore of any lake, pond, or other waterway except within areas, if any, designated by the Committee.

(r) Motorized Vehicles. All motorized vehicles operating within The Properties must be properly mufflered so as to eliminate noise which might be offensive to others. All vehicles and bicycles (motorized or otherwise) are prohibited from being used or operated on or within the Common Properties or the frontal dune system; and all vehicles and bicycles shall remain on roads within the Common Properties.

(s) Signage. No sign of any kind shall be displayed to the public view on any Lot or Dwelling Unit except one (1) sign with dimensions of not more than two feet by three feet advertising any Lot or Dwelling Unit for sale or rent. All other signs on any Lots must be approved in writing by the Committee. Notwithstanding the foregoing, the Declarant shall have the right to locate signs indicating the location of sales and rental centers, Recreation Facilities and

such other information as may be required on any Lot on which the Declarant locates such a facility.

(t) Pavement of Joint Driveway. All joint driveways (Limited Common Properties) shown on any recorded subdivision map of The Properties shall be paved by the Owners of the Lots on which such joint driveways are indicated at the time a Dwelling Unit is located on one (1) of such Lots.

ARTICLE FIVE

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person or entity who is a record Owner of a fee simple interest in any Lot or Dwelling Unit is subject by this Declaration to assessment by the Association and shall be a Member of the Association; provided, however, that any such person or entity to hold such interest merely as a security for the performance of an obligation shall not be a Member.

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

(a) Class A: Class A Members shall be all Owners of Lots and any type of Dwelling Unit (whether detached single family dwelling, townhouse unit, or a duplex, which shall be two (2) Dwelling Units). Any Class A Member shall be entitled to one and one-half (1-1/2) votes for each Dwelling Unit which he owns. An Owner of a Lot upon which a Dwelling Unit has not been constructed shall be entitled to one (1) vote for each Lot which he owns. It is the intent of this provision that so long as property qualifies as a Lot, by virtue of the fact that improvements have not been constructed thereon, the Owner thereof shall have only one (1) vote, but once the improvements are constructed (the improvements shall be deemed to be "constructed" upon obtaining a permit from Dare County for the hook up of permanent power) on said Lot and it loses its character as a Lot and becomes a Dwelling Unit the Owner thereof shall have a total of one and one-half (1-1/2) votes for the ownership of such property.

(b) Class B: The Class B Member shall be the Declarant, which shall be entitled to three (3) votes for each Lot owned by it. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs first:

(i) When the total votes outstanding in Class A Membership equal the total votes outstanding in the Class B Membership, or

(ii) December 31, 1990.

When more than one person or entity holds an interest in any Lot or Dwelling Unit, all such persons shall be Members, and the vote for such Lot or Dwelling Unit shall be exercised as they among themselves determine and such persons shall designate one (1) person to vote for their Lot or Dwelling Unit, but in no event shall more than one (1) vote be cast with respect to any such Lot or one and one-half (1-1/2) votes with respect to any such Dwelling Unit.

ARTICLE SIX

PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 3 of this Article, every Member shall have a right and easement of enjoyment in and to the Common Properties and such easement shall be appurtenant to and shall pass with the title to every Lot or Dwelling Unit.

Section 2. Title to Common Properties. The Declarant may retain the legal title to any Common Properties, other than streets or roads shown on any recorded plat of The Properties, until such time as it has completed improvements, if any, thereon and until such time as, in the opinion of the Declarant, the Association is able to maintain the same but, notwithstanding any provision to the contrary herein, the Declarant hereby covenants, for itself, its successors and assigns, that it shall convey any such Common Properties to the Association not later than January 1, 1990. Prior to the date of any transfer of the streets and roads to the appropriate government agency or authority by the Association, said streets and roads shall be Common Properties and the expense of maintenance shall be borne by the Association.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created herein shall be subject to the following:

(a) The right of the Declarant, in its sole discretion and at no cost to any Owner, to grade, pave or otherwise improve any road or street shown on any recorded plat of The Properties.

