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DECLARATION OF COVENANTS, CONDITIONS

AND RESTRICTIONS FOR

WATERSIDE VILLAGES OF CURRITUCK

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
WATERSIDE VILLAGES OF CURRITUCK

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Declaration") is made this ___ day of October, 2005, by VOC, L.L.C., a North Carolina limited liability company (herein referred to as the "Declarant"); and, TRSTE, INC., a Virginia corporation, serving as Trustee ("Trustee") for WACHOVIA BANK, NATIONAL ASSOCIATION, a National Banking Association ("Lender").

WHEREAS, Declarant is the owner in fee simple of the real property described in Exhibit "A", which is attached hereto and incorporated herein by reference, and desires to create a planned community pursuant to the provisions of Chapter 47F (the "Act") of the General Statutes of North Carolina and impose upon the Property (as defined in Article I) mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Property and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Property; and,

WHEREAS, Declarant hereby declares that all of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration (as defined in Article I) shall be held, sold, used and conveyed subject the Act and to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the desirability of, and which shall run with, the real property subjected to this Declaration. This Declaration shall be binding on and shall inure to the benefit of all parties having any right, title, or interest in the Property or any part thereof, their heirs, successors, successors-in-title, and assigns.

Article I: Definitions

The terms used in this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1 "Act": Chapter 47F of the General Statutes of North Carolina designated as the North Carolina Planned Community Act.

1.2 "Area of Common Responsibility": The Common Area, together with those areas, if any, which by the terms of this Declaration, any Supplemental Declaration or other applicable covenants, or by contract become the responsibility of the Association, including by way of illustration but not limitation, public rights-of-way and perimeter walls as provided in Section 5.1.

1.3 "Articles": The Articles of Incorporation of Waterside Villages of Currituck Community Association, Inc., as filed with the North Carolina Secretary of State and recorded in the office of the Register of Deeds of Currituck County, North Carolina.

1.4 "Association": Waterside Villages of Currituck Community Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

1.5 "Association Documents": Collectively the Articles of Incorporation of the Association, the Bylaws of the Association, this Declaration, the Rules and Regulations and Design Guidelines adopted by the Association, all as may be amended, restated and revised from time to time. Any exhibit, schedule or amendment to an Association Document shall be considered a part of that document.

1.6 "Base Assessment": Assessments levied on all Lots subject to assessment under Section 10.1 to fund Common Expenses for the general benefit of all Lots, as more particularly described in Sections 10.1 and 10.3.

1.7 "Benefited Assessment": Assessments levied under Section 10.6.

1.8 "Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the By-Laws.

1.9 "Builder": Any Person who acquires title to one or more Lots for the purpose of constructing Dwelling Units and other improvements for subsequent sale to consumers or who purchases one or more parcels of land within the Property for further subdivision, development and/or resale in the ordinary course of such Person's business. In the event that the Dwelling Unit owned by a Builder is subsequently occupied in any manner, including pursuant to a written or oral lease, for residential purchases, the Builder shall cease to be considered a Builder with respect to such Dwelling Unit and Lot immediately upon occupation of the Dwelling Unit for residential purposes, not withstanding that such Person originally purchased the Lot for the purpose of constructing improvements for later sale.

1.10 "Business" and "Trade": Shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to Persons other than the family of the producer of such goods or services and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

1.11 "By-Laws": The By-Laws of the Association as they may be amended from time to time.

1.12 "Class "B" Control Period:. The period during which the Class "B" Member is entitled to appoint a majority of the Board members as provided in Section 3.3 of the By-Laws.

1.13 "Common Area":. All real and personal property in which the Association now or hereafter owns, leases or otherwise holds possessory or use rights for the common use and enjoyment of the Owners, including easements held by the Association for those purposes. The term shall include, without limitation, the community center, chapel, tennis courts, swimming pools, entry features, the Disposal System (hereinafter defined) (if transferred to the Association as provided in Section 4.14(b)), landscape medians, roads, cul de sacs, lakes, ponds, rivers, streams, wetlands and preservation areas. The term shall also include any and all permits and other such intangible property including, but not limited to, the permit for the Disposal System and the Stormwater Management Permit.

1.14 "Common Expenses": Any and all expenditures made by or financial liabilities and obligations of the Association, together with any allocations to reserves.

1.15 "Community-Wide Standard":. The standard of conduct, maintenance, or other activity generally prevailing throughout the Property. Such standard may be more specifically determined by the Board of Directors and the Architectural Review Committee.

1.16 "Contiguous Property": Any property of which a portion adjoins or borders the Property or which is separated from the Property only by roads, rights-of-way, waterways, or natural boundaries.

1.17 "Covenant to Share Costs": Any declaration of easements and covenant to share costs executed by Declarant and recorded in the Register of Deeds which creates easements for the benefit of the Association and the present and future owners of the real property subject to the Declaration and which obligates the Association and such owners to share the costs of maintaining certain property described therein.

1.18 "Declarant": VOC, L.L.C., a North Carolina limited liability company, or any successor, successor-in-title, or assignee thereof, who has or takes title to any portion of the Property described on Exhibit "A" or any Contiguous Property made subject to the Declaration for the purpose of development and/or resale in the ordinary course of business and who is designated as the Declarant in a recorded instrument executed by the immediately preceding Declarant.

1.19 "Design Guidelines": The architectural, design, development, and other guidelines, standards, controls, and procedures including but not limited to, application and review procedures, adopted pursuant to Article XI and applicable to the Property.

1.20 "Disposal System". The wastewater collection and treatment system including, but not limited to, pumps, wastewater treatment works and/or disposal facilities providing sanitary sewage disposal serving the Property pursuant to Permit No. WQ0024044 issued by the North Carolina Environmental Management Commission.

1.21 "Dwelling Unit". Any building or structure or portion of a building or structure situated upon a Lot which is intended for use and occupancy as an attached or detached residence for a single family, including by way of illustration but not limitation, condominium units, cluster homes, patio or zero lot line homes, and single family detached houses.

1.22 "Home Owner": An Owner other than the Declarant or a Builder who has purchased a Lot for the purpose of constructing a Dwelling Unit for the purposes of sale.

1.23 "Lot": A contiguous portion of the Property, whether improved or unimproved, other than Common Area and property dedicated to the public, which may be independently owned and conveyed and which is intended to be developed, used, and occupied with a Dwelling Unit. The term shall refer to the land, if any, which is part of the Lot as well as any improvements, including any Dwelling Unit, thereon. The term shall include, by way of illustration but not limitation, condominium units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for

development as such. In the case of any structure containing multiple Dwelling Units, each Dwelling Unit shall be deemed to be a separate Lot.

Prior to recordation of a subdivision plat, a parcel of vacant land or land shall be deemed to contain the number of Lots designated for residential use for such parcel on the applicable preliminary plat or site plan approved by Declarant, whichever is more current. Until a preliminary plat or site plan has been approved, such parcel shall contain the number of Lots set by Declarant in conformance with the Master Plan.

1.24 "Master Plan": The master plan for the development of the Property filed with Currituck County, North Carolina, as it may be amended, updated, or supplemented from time to time, which plan includes the property described on Exhibit "A". The Master Plan may also include subsequent plans approved by Currituck County, North Carolina for the development of any Contiguous Property which Declarant may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration nor shall the exclusion of property from the Master Plan bar its later annexation in accordance with Article IX.

1.25 "Member": A Person having membership in the Association consistent with Section 3.2 of this Declaration.