(b) The right of the Association, as provided in its Articles or By-Laws, to suspend the enjoyment rights of any Owner for any period during which

any assessment remains unpaid, and for any period not to exceed thirty (30) days for any infraction of any published rules and regulations adopted by the Board; and

(c) The right of the Association to dedicate or transfer all or any part of the Common Properties (which includes streets and roads) to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer, determination as to the purposes or as to the conditions thereof, shall be effective unless fifty-one percent (51%) of the votes of Members entitled to vote, at a Special Meeting of the Members called in accordance with the By-Laws (consents in writing presented at such meeting shall constitute votes of Members), consent to and approve of such dedication, transfer, purpose or condition. If so agreed to and approved by the Members, such dedication and transfer, specifying the purpose(s) and condition(s) thereof, shall be executed by the President and Secretary of the Association with the same formalities of a deed and recorded in the Dare County Public Registry.

(d) The rights of Members of the Association shall in no wise be altered or restricted because of the location of the Common Properties in any additions to the Existing Property constituting a portion of the Properties in which such Member is not a resident. Common Properties belonging to the Association shall result in membership entitlement, notwithstanding that the Lot or Dwelling Unit acquired which results in membership rights as herein provided is not located within any property (phase), made subject in whole or in part to this Declaration, which contains any Common Properties.

(e) The right of the Association or its assignee to charge reasonable admission and other fees for use of any Recreational Facilities situated upon the Common Properties.

ARTICLE SEVEN

COVENANT FOR PAYMENT OF ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. The Declarant, for each Lot and Dwelling Unit owned by it within The Properties, hereby covenants and each Owner of any Lot or Dwelling Unit, by acceptance of a deed therefor, whether or not it shall be so expressed in any

such deed or other conveyance, shall be deemed to and does hereby covenant and agree to all the covenants and restrictions of this Declaration and to pay to the Association: (1) annual assessments or charges as herein or in the By-Laws provided, (2) special assessments for capital improvements, such annual and special assessments to be fixed, established, and collected from time to time as herein or in the By-Laws provided, and (3) any liquidated damages or summary charges imposed under authority contained in the By-Laws, together with costs, fees and expenses (including reasonable attorney's fees) incurred by the Association incidental to the enforcement of any Rules and Regulations, collection of assessments (both annual and special) or collection of damages or charges arising under the By-Laws. The annual and special assessments and any liquidated damages or summary charges as herein or in the By-Laws provided, together with such interest thereon and costs of collection thereof as herein provided, shall be a charge on the land and shall be a continuing lien upon the Lot or Dwelling Unit against which each such assessment is made. Each such assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the person or persons jointly and severally, who is (are) the Owner(s) of such Lot or Dwelling Unit at the time when the assessment fell due.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, security, safety and welfare of the residents of The Properties and in particular for:

- (a) the improvement, maintenance, and replacement of The Common Properties,
- (b) maintenance of exteriors of Dwelling Units and related improvements on Lots pursuant to Article Eight, Sections 1 and 2 of this Declaration,
- (c) maintenance, improvements, and replacement of Limited Common Properties,
- (d) establishment of capital replacement reserves, and
- (e) for the acquisition of services and facilities devoted to the foregoing purposes or for the use and enjoyment of the Common Properties,

including but not limiting to, the cost of repairs, replacements, additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Properties, the procurement and maintenance of insurance related to the Common Properties, its facilities and use in accordance with the Bylaws, the employment of attorneys to represent the Association if necessary, and such other requirements as be necessary to perform all of the aforesaid functions and purposes.

Section 3. Assessment of Uniform Rates Within Different Categories or Forms of Ownership. Both annual and special assessments shall be fixed at uniform rates for every Lot or Dwelling Unit within the category or form of ownership applicable to such Lot or Dwelling Unit. Assessments may differ depending on the type of Dwelling Unit, but there will be no difference between assessments as to Lots, except to the extent Limited Common Properties are located on a Lot or Lots. In addition the Owner(s) of some Dwelling Units may be subject to an assessment for the maintenance, improvement and replacement of Limited Common Properties located on or adjacent to the Lot on which such Dwelling Unit is located. The three (3) categories of Dwelling Units are as follows:

- (1) Detached Single Family Dwelling,
- (2) Townhouse Unit, and
- (3) Duplexes.

Assessments with respect to such categories shall be determined by the cost to the Association, experienced or reasonably anticipated, of carrying out the purposes and functions set forth in Section 2 above.