1.26 "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

1.27 "Mortgagee": A beneficiary or holder of a Mortgage.

1.28 "Owner": One or more Persons who hold the record title to any Lot, except Persons holding an interest merely as security for the performance of an obligation in which case the equitable owner will be considered the Owner.

1.29 "Permit": The North Carolina Stormwater Management Permit No. SW7040511, and any additional North Carolina Stormwater Management Permits, applicable to the Property, and any amendments, additions or replacements thereof.

1.30 "Person": A natural person, corporation, limited liability corporation partnership, trustee, or any other legal entity.

1.31 "Project": The Waterside Villages of Currituck development located on the Property.

1.32 "Property": The real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

1.33 "Register of Deeds": The Register of Deeds of Currituck County, North Carolina.

1.34 "Special Assessment": Assessments levied under Section 10.5.

1.35 "Stormwater Management Facilities": All areas consisting of ditches and swells, retention ponds and other improvements which are constructed pursuant to, and regulated by, the Permit.

1.36 "Supplemental Declaration": An amendment or supplement to this Declaration filed pursuant to Article IX which subjects additional property to this Declaration and identifies the Common Area within the additional property, if any, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein

1.37 "Subsidiary Association": In addition to the Association, there may be created subsidiary associations pertinent to distinct residential neighborhoods or sections of the Property. Owners of Lots subject to the jurisdiction of any Subsidiary Association within the Property shall also be Members of the Association and shall be entitled to all rights and subject to all obligations granted and created pursuant to the Association.

1.38 "Upkeep": Care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

1.39 "Use Restrictions": The rules and use restrictions attached as Exhibit "B" and incorporated by reference, as they may be modified, cancelled, limited or expanded under Article XII.

1.40 "Utility Company": A public or private company or entity duly licensed and authorized by the North Carolina Utilities Commission to provide utility services within a specified franchise area and any entity providing utility services on behalf of a body politic, municipality or other governmental body or entity.

Article II: Property Rights

2.1 Common Area: Every Owner shall have a right and nonexclusive easement, in common with all other Owners, of use, access, and enjoyment in and to the Common Area, subject to:

(a) This Declaration, the By-Laws and any other applicable covenants;

(b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) All applicable provisions of the Act including, but not limited to, the following:

i) The right of the Board to adopt rules, regulations or policies regulating the use and enjoyment of the Common Area, including rules restricting use of recreational facilities within the Common Area to Owners, their families, lessees and guests, and rules limiting the number of occupants and guests who may use the Common Area;

ii) The right of the Association to dedicate or transfer all or any part of the Common Area to governmental entities pursuant to Section 4.5;

iii) The right of the Board to impose reasonable membership requirements and charge reasonable membership, admission, or other fees for the use of any recreational facility or other improvements situated upon the Common Area, including the use of boat slips within the marina;

iv) The right of the Board to permit use of any Recreational Facilities (defined hereafter) situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board;

v) The right of the Board to create, enter agreements with, grant easements to and transfer portions of the Common Area to tax-exempt organizations under Section 4.11;

vi) The right of the Association to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred by the Association;

(d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area pursuant to Section 4.2;

(e) The right of the Association to rent or lease any portion of any clubhouse and other recreational facilities within the Common Area on a short-term basis to any Owner for the exclusive use of such Owner and such Owner's family and guests.

Ownership of each Lot shall entitle the Owner thereof to receive activity or use privilege cards in such number as may be determined by the Board. The cards for each Lot shall be renewed by the Association on an annual basis, provided that all assessments and other charges due to the Association have been paid for such Lot. The Board may establish policies, limits and charges with regard to the issuance of cards and guest privilege cards.

Subject to reasonable Board resolution, any Owner may assign his or her right to receive activity or use privilege cards to residents of his or her Dwelling Unit; provided such residents are occupying such Dwelling Unit in compliance with Section 2.2. An Owner who leases his or her Lot shall be deemed to have assigned such rights to the lessee of such Lot, unless the Board adopts a resolution permitting Owners to reserve such rights and such Owner provides the Board with written notice of such reservation.

Any Owner may reassign the right to receive activity or use privilege cards by providing the Association with written notice of such reassignment and surrendering previously issued cards.

2.2 Recreational Facilities. The Declarant will construct swimming pools, a community center, tennis courts and boating facilities within the Common Area (the "Recreational Facilities"). These Recreational Facilities will be provided for the benefit of all Owners of Lots or Dwelling Units, their families, tenants and guests within the Property described on Exhibit A and, at the sole option of Declarant, to other owners of Lots or Dwelling Units within Contiguous Property submitted to this Declaration, their families, tenants and

guests, and shall be maintained as part of the Common Area out of assessments imposed on all Owners who have the right of access to and the use of the present Recreational Facilities in accordance with the provisions of Section 2.1. The Association may impose reasonable regulations regarding the use of any such Recreational Facilities to insure accessibility, safety, harmony and preservation of any such Recreational Facilities. The cost of the management, operation, maintenance, repair, servicing, replacement and renewal of the Recreational Facilities shall be deemed Common Expenses as to all Owners who have the right of access to and use of said Recreational Facilities.

Article III: Association Function, Membership and Voting Rights.

3.1 Function of Association. The Association shall be the entity responsible for management, Upkeep, operation and control of the Area of Common Responsibility. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Property as the Board may adopt. The Association shall also be responsible for administering and enforcing the Design Guidelines. The Association shall perform its functions in accordance with this Declaration, the By-Laws, the Articles, and North Carolina law. The Association shall have all powers reasonably necessary to perform its functions and obligations described in this Declaration and the Act including, but not limited to, all powers set forth in N.C. Gen. Stat. Chapter 55A and the Act.

3.2 Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Lot. If a Lot is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation, such reasonable fees as may be established under Section 2.1, and the restrictions on voting set forth in Section 3.3 and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by any officer, director, partner, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

3.3 Voting. The Association shall have three classes of membership, Class "A", Class "B" and Class "C"

(a) Class "A". "Class "A" Members shall be all Owners except the Class "B" or "C" Member, if any. Class "A" Members shall have one equal vote for each Lot in which they hold the interest required for membership under Section 3.2; there shall be only one vote per Lot.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to disapprove actions of the Board and committees, are specified in the relevant sections of this Declaration, the By-Laws and the Articles. The Class "B" membership shall cease and be converted to Class "A" membership upon the earlier of the following:

(i) two years after the expiration of the Class "B" Control Period; or

(ii) when, in its discretion, the Declarant so determines.

From and after the happening of these events, whichever occurs first, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one vote for each Lot it owns. During the period of the Class "B" membership, the Declarant shall have three (3) votes for each Lot owned by the Declarant or any Class "C" member.

(c) Class "C". The Class "C" Member shall be any Builder. The rights of the Class "C" Member shall be held by the Declarant. The Class "C" membership shall cease and be converted to Class "A" membership upon sale of the Lot to a third party purchaser who uses the Dwelling Unit for his personal residence, or follow up termination of Builder status pursuant to Section 1.9.

(d) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the By-Laws or as required by law, the vote for each Lot owned by a Class "A" Member shall be exercised by the Owner. In any situation in which there is more than one Owner of a particular Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such notice to the Association, the Lot vote shall be suspended if more than one Person seeks to exercise it. If the co-Owners are unable to agree on how the vote should be cast, it will be disregarded.

Article IV: Rights and Obligations of the Association

4.1 Personal Property and Real Property for Common Use. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property. Declarant may convey to the Association improved or unimproved real estate located within the Property, personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained as Common Area by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed, including but not limited to restrictions governing the use of such property.

4.2 Enforcement. The Board or such other Association agent with the Board's approval, may impose sanctions for violation of this Declaration, the By-Laws, or any rule or regulation, after notice and a hearing in accordance with the procedures set forth in the Declaration. Such sanctions may include, without limitation:

(a) imposing reasonable monetary fines which shall constitute a lien upon the Lot of the violator (In the event that any occupant, tenant, guest or invitee of a Lot violates the Declaration, the By-Laws or any rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Board.);

(b) suspending an Owner's right to vote;

(c) suspending any Person's right to use any Recreational Facilities within the Common Area; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Lot;

(d) suspending any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association; and

(e) levying Benefited Assessments to, cover costs incurred in bringing a Lot into compliance in accordance with Section 10.6 (b).

In addition, the Board or such other Association agent with the Board's approval, may elect to enforce any provision of this Declaration, the By-Laws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations in accordance with any applicable ordinance(s) of Currituck County, North Carolina) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedures set forth in Article XVII or in the By-Laws.

All remedies set forth in this Declaration and the By-Laws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Association Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with the applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision under other circumstances or stop the Association from enforcing any other covenant, restriction or rule.

4.3 Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by this Declaration or the; By-Laws or which may be reasonably implied from, or reasonably necessary to effectuate, any such right or privilege. Except as otherwise specifically provided in this Declaration, the By-Laws, Articles, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.4 Governmental Interests. So long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1, the Declarant may designate sites within the Property for fire, police and utility facilities, and parks, and other public facilities in accordance with the Master Plan and applicable laws. The sites may include Common Areas if otherwise permitted by the Master Plan.

4.5 Dedication of Common Areas. The Association may dedicate or grant easements over portions of the Common Areas to any local, state, or federal governmental entity or any Utility Company.

4.6 Disclaimer of Liability. The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to promote the health, safety and welfare of Owners and occupants of any Lot.

(a) Notwithstanding anything contained herein or in the Association Documents or the Act, neither the Association, the Board, the management company of the Association, the Declarant nor any successor Declarant shall be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Owner or occupant of any Lot or any tenant, guest or invitee of any Owner or occupant or for any property of any such Persons. Each Owner and occupant of a Lot and each tenant, guest and invitee of any Owner or occupant shall assume all risks associated with the use and enjoyment of the Property, including all recreational facilities, if any.

(b) Neither the Association, the Board, the management company of the Association, the Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence or malfunction of utility lines or utility sub-stations adjacent to, near, over, or on the Property. Each Owner and occupant of a Lot and each family member, tenant, guest, and invitee of any Owner or occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence of utility lines or utility sub-stations and further acknowledges that the Association, the Board, the management company of the Association, the Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or occupant, or any family member, tenant, guest, or invitee of any Owner or occupant relied upon any representations or warranties, expressed or implied, relative to the condition or impact of utility lines or utility sub-stations.

(c) Each Owner and occupant, and each family member, tenant, guest and invitee of any Owner or occupant acknowledges that the Property is located in the vicinity of wetland and swamp areas and that such areas may contain an abundance of wildlife, including deer, skunks, opossums, snakes, alligators, reptiles, rodents and pests. Neither the Association, the Board, the management company of the Association, the Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence of such wildlife on the Property. Each Owner and occupant of a Lot and each family member, tenant, guest, and invitee of any Owner or occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence of such wildlife and further acknowledges that the Association, the Board, the management company of the Association, if any, the Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or occupant, or any family member, tenant, guest, or invitee of any Owner or occupant relied upon any representations or warranties, expressed or implied, relative to the presence of such wildlife.

(d) No provision of the Association Documents shall be interpreted as creating a duty of the Association, the Board, the management company of the Association, the Declarant nor any successor Declarant to protect or further the health, safety or welfare of any Person(s), even if the funds of the Association are used for any such purpose.

Each Owner (by virtue of his or her acceptance of title to his or her Lot) and each other Person having an interest in or lien upon, or making any use of, any portion of the Property (by virtue of accepting such interest or lien or making such use) shall be bound by this Section and shall be deemed to have waived any and all rights, claims, demands and causes of action against the Association, the management company of the Association, if any, the Declarant and any successor Declarant, their directors, officers, committee and Board

members, employees, agents, contractors, subcontractors, successors and assigns arising from or connected with any matter for which the liability has been disclaimed.

4.7 Security. The Association may maintain or support certain activities within the Property designed to make the Property safer than they otherwise might be; provided, however, that the Association shall not be obligated to maintain or support such activities except as provided in Section 4.9.

Neither the Association, any management company of the Association, the Declarant, nor any successor declarant shall in any way be considered insurers or guarantors of security within the Property. Neither the Association, any management company of the Association, the Declarant, nor any successor declarant shall be held liable for any loss or damage for failure to provide adequate security or ineffectiveness of security measures undertaken.

All Owners and occupants of any Lot, and all family members, tenants, guests, and invitees of any Owner, acknowledge that the Association, its Board of Directors, the management company of the Association, the Declarant, any successor declarant, and the Architectural Review Committee and the MC (as defined in Section 11.2(b) hereof) do not represent or warrant that any entry gate, patrolling of the Property, neighborhood watch group or volunteer security patrol, or any security system designated by or installed according to guidelines established by the Declarant or the Architectural Review Committee or the MC may not be compromised or circumvented; nor that any entry gate, patrolling of the Property, neighborhood watch group or volunteer security patrol, or any security systems will prevent loss by burglary, theft, hold-up, or otherwise; nor that entry gate, patrolling of the Property, neighborhood watch group or volunteer security patrol, or any security systems will in all cases provide the detection or protection for which the system is designed or intended.

All Owners and occupants of any Lot, and all family members, tenants, guests, and invitees of any Owner, acknowledge and understand that the Association, its Board and committees, the management company of the Association, the Declarant, or any successor declarant are not insurers.

All Owners and occupants of any Lot and all family members, tenants, guests, and invitees of any Owner assume all risks for loss or damage to Persons, to Lots, and to the contents of Lots and further acknowledge that the Association, its Board and committees, the management company of the Association, the Declarant, or any successor declarant have made no representations or warranties, nor has any Owner, occupant, or any tenant, guest, or invitee of any Owner relied upon any representations or warranties, expressed or implied, relative to any entry gate, patrolling of the Property, neighborhood watch group or volunteer security patrol, or any security systems recommended or installed or any security measures undertaken within the Property.

4.8 Provision of Services. The Association may provide services and facilities for the Members of the Association and their guests, lessees and invitees. The Association shall be authorized to enter into contracts or other similar agreements with other entities, including Declarant, to provide such services and facilities. The costs of services and facilities provided by the Association may be funded by the Association as a Common Expense. In addition, the Board shall be authorized to charge additional use and consumption fees for

services and facilities. By way of example, some services and facilities which may be provided include landscape maintenance, pest control service, cable television service, security, caretaker, fire protection, utilities, and similar services and facilities. Except as provided in Section 4.9, the Board, without the consent of the Class "A" Members of the Association, shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein can be relied upon as a representation as to what services and facilities, if any, will be provided by the Association. This paragraph shall be specifically construed to allow the Association to enter into a contract for the overall management of the Association with any individual or corporation. The Association or its managing agent shall also be permitted to provide services to any Subsidiary Association or Owners where it deems it to be in the interest of the Association to do so.