Section 4. Application of Minimum and Maximum Assessment. The minimum regular annual assessment, as set forth in the schedule herein below, shall be levied by the Association unless the Board of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded only by an assessment above the minimum but not more than the applicable maximum regular assessment, as set forth in the schedule below. If the Board of Directors shall levy the applicable minimum assessment for any assessment year and thereafter, during such assessment year, determine that the important and essential functions of the Association cannot be funded by the minimum assessment, the Board, by unanimous decision, may levy a supplemental

assessment but in no event shall the sum of the minimum and supplemental regular annual assessment for the year exceed the applicable maximum regular assessment.

Until the calendar year ending in 1984, the regular annual assessment minimum and maximum amount shall be the sums calculated in accordance with the following schedule as may be increased in each instance by an inflation adjuster set forth herein below.

1. <u>Lots:</u>	<u>Minimum Regular Annual Assessments</u>	<u>Maximum Regular Annual Assessments</u>
Per Lot	\$125.00	\$200.00
2. <u>Dwelling Units:</u>	<u>Minimum Regular Annual Assessments</u>	<u>Maximum Regular Annual Assessments</u>
Per Unit	\$175.00	\$250.00

Commencing with the calendar year beginning January 1, 1982, the minimum and maximum regular annual assessments shall automatically be increased each year, unless the Board of Directors, by unanimous decision, shall determine otherwise, by Five Percent (5%) per annum, compounded annually. In the alternative, the Board of Directors, by unanimous decision, may determine that the amount of the automatic Five Percent (5%) increase is inadequate and that the amount of the annual increase should be the percentage increase between the first month and the last month of an annual assessment period in the Consumer Price Index for All Urban Consumers, All Items (1967 = 100), hereinafter called the "CPI-U" published by the United States Department of Labor. In the event that the CPI-U shall be discontinued, then there shall be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living. The Board of Directors may by unanimous decision, after consideration of current cost and future needs of the Association, fix the annual regular assessment for any year at an amount less than the applicable minimum regular annual assessment, but such action shall not constitute a waiver by the Association of its right to revert to the full regular minimum assessment in subsequent years.

Section 5. Assessments as to Townhouse Units and Duplexes. In addition to the minimum and maximum regular annual assessments, as set forth in Section 4 of this Article Seven, assessments levied with respect to Dwelling

Units falling within categories 2 and 3 (Townhouse Units and Duplexes), shall be determined in accordance with the terms and conditions of any supplemental declaration which makes such properties subject to this Declaration.

Section 6. Assessments as to Limited Common Properties. In addition to the minimum and maximum regular annual assessments, as set forth in Section 4 of this Article Seven, the Board of Directors may levy an annual assessment for the maintenance, improvement and replacement of any Limited Common Properties, provided that the maximum annual assessment with respect thereto shall not exceed twenty five percent (25%) of the maximum regular annual assessment for the Lot or Dwelling Unit which has any use of or benefit from, or is designated on any recorded map of The Properties as being for the benefit of any such Lot or Dwelling Unit.

Section 7. Special Assessments for Capital Improvements. In addition to the regular annual assessments authorized by Section 4 hereof, the Association may levy in any assessment year, a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repairs or replacement of any capital improvement (including, without limiting the generality thereof, any lake, waterway, or pond) located upon the Common Properties or the Limited Common Properties, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the consent of two-thirds (2/3) of the votes of all the Members at a meeting duly called for this purpose, written notice of which shall be sent to all Members in accordance with the provisions of the By-Laws for Special Meetings.

Section 8. Change in Basis and Maximum Amount of Annual Assessments. Subject to the limitations of Section 4 hereof and for the periods therein specified, the Association may change the maximum amount and basis of the regular annual assessments fixed by Section 4 hereof prospectively for any such period provided that any such change shall have the consent of two-thirds (2/3) of the votes of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members in accordance with the provisions of the By-Laws for Special Meetings; provided further, that the limitations of Section 4 hereof shall not apply to any change

in the maximum amount and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized by law to participate or as an incident to any additions to The Properties under Article One, Section 2 of this Declaration.

Section 9. Quorum for any Action Authorized Under Sections 4 and 5.

The quorum required for any action authorized by Sections 4 and 5 of this Article shall be as follows:

At the first meeting called, as provided in Sections 7 and 8 of this Article, the presence at the meeting of Members, or of proxies, entitled to cast a majority of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at such meeting, another meeting may be called, subject to the notice requirement set forth in Sections 7 and 8 of this Article, and the required quorum at any such subsequent meeting shall be one-half of the required quorum at the preceeding meeting, provided that no such subsequent meeting shall be held more than sixty (60) days following the preceeding scheduled meeting.

Section 10. Date of Commencement of Regular Annual Assessments; Due

Dates. The regular annual assessments provided for in Section 4 of this Article shall commence on the first day of the month next succeeding the month any Owner, other than the Declarant, acquires title to a Lot or acquires title to or constructs a Dwelling Unit, and shall be levied for the balance remaining in the calendar year in an amount which bears the same relationship to the regular annual assessment provided for in Section 4 hereof as the remaining number of months in that calendar year bear to twelve. The first full regular annual assessments provided for in Section 4 of this Article shall commence on January 1, 1982, and such assessment shall constitute the first regular annual assessment which shall be for the balance of the calendar year and shall become due and payable on an annual basis, in advance, on the first day of the next succeeding month, after notice, as to the amount of the regular annual assessment due by any Owner, is received by an Owner from the Board. The assessments for any year after the first annual regular assessment year (1982) shall become due and payable, upon fifteen (15) days notice from the Board as to the amount of such regular annual assessment, on the first day of January of each year.

The first assessments levied against any additions to The Properties, now subject to assessment, at a time other than the beginning of any assessment period, shall be an amount which bears the same relationship to the annual assessment provided for in Section 4 of this Article as the remaining number of months in that year bear to twelve.

The due date of any special assessment under (i) Section 6 hereof, or (ii) any assessments under Sections 5 and 6 against any particular Lots or Dwelling Units, or (iii) any other assessments permitted by this Declaration, shall be fixed in the resolution or resolutions authorizing such assessment.

Section 11. Duties of the Board of Directors. Commencing with the first regular annual assessment (with the 1982 calendar year), the Board of Directors of the Association shall fix the date of commencement, and the amount of the assessment or assessments against each Lot and Dwelling Unit, for each assessment period at least fifteen (15) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and Dwelling Units and assessments applicable thereto which shall be kept in the Office of the Association, or at any other place designated by the Board upon notice to the Members, and shall be open to inspection by any Owner. Written notice of the assessment or assessments thereupon shall be sent to every Owner subject thereto.

The Association shall, upon demand, furnish at any time to any Owner liable for said assessment or assessments, a certificate in writing, signed by an officer of the Association, setting forth whether said assessment(s) has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 12. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; The Lien, Remedies of Association. If the assessments are not paid on the date due (being the dates specified in Section 10 of this Article), then such assessment shall become delinquent and shall, together with such interest thereon and cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the Lot or Lots, or Dwelling Unit or Dwelling Units, which shall bind such Lot or Lots, or Dwelling Unit or Dwelling Units, in the hands of the then-Owner, his heirs, devisees, personal

representatives, successors and assigns. The personal obligation of the then-Owner to pay such assessment, however, shall remain his personal obligation for the statutory period and shall not pass to his successors in title unless expressly assumed by them.

If the assessment or assessments is not paid within thirty (30) days after the delinquency date, the assessment or assessments shall bear interest from the date of delinquency at the rate of interest set by the Board, not to exceed the maximum rate permitted by law, and the Board acting on behalf of the Association, may authorize its officers to bring appropriate civil action against the Owner personally obligated to pay the same or to foreclose the lien against any such Lot or Lots, or Dwelling Unit or Dwelling Units, and there shall be added to the amount of such assessment, the costs of such action and reasonable attorney's fee or other cost incurred by the officers of the Association pursuant to authority of the Board. In the event a judgment is obtained against any Owner for such assessments, such judgment shall include interest on the assessment as above provided and a reasonable attorney's fee to be fixed by the Court, together with the cost of the action.

Section 13. Subordination of the Lien to Mortgages or Deeds of Trust. The Lien of the assessments provided for herein shall be absolutely subordinate to the lien of any first mortgage or deed of trust now or hereafter placed upon any Lot or Lots, or Dwelling Unit or Dwelling Units, subject to assessment. The subordination shall not relieve any Lot or Lots, or Dwelling Unit or Dwelling Units, from liability for any assessments now or hereafter due and payable, but the Lien thereby created shall be secondary and subordinate to any first mortgage or deed of trust as if said lien were a second mortgage, irrespective of when such first mortgage or deed of trust was executed and recorded.