4.9 Change of Use of Common Areas. During the Class "B" Control Period without the approval or consent of any Member or other Person, and after the Class "B" Control Period upon (a) adoption of a resolution by the Board stating that, in the Board's opinion, a service provided by the Association pursuant to Section 4.8 or the then present use of a designated part of the Common Areas is no longer in the best interest of the Owners or is no longer necessary or appropriate for the purposes intended, (b) the consent of Declarant (so long as Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1), the Board shall have the power and right to terminate such service or change the use of any Common Area (and, in connection therewith, construct, reconstruct, alter or change the buildings, structures and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided that any such new use (i) shall be for the benefit of the Owners, (ii) shall be consistent with any deed restrictions and zoning regulations restricting or limiting the use of the Common Area, and (iii) shall be consistent with the then effective Master Plan.

4.10 View Impairment. Neither the Declarant nor the Association guarantees or represents that any view over and across any property, including any Lot, from adjacent Lots will be preserved without impairment. Neither the Declarant nor the Association shall have the obligation to prune or thin trees or other landscaping except as set forth in Article V. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

4.11 Relationship with Tax-Exempt Organizations. The Association may create, enter into agreements or contracts with, grant exclusive and/or non-exclusive easements over the Common Area to, or transfer portions of the Common Area to non-profit, tax-exempt organizations, including but not limited to organizations that provide facilities or services designed to meet the physical or social needs of older persons, for the benefit of the Property, the Association, its Members and residents. The Association may contribute money, real or personal property or services to any such entity. Any such contribution shall be a Common Expense of the Association and included as a line item in the Association's annual budget. For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as but not limited to entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

4.12 Transfer of Permit and Responsibilities. The Declarant shall, at its sole cost and expense, initially construct all Stormwater Management Facilities required to be located upon the Property or upon any property annexed into the Property by the Declarant to the standards required by the Permit. Upon completion of the initial construction of said Stormwater Management Facilities, Declarant shall transfer the Permit and Declarant's responsibilities under the Permit to the Association and the Association shall accept such transfers. Thereafter, upon completion of the initial construction of the Stormwater Management Facilities required by the applicable Permit for any additional property annexed by Declarant into the Property pursuant to this Declaration, the Declarant shall transfer the applicable Permit and Declarant's responsibilities under the Permit applicable to the property annexed by Declarant into the Property to the Association and the Association shall accept the transfer from the Declarant of the applicable Permit and responsibilities under the Permit. Transfers of any such Permit shall occur upon the earlier to occur of (i) the date the North Carolina Department of Environment and Natural Resources allows the transfer of the Permit to occur; or, (ii) the date after which at least fifty percent (50%) of the Lots therein are conveyed to Owners other than Declarant; and, in the case of property hereinafter annexed into the Property by Declarant as provided herein, the date after which at least fifty percent (50%) of the annexed Lots are conveyed to Owners other than Declarant.

Prior to any such transfer of the Permit, the Stormwater Management Facilities for the Property, including any property annexed by Declarant into the Property, shall be certified to the Association and the State of North Carolina, either by state inspection or by a licensed engineer, as being in compliance with the applicable Permit prior to such assignment or transfer.

The Association shall indemnify and hold Declarant harmless from any loss, cost, claim, fee, fine, suit, damage or expense, including reasonable attorneys' fees, incurred by Declarant in the defense of any action against Declarant as the responsible party under the Permit and any Permit applicable to any property annexed into the Property from and after the date Declarant tenders transfer of its responsibilities under the Permit. The Association shall indemnify and hold Declarant harmless from any loss, cost, claim, fee, fine suit, damage or expense, including reasonable attorneys' fees, incurred by Declarant in the defense of any action against Declarant as holder of the Permit from and after the date Declarant tenders transfer of the Permit to the Association following the approval of such transfer by the North Carolina Department of Environment and Natural Resources and the certification of compliance as set forth above. Further, Declarant may bring an action for specific performance of the obligations of the Association pursuant to this Section 4.12.

From and after the transfer of Declarant's responsibilities under the Permit applicable to the property annexed into the Property and from and after transfer of the Permit from the Declarant to the Association, the oversight, supervision, management and administration of the Permit shall be the sole responsibility of the Association. The Association's duties with respect to the Permit shall be carried out in accordance with the terms and conditions of the Association Documents, and the Permit.

The Association hereby is granted and conveyed an easement over, under and upon each Lot for the purpose of access to and inspection, maintenance, repair and replacement of all Stormwater Management Facilities and to enforce all requirements of the Permit. In the event the Declarant annexes additional property into the Property and transfers the applicable

Permit and Declarant's responsibilities under the Permit to the Association, the Association shall have, and hereby is granted and conveyed, an easement over, under and upon each annexed Lot for the purpose of access to and inspection, maintenance, repair and replacement of all Stormwater Management Facilities located upon such additional property and to enforce all requirements of the Permit.

4.13 Disposal System - Construction and Initial Operation. Declarant shall, at its sole cost and expense, initially construct the Disposal System pursuant to the permit identified in Section 1.20 of this Declaration (the "Disposal System Permit") and the plans and specifications issued and approved by North Carolina Environmental Management Commission (the "Commission"). Upon completion of the initial construction of the Disposal System, Declarant shall thereafter operate and provide Upkeep of the Disposal System in accordance with the Disposal System Permit. As more particularly described in Section 13.10 of this Declaration, so long as Declarant is operating and providing Upkeep of the Disposal System, each Lot within the Property shall be deemed to have been conveyed from Declarant a non-exclusive perpetual easement in and to the use of the Disposal System and the treatment of effluent emitting from such Lot.

4.14 Transfer of Disposal System and Responsibilities. Subsequent to the construction of the Disposal System, and the inspection and approval of the Disposal System by the Commission, acting through the Division of Water Quality, Declarant, in its sole discretion, may request the Disposal System and the Disposal System Permit, or any new permit requested by Declarant, be transferred to:

(a) a Utility Company providing waste water and effluent collection and treatment services to the Property. Subsequent to the transfer of the Disposal System and any such permit to a Utility Company, the oversight, supervision, management, operation and Upkeep of the Disposal System and the Disposal System Permit shall be the sole responsibility of the Utility Company and Declarant's duties and obligations in connection therewith shall be terminated; or

(b) the Association, and the Association shall accept the transfer from Declarant of the Disposal System and Disposal System Permit and all obligations and responsibilities under the Disposal System Permit. The Declarant shall not transfer, convey, assign or otherwise relinquish or release its responsibility for the operation and Upkeep of the Disposal System until a new Disposal System Permit has been issued to the Association.

Subsequent to the transfer of the Disposal System Permit, the oversight, supervision, management, operation and Upkeep of the Disposal System and of the Disposal System Permit shall be the sole responsibility of the Association. The Association's duties with respect to the Disposal System Permit and the operation, administration and Upkeep of the Disposal System shall be carried out in accordance with the terms and conditions of the Association documents and the Disposal System Permit.

From and after the transfer of the Disposal System and the Disposal System Permit to the Association, the Association shall indemnify and hold Declarant harmless from any loss, cost, claim, fee, fine, suit, damage or expense, including reasonable attorneys' fees incurred by the Declarant in the defense of any action against Declarant as a responsible

party under the Disposal System Permit. Declarant may bring an action for specific performance of the obligations of the Association pursuant to this Section 4.14.

Article V: Maintenance

5.1 Association's Responsibility. The Association shall provide Upkeep for the Area of Common Responsibility, which shall include, but need not be limited to:

(a) all Common Area, the Disposal System (if transferred to the Association as provided in Section 4.14(b)) and the Stormwater Management Facilities;

(b) all landscaping and other flora, parks, signage, structures, and improvements, including any bike, pedestrian and equestrian pathways and trails, situated upon the Common Area;

(c) all private streets, including any asphalt repairs thereto, situated upon the Common Area;

(d) all walls and fences constructed by Declarant on any Lots which serve as perimeter walls for the Property or which separate any Lot from Common Area or a Private Amenity;

(e) landscaping, sidewalks, street lights, irrigation systems, and signage within public rights-of-way abutting the Property;

(f) landscaping and other flora within any public utility easements and scenic easements within the Common Areas (subject to the terms of any easement agreement relating thereto);

(g) any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Covenant to Share Costs, any plat of any portion of the Property, or any contract or agreement for maintenance thereof entered into by the Association;

(h) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members and identified by written notice from the Declarant to the Association until Declarant revokes such privilege of use and enjoyment by written notice to the Association;

(i) any area of a Lot that may be designated by the plats of the property as common maintenance or limited common area, the costs of said maintenance to be levied as a Benefited Assessment against such Lots as the Association shall determine from time to time; and

(j) the exterior of the Dwelling Units including but not limited to the roofs, siding, windows, doors, and other exterior building elements, the costs of said

maintenance to be levied as a Benefited Assessment against such Lots as the Association shall determine from time to time.

The Association shall also have the right and power, but not the obligation, to take such actions, in accordance with appropriate law, and adopt such rules as may be necessary for control, relocation, management, and extermination of wildlife, including but not limited to, deer, skunks, opossums, snakes, alligators, reptiles, rodents, and pests, within the Area of Common Responsibility.

All areas designated on a recorded plat as "wetlands" shall be generally left in a natural state, and any proposed alteration of the wetlands must be in accordance with any restrictions or covenants recorded against such property and be approved by all appropriate regulatory bodies. If approved, the Association may maintain boardwalks, fishing docks, and crab docks over, around, and in such wetlands. Notwithstanding anything contained in this section, the Declarant, its successors, assigns, affiliates and designees may conduct such activities as have been or may be permitted by the U.S. Army Corps of Engineers or any successor thereof responsible for the regulation of wetlands.

The Association may also maintain and improve other property which it does not own, including, without limitation, property dedicated to public use, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and if otherwise permitted by applicable law.

Except as otherwise specifically provided herein, all costs for Upkeep of the Area of Common Responsibility shall be a Common Expense allocated among all Lots as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the Persons responsible for, such work pursuant to this Declaration, other recorded covenants, or agreements with such Persons.

5.2 Owner's Responsibility. Each Owner shall maintain his or her Lot with the exception of those areas designated as common maintenance responsibility on the recorded plats), and Dwelling Unit, and all other structures, parking areas, landscaping, and other improvements comprising the Lot in a manner consistent with the Community-Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Lot.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Lot and the Owner in accordance with Section 10.6. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3 Standard of Performance. Upkeep may include irrigation, as the Board may determine necessary or appropriate to satisfy the Community-Wide Standard. All Upkeep shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants, as determined by the Board.

Portions of the Property are environmentally sensitive and/or may provide greater aesthetic value than other portions of the Property. The Board may establish a higher Community-Wide Standard for such areas and require additional Upkeep for such areas to reflect the nature of such property.

Notwithstanding anything to the contrary contained herein, neither the Association, nor any Owner shall be liable for property damage or personal injury occurring on, or arising out of the condition of, property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

Article VI: Insurance and Casualty Losses

6.1 Association Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect if reasonably available the following types of Insurance:

(a) Blanket property insurance covering risks of physical loss on an "all-risk" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at a reasonable cost, then "broad form named perils" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full insurable replacement cost of the insured property. This provision for Blanket property insurance shall not be construed to require the Association to obtain coverage for any structure owned by any party other than the Association. The Association may elect to provide insurance for said structures with the approval of a majority of the Owners or if such individual coverage is not available,

(b) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf and including coverage for non-owned automobile liability. If generally available at reasonable cost, the commercial general liability insurance shall have a limit of at least $1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage;

(c) Workers compensation insurance and employers liability insurance if and to the extent required by law;

(d) Directors and officers liability insurance or equivalent association liability insurance;

(e) Commercial crime insurance, including employee fidelity insurance, in an amount determined by its best business judgment which shall not be less than one-sixth of the annual Base Assessments on all Lots plus reserves on hand for employee fidelity insurance. Such commercial crime insurance shall cover funds held by the Association's management company, unless such management company's insurance insures the Association against crimes committed by or against such management company. Fidelity

insurance policies shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation;

(f) Such additional insurance, including but not limited to flood, earthquake and hurricane insurance, as the Board in its best business judgment determines advisable; and

(g) The Association shall have no insurance responsibility for any portion of any Private Amenity or any Lot except as stated in paragraph 6.1(a).

If the insurance described in subsection (a) of this Section is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners.

6.2 Association Policy Requirements. Prior to the renewal of any insurance policy and at least annually, the Association shall arrange for a review of the sufficiency of insurance coverage by one or more qualified persons, at least one of whom must be familiar with insurable replacement costs in the Currituck County, North Carolina, area.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment.

The policies may contain a reasonable deductible as determined by the Board and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful conduct of one or more Owners, their family members, guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Lots in accordance with Section 10.6.

(a) All insurance coverage obtained by the Board shall

(i) Be written with a company authorized to do business in the State of North Carolina which satisfies the requirements of the Federal National Mortgage Association or such other secondary mortgage market agencies or federal agencies as the Board requires;

(ii) Be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area shall be for the benefit of the Association and its Members;

(iii) Not be brought into contribution with insurance purchased by individual Owners, occupants, or their Mortgagees;

(iv) Include an agreed amount endorsement if the policy contains a co-insurance clause; and

(v) Contain replacement cost coverage.

(vi) Contain a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager and the Owners;

(vii) Make the Lot Owners as additional insured's under the policy.

(viii) Contain an endorsement preventing the Association's insurance carrier from invoking its "other insurance" clause to obtain any contribution from any insurance maintained by individual Owners;

(ix) Provide that no act or omission by any Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy.

(x) Provide that if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides the primary insurance coverage.

(b) In addition, the Board shall secure, if reasonably available and as applicable, insurance policies providing the following:

(i) A waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(ii) An endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(iii) A cross liability provision;

(iv) A provision vesting the Board with exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited *from* participating in the settlement negotiations, if any, related to the loss; and

6.3 Owner's Insurance. By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full insurable replacement cost on its Lot(s), less a reasonable deductible, unless the Association carries such insurance (which they are not obligated to do hereunder). Such property insurance shall include windstorm and hail coverage, and, if full insurable replacement cost is not reasonably available for such coverage, actual cash value may be substituted. Each Owner shall, upon request from the Association, provide evidence of insurance coverage to the Association.

Each Owner further covenants and agrees that in the event of damage to or destruction of the Dwelling Unit or any other structures on or comprising his or her Lot, he or she shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article XI of this Declaration. Alternatively, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat and attractive, landscaped condition consistent with the

Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

6.4 Loss Adjustment, Repair and Proceeds.

With respect to any loss covered by the policy (or policies), it shall be adjusted by the Association and matters pertaining to the disbursement of proceeds of such insurance and the repair or replacement, including termination of the Project, shall be governed by the provisions of Chapter 47F-3-113(d) and (g) of the Act.