Section 14. Exempt Property. The following property subject to this Declaration shall be exempted from the assessments, charges and liens created herein: (a) all Common Properties as defined in Article Two hereof; and (b) all properties exempted from taxation by the laws of the State of North Carolina, upon the terms and to the extent of such legal exemption. Homestead exemptions shall not be considered an exemption.

Notwithstanding any provisions of this Section 14, no Lot or any Dwelling Unit shall be exempt from said assessments, charges or liens.

ARTICLE EIGHT

EXTERIOR MAINTENANCE AND INSURANCE

Section 1. Exterior Maintenance. In addition to maintenance on the Common Properties and after thirty (30) days written notice to any Owner which shall specify the required maintenance, the Association shall have the right but not the obligation to provide (a) maintenance upon any Lot and (b) maintenance upon any Dwelling Unit, which is subject to assessment under Article Seven hereof. Such maintenance may include paint, repair, replace and care of roofs, gutters, downspouts, removal of signs in violation of this Declaration, and exterior improvements on any Dwelling Unit. Such maintenance as to a vacant Lot may include the mowing of grass and weeds, the trimming of shrubs, or the removal of trash and litter.

Section 2. Assessment of Cost on Exterior Maintenance. The cost of any such maintenance shall be assessed against the Lot or Dwelling Unit upon which such maintenance is done and shall be added to and become part of the regular annual assessment or charge to which such Lot or Dwelling Unit is subject and, as part of such regular annual assessment or charge, it shall be a lien against any such Lot or Lots, or Dwelling Unit or Dwelling Units, as heretofore defined and limited, and a personal obligation of the Owner and shall become due and payable in all respects as provided herein.

Section 3. Insurance on Dwelling Units. Each Owner of any Dwelling Unit within The Properties, by acceptance of a deed therefor, whether or not it shall be expressed in said deed or by exercise of any act of ownership, is deemed to covenant:

(a) To keep each Dwelling Unit insured against loss by fire or other casualty, with extended coverage insurance, in an amount equal to at least 90% of the replacement value of such Dwelling Unit, except to the extent such insurance is obtained by the Association;

(b) To name the Association as an insured "as its interest may appear", so that the Association shall be entitled to receive notice of cancellation of such insurance policy;

(c) To build or restore such Dwelling Unit in the event of damage thereof and to apply the full amount, to the extent necessary, of any insurance proceeds to the restoration or repair of such Dwelling Unit; and

(d) To keep the Dwelling Unit in good repair as required by this Declaration or by the Bylaws.

In the event of non-payment of any premium for insurance required under this Article Eight, the Association is authorized, but not obligated or required, to pay such premium and the sum so paid shall become a lien upon the Dwelling Unit enforceable in the same manner and to the same extent as provided for enforcement of liens for assessments hereunder.

ARTICLE NINE

SPECIAL PROVISIONS WITH RESPECT TO TOWNHOUSE UNITS AND DUPLEXES

Section 1. Townhouses and Duplexes. In the event any additions to The Properties contain Townhouse Units or Duplexes the provisions of this Article Nine, together with all other terms, conditions and provisions of this Declaration (including without limitation the provisions with respect to the payment of assessments), shall be applicable thereto and any recorded plat of a Townhouse Unit Area or a Duplex Area shall bear the appropriate designation.

(a) Vestibules and Common Entrances. If the architecture of a Dwelling Unit in a Townhouse Unit Area or Duplex Area provides for common entrances through common halls or vestibules or similar architectural features (designated as Limited Common Properties), the Dwelling Units served by such Limited Common Properties shall each be entitled to an easement over or through said Limited Common Properties, and such will be subject to easements in favor of the Dwelling Units served thereby. Maintenance of the interior Limited Common Properties shall be the responsibility of Owners of the Dwelling Units served thereby; provided, however, the Association may elect, but is not obligated, to provide maintenance, improvement or replacement in which event the cost thereof shall be added to the assessment charged to the Dwelling Units served by such Limited Common Properties. In the event of non-payment of any such assessments the Association shall obtain a lien upon the Dwelling Unit of the Owner or Owners failing to pay such assessments, as provided for in the case of general and special assessments herein.

(b) Party Walls.