Article VII: No Partition

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of the whole or any part thereof without the written consent of all Owners and Mortgagees.

Article VIII: Intentionally Omitted

Article IX: Annexation and Withdrawal of Property

9.1 Annexation Without Approval of Membership.

(a) Until 40 years after recordation of this Declaration, Declarant may unilaterally subject any Contiguous Property to the provisions of this Declaration.

(b) Declarant may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibit "A" or any Contiguous Property and that such transfer is memorialized in a written, recorded instrument executed by Declarant. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any Contiguous Property in any manner whatsoever.

(c) Such annexation shall be accomplished by filing a Supplemental Declaration in the Register of Deeds describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Such Supplemental Declaration shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

9.2 Annexation With Approval of Membership. The Association or the Declarant may subject any Contiguous Property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Owners representing 67% of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or has the right to annex property pursuant to Section 9.1.

Such annexation shall be accomplished by filing a Supplemental Declaration in the Register of Deeds describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such Supplemental Declaration shall be signed by the President

and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon filing unless otherwise provided therein.

9.3 Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing property then owned by the Declarant, its affiliates, or the Association from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for the Property, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Property.

9.4 Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property and shall require the written consent of the owner(s) of such property, if other than the Declarant.

9.5 Amendment. This Article shall not be amended without the prior written consent of Declarant so long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1.

9.6 Additional Members. Any property annexed into the Association by the provisions of this Declaration shall be subject to all conditions and privileges of the Association and Owners of any such annexed property shall be members of the Association.

Article X: Assessments

10.1 Creation of Assessments. The Association shall levy assessments against each Lot for Common Expenses as the Board may specifically authorize from time to time. Common Expenses incurred in the operation, administration and upkeep of the Disposal System shall receive the highest priority for expenditures and assessments except for Federal, State, and local taxes and insurance that may be maintained by the Association. There shall be three (3) types of assessments for Association expenses: (a) Base Assessments to fund Common Expenses for the general benefit of all Lots; (b) Special Assessments as described in Section 10.5; and (c) Benefited Assessments as described in Section 10.6. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Property is deemed to covenant and agree to pay these assessments.

All assessments, together with interest from the due date of such assessment at a rate determined by the Association (not to exceed the highest rate allowed by North Carolina law), late charges, costs, including lien fees and administrative costs, and reasonable attorneys' fees, shall be a charge and continuing lien upon each Lot against which the assessment is levied until paid, as more particularly provided in Section 10.8. Each such assessment, together with interest, late charges, costs, including lien fees and administrative costs, and reasonable attorneys' fees, also shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose. Upon a transfer of title to a Lot, the

grantee shall be jointly and severally liable with the grantor for any assessments and other charges due at the time of conveyance. No first Mortgagee who obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

Assessments shall be paid in such manner and by such dates as the Board may establish. Unless the Board otherwise provides, the Base Assessment for each Lot shall be due and payable in advance each year on the first day of the fiscal year of the Association. If any Owner is delinquent in paying any assessments or other charges levied on his or her Lot, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately.

The Association shall, upon request by an Owner, furnish to any Owner a certificate in writing signed by an officer of the Association setting forth whether assessments for such Owner's Lot have been paid and any delinquent amount. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

No Owner may exempt himself or herself from liability for assessments, by nonuse of Common Area, abandonment of his or her Lot or Dwelling Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it or for inconvenience or discomfort arising from repairs or improvements or other action taken by it.

10.2 Declarant's Obligation for Assessments. During the Class "B" Control Period, Declarant may annually elect either to pay assessments on all of its unsold Lots or to pay the shortage for such fiscal year. The "shortage" shall be the difference between

(a) the amount of all income and revenue of any kind received by the Association, including but not limited to, assessments collected on all other Lots, use fees, advances made by Declarant, and income from all other sources, and

(b) the amount of all actual expenditures incurred by the Association during the fiscal year, including any reserve contributions for such year, but excluding all non-cash expenses such as depreciation or amortization, all expenditures and reserve contributions for making additional capital improvements or purchasing additional capital assets, and all expenditures made from reserve funds. Calculation of the shortage shall be performed on a cash basis of accounting. Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses. After termination of the Class "B" Control Period, the Declarant shall pay assessments on its unsold Lots in the same manner as any other Owner.

10.3 Computation of Base Assessment. Not less than 30 days before the beginning of each fiscal year, the Board shall prepare a budget covering the Common Expenses estimated to be incurred during the coming year. The budget shall include a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 10.4, but shall not include expenses incurred during the Class B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Owners representing a majority of the total Class "A" voted of the Association. The budget prepared by the Board shall also include a separate fund allocated solely for the Upkeep, operation and administration of the Disposal System and the Disposal System Permit following transfer of the Disposal System to the Association.

The Base Assessment shall be levied equally against all Lots subject to assessment and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including contributions to reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Lots subject to assessment under Section 10.7 on the first day of the fiscal year for which the budget is prepared and the number of Lots reasonably anticipated to become subject to assessment during the fiscal year.

see First Amendment

Within thirty (30) days after adoption of any proposed budget by the Board, the Board shall provide to all Owners a summary of the budget and notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary of the budget and notice of the meeting. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless, at that meeting, a majority of all the Owners in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

10.4 Reserve Budget and Special Reserve Assessment. The Board shall prepare, on an annual basis, reserve budgets for general purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost of each asset. Such reserve budgets may also anticipate making additional capital improvements and purchasing additional capital assets. The Board shall include in the Base Assessments reserve contributions in amounts sufficient to meet these projected needs, if any.

The Board may adopt resolutions regarding the expenditure of reserve funds, including policies designating the nature of assets for which reserve funds may be expended. Such policies may differ for general Association purposes. So long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1, neither the Association nor the Board shall adopt, modify, limit or expand such policies without the Declarant's prior written consent.

Upon the initial sale of a Dwelling Unit by a Class B or Class C Member to a Class A Member, the selling Member shall pay a special Reserve Assessment equal to three times the then-current monthly Base Assessment.

10.5 Special Assessments. In addition to other authorized assessments, the Board may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessments shall be approved at a meeting of the Board and shall become effective upon approval by the Board, unless disapproved by the Declarant, as long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

Notwithstanding the foregoing provisions in this Section 10.5, if the Disposal System has been transferred to the Association pursuant to Section 4.14(b), the Board shall levy a Special Assessment, without restriction and without the consent of Declarant, for the Common Expenses of operation, administration and Upkeep of the Disposal System if the separate final allocation described in Section 10.3 is not sufficient for operation, administration and Upkeep of the Disposal System.

10.6 Benefited Assessments. The Board may levy Benefited Assessments against particular Lots for expenses incurred or to be incurred by the Association, as follows:

(a) to cover the costs, including overhead and administrative costs, of providing the services described in Sections 5.1(i) and 5.1(j) hereof;

(b) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Lot or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners (which might include, without limitation, landscape maintenance, caretaker service, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(c) to cover costs incurred in bringing the Lot into compliance with the terms of this Declaration, any applicable Supplemental Declaration, the By-Laws, the Design Guidelines, or rules of the Association, or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their family members, tenants, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing before levying a Benefited Assessment under this subsection (b).

10.7 Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each Lot on the first day of the month following: (a) the date the Lot is made subject to this Declaration, or (b) the date the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessments against each Lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Lot.

10.8 Lien for Assessments. All assessments authorized in this Article shall constitute a lien against the Lot against which they are levied until paid unless otherwise specifically precluded in this Declaration. The lien shall also secure payment of interest (subject to the limitations of North Carolina law), late charges, and costs of collection (including attorneys' fees, lien fees and administrative costs). Such lien shall be superior to all

other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and foreclosure.

The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, a Mortgagee holding a first Mortgage of record or other purchaser of a Lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 10.7, including such acquirer, its successors and assigns.

10.9 Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

10.10 Exempt Property. The following property shall be exempt from payment of Base Assessments and Special Assessments:

(a) all Common Area; and

(b) all property dedicated to and accepted by any governmental authority or Utility Company.

In addition, the Declarant and/or the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for Section 501(c) status under the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

Article XI: Architectural and Design Standards

11.1 General. No improvements (including staking, clearing, excavation, grading and other site work), exterior alteration of existing improvements (including painting), placement or posting of any object or thing on the exterior of any Lot, Dwelling Unit, other structure or the Common Area (e.g., signs, antennae, clotheslines, playground equipment, pools, propane tanks, lighting, temporary structures, and artificial vegetation), planting or

removal of landscaping materials, or installation or removal of an irrigation system shall take place except in compliance with this Article, this Declaration, including the Use Restrictions, and the Design Guidelines and with the approval of the appropriate committee under Section 11.2.

Any Owner may remodel, paint or redecorate the interior of structures, including the Dwelling Unit, on his or her Lot without approval. However, modification of the exterior and modifications to the interior of screened porches, patios, and similar portions of a Lot visible from outside the structures on the Lot shall be subject to this Article and approval as set forth below.

This Article shall not apply to the activities of the Declarant nor to improvements to the Common Area by or on behalf of the Association.

This Article may not be amended without the Declarant's written consent so long as the Declarant owns any Private Amenity or any land subject to this Declaration or subject to annexation to this Declaration.

11.2 Architectural and Design Review.

(a) New Construction. Until 100% of the Property has been developed and conveyed to Owners, the Declarant shall have exclusive authority to administer and enforce architectural controls under this Article and to review and act upon all applications for original construction within the Property. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration or surrender of such right, the Board may, at its option, either create and appoint an Architectural Review Committee ("ARC") or assign such duties to the MC (as defined below). The ARC, if established, shall consist of at least three, but not more than five, persons who shall serve and may be removed in the Board's discretion. The ARC shall have no rights or authority until the Declarant's authority under this Article expires or is surrendered.

(b) Modifications. The Board shall establish a Modifications Committee ("MC") which shall consist of at least three, but not more than nine, persons who shall be appointed and shall serve at the discretion of the Board. The MC shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing structures on Lots or containing Dwelling Units and the adjacent open space. The Declarant shall have the right to veto any action taken by the MC which the Declarant determines, in its sole discretion, to be inconsistent with the Design Guidelines. (For purposes of this Article, "Reviewing Body" shall refer to either the Declarant, the MC, or the ARC, as appropriate under the circumstances.)

The Reviewing Body may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. The Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

11.3 Guidelines and Procedures. The Declarant shall prepare Design Guidelines which shall apply to all construction activities within the Property, except as provided in Section 11.1. The Declarant shall have sole and full authority to amend the Design Guidelines as long as it owns any portion of the Property or has a right to annex any property pursuant to Section 9.1. Thereafter, the ARC, or if the ARC is not established, the MC, shall have the authority to amend the Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Property, as well as specific provisions which vary from one portion of the Property to another depending upon the location, unique characteristics, intended use, the Master Plan, and any other applicable zoning ordinances. The Design Guidelines are intended to provide guidance to Owners regarding matters of particular concern in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the Reviewing Body and compliance with the Design Guidelines does not guarantee approval of any application.

Any amendments to the Design Guidelines shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the Declarant or, upon its formation, the ARC, or the MC, is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive.

The Association shall make the Design Guidelines available to Owners and builders who seek to engage in development or construction within the Property and all such Persons shall conduct their activities in accordance with such Design Guidelines. In the Declarant's discretion, such Design Guidelines may be recorded in the Register of Deeds, in which event the recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

All structures and improvements constructed upon a Lot shall be constructed in strict compliance with the Design Guidelines in effect at the time the plans for such improvements are submitted to and approved by the Reviewing Body, unless the Reviewing Body has granted a variance in writing pursuant to Section 11.6. So long as the Reviewing Body has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of or compliance with the Design Guidelines and this Declaration shall be final.

11.4 Submission of Plans and Specifications.

(a) No activities within the scope of Section 11.1 shall commence on any Lot until an application for approval of the proposed work has been submitted to and approved by the Reviewing Body. Such application shall be in the form required by the Reviewing Body and shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening therefore and other features of proposed construction, as applicable. The Design Guidelines shall set forth the procedure and any additional information for submission of the Plans.

(b) In reviewing each submission, the Reviewing Body may consider quality of workmanship and design, visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, and location in relation to surrounding structures and plant life. The Reviewing Body may require relocation of native plants within the construction site or the installation of an irrigation system for the landscaping including the natural plant life on the Lot as a condition of approval of any submission.

The Reviewing Body shall, within the period specified in the Design Guidelines, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (i) the approval of Plans, or (ii) the segments or features of the Plans which are deemed by such committee to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines, the reasons for such finding, and suggestions for the curing of such objections. In the event the Reviewing Body fails to advise the submitting party by written notice within the period specified in the Design Guidelines of either the approval or disapproval and suggestions for curing the objections of the committee of the Plans, approval shall be deemed to have been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the submitting party.

(c) If construction does not commence on a project for which Plans have been approved within 60 days of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans to the Reviewing Body for reconsideration. If construction is not completed on a project for which plans have been approved within the period set forth in the Design Guidelines or in the approval, such approval shall be deemed withdrawn, and such incomplete construction shall be deemed to be in violation of this Article.

11.5 No Waiver of Future Approvals. Each Owner acknowledges that the members of the ARC and the MC will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

11.6 Variance. The Reviewing Body may authorize variances in writing from its guidelines and procedures, but only: (a) in accordance with duly adopted rules and regulations, (b) when unique circumstances dictate such as unusual topography, natural obstructions, hardship or aesthetic or environmental considerations, and (c) when construction in accordance with the variance would be consistent with the purposes of the Declaration and compatible with existing and anticipated uses of adjoining properties. Inability to obtain, or the terms of, any governmental approval, or the terms of any financing shall not be considered a hardship warranting a variance. Notwithstanding the above, the MC may not authorize variances without the written consent of the Declarant, as long as it owns any portion of the

Property or has a right to annex any property pursuant to Section 9.1, and the ARC, if established.

11.7 Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the Declarant, the Association, the Board, the ARC or the MC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board, the ARC or the MC, or any member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot. In all matters, the ARC and the MC and their members shall be defended and indemnified by the Association as provided in the By-Laws.

11.8 Enforcement. Any construction, alteration or other work done in violation of this Article or the Design Guidelines shall be deemed to be nonconforming. Upon written request from the Declarant, the ARC, the MC, or the Board, Owners shall, at their own cost and expense and within such reasonable time frame as set forth in such written notice, cure such nonconformance to the satisfaction of the requester or restore the property, Lot and/or Dwelling Unit to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Declarant, the Association or their designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Benefited Assessment unless otherwise prohibited in this Declaration.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Declarant or the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the By-Laws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Benefited Assessment unless otherwise prohibited in this Declaration.