(i) General Rules of Law to Apply. Each wall which is built as a part of the original construction of Dwelling Units upon the Properties based on the dividing line between Lots or between two or more Dwelling Units shall constitute a party wall and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(ii) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of any party wall shall be shared by the Owners of the Dwelling Units who make use of the wall in proportion to such use.

(iii) Destruction by Fire or Other Casualty. If a party wall in any Dwelling Units is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion of such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the other Owner or Owners using such party wall under any rule of law regarding liability for negligence or willful acts or omissions.

(iv) Waterproofing. Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

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

(vi) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrator shall choose one additional arbitrator, and the decision shall be made by a majority of all the

arbitrators, with such arbitration to be conducted in accordance with the provisions of North Carolina law.

(d) Encroachments. If, in a Townhouse Unit Area or Duplex Area, after construction of a building, any encroachment upon Common Properties or the encroachment by a Dwelling Unit upon an adjoining Lot, or Limited Common Properties, shall have occurred, or if such encroachment shall occur after construction as a result of settling or shifting of any building or for any other reason, a valid easement shall exist for any such encroachment and for the maintenance of same so long as the Dwelling Unit or Dwelling Units exist. Any such encroachment shall not be construed to be encumbrances affecting the marketability of title to any Lot or Dwelling Unit.

ARTICLE TEN

AMENDMENT TO DECLARATION

An amendment to this Declaration may be proposed by the Board of Directors acting upon a vote of a majority of the Directors, or by the Members of the Association owning a majority of the Lots and Dwelling Units, whether meeting as Members or by instrument in writing signed by them. Upon any Amendment to this Declaration being proposed by the Board of Directors or Members, such proposed Amendment shall be transmitted in writing to the President of the Association, or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the Members of the Association for a date not sooner than twenty (20) days nor later than sixty (60) days from receipt by him of the proposed Amendment. It shall be the duty of the Secretary to give to each Member written notice of such Special Meeting, stating the time and place, and reciting the proposed Amendment in reasonably detailed form, which notice, if mailed, shall be mailed not less than ten (10) days nor more than thirty (30) days before the date set for such Special Meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail, Certified with Return Receipt Requested, addressed to the Member at his Post Office address as it appears on the records of the Association, the postage thereon prepaid. Any Member may, by written waiver of notice signed by such Member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed

equivalent to the giving of notice to such Member. At the meeting, the Amendment proposed must be approved by an affirmative vote of sixty-six percent (66%) of the votes of Members (including the Declarant) entitled to vote in order for such Amendment to become effective. At any meeting held to consider such Amendment, the written vote of any Member of the Association shall be recognized if such Member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to or at such meeting. In order for such Amendment to be binding upon all the holders of mortgages or deeds of trust against any Lot or Dwelling Unit in The Properties, written consent must be obtained from the then existing (as of the date of the meeting of Members which approved such Amendment) holders of First Lien Mortgages or Deeds of Trust encumbering fifty-one percent (51%) of the Lots and Dwelling Units in The Properties. If such consent is so obtained, the Amendment shall be binding on all the holders of mortgages or deeds of trust encumbering Lots and Dwelling Units in The Properties. If so approved, such Amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted approved by the requisite percentages of Members and Lenders. The original or an executed copy of such Amendment so certified and executed by said officers with the same formalities as a deed, shall be recorded in the Dare County Public Registry, and no such Amendment to this Declaration shall be effective until so recorded. If any Amendment to the Declaration creates an inconsistency in the Bylaws, to the extent such inconsistency exists, the Declaration shall control.

ARTICLE ELEVEN

RECREATIONAL FACILITIES

The Declarant intends to locate one (1) swimming pool and a tennis court, together with additional land, to be shown on a recorded plat of additions to The Properties by the Declaration pursuant to Article One, Section 2 of this Declaration. These Recreational Facilities will be provided for the benefit of all Owners and shall be maintained, as part of the Common Properties, out of assessments imposed on all Owners in accordance with the provisions of Article Seven. Nevertheless, the Association shall have the right to form an association (the "Operator"), which may be a corporation or other lawful entity, and assigned

to it the maintenance and operation of the recreational facilities, on a non-profit basis and upon such terms and conditions, not inconsistent herewith, as the Association may deem reasonably necessary. The Operator shall maintain and operate the Recreational Facilities for the benefit of every Owner in good standing with the Association. The Association or the Operator, as the case may be, may charge dues and membership fees sufficient to defray operating costs and require that current payments be made in order for any Owner to enjoy the use of the Recreational Facilities. The Operator or the Association, as the case may be, may also permit use of the Recreational Facilities by non-owners and non-residents of The Properties, upon payment of required dues or membership fees, and subject to priority of Owners in good standing with the Operator and the Association. The Operator may impose reasonable regulations regarding the use of the Recreational Facilities to insure accessibility, safety, harmony and preservation of the Recreational Facilities. The Association reserves the right to revoke any assignment made by it to an Operator and to assume the operation of the Recreational Facilities, on a membership basis, and to impose special fees, charges or assessments against the Owners with respect thereto.

The Declarant retains and reserves the right to offer memberships or rights-of-use in or to the Recreational Facilities to Owners of Lots in Sanderling Phases 1, 2, 2A, 3, and 4 (the "Existing Phases"). Owners of lots in the Existing Phases may be required to make a one-time payment (which shall be determined, and may from time to time be changed, by the Declarant) to the Declarant to offset a portion of the costs of constructing the Recreational Facilities, and, having made such payment, will retain usage rights identical to those enjoyed by the Owners of Lots or Dwelling Units subject to this Declaration, subject only to the payment to the Operator or the Association of assessments or fees equivalent to those paid by Owners pursuant to this Declaration for the use, maintenance, operation, and replacement of the Recreational Facilities. Failure by any Owner of a lot in the Existing Phases to make required payments when due and after notice from the Association shall cause a forfeiture of all of any such Owner's membership and rights of use, with no refund of any monies previously paid by such Owner of a lot in an Existing Phase.

Declarant also reserves the right to offer memberships or rights-of-use to other persons (non owner of a lot in the Existing Phases or The Properties, herein "Non-Owner") and to charge initial membership fees ("Initiation Fee") established by Declarant which will be held as reserves for capital replacement or other capital expenditures by the Operator or the Association. Use of the Recreational Facilities by any such Non-Owners will also be subject to the payment of dues and fees, or both, as established by the Operator or the Association. Such memberships may be transferrable with the prior written approval of the Operator or the Association. Three (3) years after the recordation of a subdivision map showing the Recreational Facilities, the Operator or the Association shall have the right to review the membership status of Non-Owners on an annual basis to determine whether continued use by any such Non-Owners unreasonably interferes with the use or enjoyment of the Recreational Facilities by Owners of Lots in the Existing Phases and The Properties. In the event such a determination is made, the Operator or the Association shall have the right to terminate the memberships of any Non-Owners upon refund of any Initiation Fee paid for such memberships. Any termination of membership of any Non-Owner shall be accomplished in such a way that a Non-Owner's membership is terminated only after all Non-Owners having a shorter term of membership have previously been terminated.

The rights herein reserved by Declarant shall be transferred to the Association three (3) years after the recordation of a subdivision map showing any Recreational Facilities.

ARTICLE TWELVE

CAPTIONS, INTRODUCTIONS AND GENDER

The captions and introductory material herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Declaration nor the intent of any provision hereof. The use of the masculine gender in this Declaration shall be deemed to refer to the feminine and neuter genders, and the use of the singular shall be deemed to refer to the

plural, and the use of the plural shall be deemed to include the singular,
whenever the context so requires.



RDC, INC.

By: *Alvin R. Acker*
President

[Signature]
Secretary

SCHEDULE A

PARCEL 1: Lying and being in Atlantic Township, Dare County, North Carolina, and beginning at an iron stake located in the west right of way line of North Carolina State Road 1200, said iron stake being located at the northeast corner, in said right of way line, of Ernest Brickhouse (now or formerly); running thence with the north line of said Brickhouse South 86° 28' 11" West 257.57 feet to a point located at the mean high water line of the eastern edge of Currituck Sound; running thence with said eastern edge of Currituck Sound random calls as follows: North 20° 29' 13" West 6.61 feet to a point, North 8° 03' 24" East 39.95 feet to a point, North 50° 03' 06" West 47.48 feet to a point, North 4° 51' 29" East 149.8 feet to a point, North 4° 32' 52" West 138.41 feet to a point, North 39° 02' 42" West 170 feet to a point, North 11° 38' 36" East 83.48 feet to a point, and North 7° 04' 50" West 80 feet to a point, the southwest corner of Lot 155 as shown on map of Sanderling Phase 4-B prepared by Quible and Associates; running thence with the south boundary line of Sanderling Phase 4-B North 81° 55' 44" East 495.58 feet to an iron in the west right of way line of North Carolina State Route 1200; running thence with said right of way line of State Road 1200 in a southwesterly direction 724.31 feet to the point and place of beginning and being a parcel of land bounded on the south by Ernest Brickhouse (now or formerly), on the west by Currituck Sound, on the north by Sanderling Phase 4-B, and on the east by the west right-of-way line of North Carolina State Road 1200, and being known and designated as Lots 132 thru 146, inclusive, together with all Common Properties (including Royal Tern Lane), as taken from that certain map of Sanderling Phase 4-A prepared by Quible and Associates, Inc., dated June 16, 1980 (revised December 22, 1980).

PARCEL 2: Lying and being in Atlantic Township, Dare County, North Carolina, and beginning at an iron stake located in the west right of way line of North Carolina State Road 1200 at the northeast corner, in said right of way line, of Lot 142 as shown on a map of Sanderling Phase 4-A mentioned hereinabove; running thence with the north boundary line of Sanderling Phase 4-A, as described hereinabove, South 81° 55' 44" West 495.58 feet to a point at the mean high water line of the eastern edge of Currituck Sound; running thence with said eastern edge of Currituck Sound random calls as follows: North 07° 04' 50" West 4.73 feet to a point, North 71° 45' 27" West 36.96 feet to a point, North 21° 56' 54" East 106.81 feet to a point, North 9° 38' 55" West 50.03 feet to a point, North 34° 05' 43" West 94.51 feet to a point, North 70° 09' 59" West 53.84 feet to a point, North 15° 59' 19" East 161.39 feet to a point, North 10° 44' 10" West 49.84 feet to a point, North 49° 45' 39" West 63.08 feet to a point, North 20° 36' 49" East 47.4 feet to a point, North 60° 21' 31" West 127.65 feet to a point, North 15° 31' 43" East 80 feet to a point; running thence on new lines with RDC, Inc., as follows: North 75° 11' 54" East 140 feet to an iron stake, South 70° 59' 12" East 70 feet to an iron stake (the westernmost corner of Lot 163), North 66° 43' 30" East 126.71 feet to an iron stake, North 50° 40' 47" East 55 feet to an iron stake, North 76° 40' 47" East 180.7 feet to an iron stake in the west right of way line of North Carolina State Road 1200; running thence with said right of way line in a southerly direction 777.78 feet, more or less, to the point and place of beginning, being a parcel of land bounded on the south by the north boundary line of Sanderling Phase 4-A, on the west by Currituck Sound, on the north by other property owned by RDC, Inc., and on the east by the west right of way line of North Carolina State Road 1200, and being known and designated as Lots 147 thru 166, inclusive, together with all Common Properties (including Ruddy Duck Lane), as taken from that certain map of Sanderling Phase 4-B prepared by Quible and Associates, Inc., dated June 16, 1980 (revised December 9 and December 22, 1980).

STATE OF NORTH CAROLINA)
COUNTY OF FORSYTH)

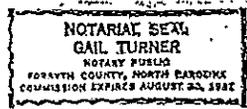
This 14th day of May, 1981, personally came before me, Gail Turner, a Notary Public, W. B. Cash who, being by me duly sworn, says that (s)he knows the common seal of RDC, INC., and is acquainted with William E. Hollan, Jr. who is the Vice President of said Corporation, and that (s)he, the said W. B. Cash is the Secretary of the said Corporation, and saw the said Vice President sign the foregoing or annexed instrument, and saw the said Common Seal of said Corporation affixed to said instrument by said Vice President, and that (s)he, the said W. B. Cash signed his name in attestation of the execution of said instrument in the presence of said Vice President of said corporation.

WITNESS my hand and notarial seal or stamp, this 14th day of May, 1981.

Gail Turner
Notary Public

My Commission Expires:

August 30, 1981



NORTH CAROLINA DARE COUNTY

The foregoing Certificate(s) of Gail Turner a Notary Public of Forsyth Co. N.C.

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

By Gail Turner Register of Deeds For Dare County

By Dorinda Jones Ward Deputy/Assistant Register of Deeds Recorded 5-18-81