All acts by any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded from the Property, subject to the notice and hearing procedures contained in the Declaration. In such event, neither the Declarant, the Association, its officers, or directors shall be held liable to any Person for exercising the rights granted by this section.

In addition to the foregoing, the Association and the Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the Reviewing Body.

Article XII: Plan of Development and Use Restrictions

12.1 Plan of Development; Applicability: Effect. Declarant has established a general plan of development and occupancy for the Property under this Declaration in order to protect all Owners' quality of life and collective interests, the aesthetics and environment within the Property, and the vitality of and sense of community within the Property, all subject to the Board's and the Members' ability to respond to changes in circumstances, conditions, needs, and desires within the community.

The Property is subject to Design Guidelines as set forth in Article XI and other restrictions governing land development, architectural and design control, individual conduct and uses of or actions upon the Property. This Declaration, including the initial Use Restrictions attached hereto as Exhibit "B," and the rules and resolutions adopted by the Board or the Members establish affirmative and negative covenants, easements, and restrictions on the Property.

All provisions of this Declaration and any rules shall apply to all Owners, their family members, occupants, tenants, guests and invitees of any Lot. Any lease of any Lot shall provide that the lessee and all occupants of the leased Lot shall be bound by the terms of the Association documents.

12.2 Age Restricted Development. Consistent with the plan of development generally described in Section 12.1, the Project is intended to provide housing primarily for persons 55 years of age or older. The Project shall be operated as an age restricted community in compliance with all applicable State and Federal laws. No person under 19 years of age shall reside in any Dwelling Unit for more than 90 days in any calendar year. Subject to the rights of Declarant with respect to designated Lots as described elsewhere in this Declaration, each Dwelling Unit, if occupied, shall be regularly occupied by at least one person 55 years of age or older. The Owner of a Dwelling Unit shall provide a certificate of compliance, supported by reliable documentation determined by the Board, with the terms of this Section 12.2 and verification for each Owner of the Dwelling Unit and each occupant of the Dwelling Unit (1) at the time of purchase and/or occupancy of a Dwelling Unit, (2) when requested by the Board and, (3) at any time that any additional person is permitted to occupy the Dwelling Unit.

12.3 Authority to Promulgate Use Restrictions and Rules.

(a) Subject to the terms of this Article and in accordance with its duty of care and undivided loyalty to the Association and its Members, the Board may adopt rules which modify, cancel, limit, create exceptions to, or expand the initial Use Restrictions set forth on Exhibit "B" which limit both the Association's and Members' right to use the Property. The Board shall send notice by mail to all Owners concerning any such proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Any such rules shall become effective after compliance with subsection (c) of this Section unless such rules are disapproved at a meeting of Owners representing at least a

majority of the total Class "A" votes and by the Declarant, so long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1. The Board shall have no obligation to call a meeting of the Owners to consider disapproval except upon receipt of a petition of the Owners as required for special meetings in By-Laws, Section 2.4. If a meeting to consider disapproval of a rule is requested by the Owners prior to the effective date of such rule, the rule may not become effective until after such meeting is held.

(b) Alternatively, the Owners, at a meeting duly called for such purpose, may adopt rules which modify, cancel, limit, create exceptions to, or expand the Use Restrictions and previously adopted rules by a vote of Owners representing 67% of the total Class "A" vote and the approval of the Declarant, so long as the Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1.

(c) At least 30 days prior to the effective date of any action under subsections (a) or (b) of this Section, the Board shall send a copy of the rule to each Owner specifying the effective date of such rule. The Association shall provide, without cost, a copy of the Use Restrictions and rules then in effect to any requesting Member or Mortgagee.

(d) Nothing in this Article shall authorize the Board or the Owners to modify, repeal or expand the Declaration (with the exception of Exhibit "B"), the By-Laws, the Articles, or the Design Guidelines. Such documents may be amended as provided therein.

12.4 Owners' Acknowledgment. All Owners are subject to the Use Restrictions and are given notice that (a) their ability to use their privately owned property is limited thereby, and (b) the Board and/or the Owners may add, delete, modify, create exceptions to, or amend the Use Restrictions in accordance with Sections 12.3 and 18.2.

Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by this provision and that the Use Restrictions and rules may change from time to time.

12.5 Rights of Owners. Except as may be specifically set forth in the initial Use Restrictions, neither the Board nor the Owners may adopt any rule in violation of the following provisions:

(a) Equal Treatment. Similarly situated Owners and occupants shall be treated similarly.

(b) Speech. The rights of Owners and occupants to display on their Lot political signs and symbols of the kinds normally displayed in or outside of residences located in single-family residential neighborhoods in individually owned property shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions regulating signs and symbols which are visible from outside the Lot.

(c) Religious and Holiday Displays. The rights of Owners and occupants to display religious and holiday signs, symbols, and decorations on their Lots of the kinds normally displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions regulating displays which are visible from outside the Lot.

(d) Household Composition. No rule shall interfere with the freedom of occupants of Dwelling Units to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Dwelling Unit on the basis of the size and facilities of the Dwelling Unit and its fair share use of the Common Area. This Subsection shall not be interpreted to permit any variation of the Age Restrictions as implemented by Section 2.2.

(e) Activities Within Dwelling Units. No rule shall interfere with the activities carried on within the confines of Dwelling Units, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Dwelling Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the Dwelling Unit, or that create an unreasonable source of annoyance.

(f) Pets. The Association may adopt reasonable rules regarding household pets designed to minimize damage and disturbance to other Owners and occupants, including rules requiring damage deposits, waste removal, leash controls, noise controls, pet occupancy limits based on size and facilities of the Lot and fair share use of the Common Area. Nothing in this provision shall prevent the Association from requiring removal of any animal that presents an actual threat to the health or safety of residents or from requiring abatement of any nuisance or unreasonable source of annoyance. No Owner shall be permitted to raise, breed or keep mammals, birds, fish, or reptiles of any kind for commercial or Business purposes.

(g) Allocation of Burdens and Benefits. The initial allocation of financial burdens and rights to use Common Areas among the various Lots shall not be changed to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the use of the Common Areas as provided in Section 4.9, from adopting generally applicable rules for use of Common Areas, or from denying use privileges to those who abuse the Common Area, violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article X.

(h) Alienation. Except as set forth in this Section 12.5(h), no rule shall prohibit the leasing or transferring of any Lot, or require consent of the Association or Board for leasing or transferring of any Lot. The Board may adopt reasonable rules and regulations regarding leasing and subleasing of any Lot which may include, but are not limited to: (i) a minimum lease term of up to twelve (12) months; (ii) use of lease forms approved by the Board; (iii) imposition of a fee to the Lot Owner leasing the Lot equal to the costs of administration and insuring compliance incurred by the Association with the rules and regulations relating to leasing; (iv) the Initial Use Restrictions set forth in Exhibit B to this Declaration; (v) insuring that the occupancy of the Dwelling Unit by or Persons as tenants is consistent with the restrictions on occupancy set forth in Section 12.3 of this Declaration; and (vi) prohibiting or restricting the leasing of more than twenty percent (20%) of the Dwelling Units at any one time within the Property.

(i) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede Declarant's right to develop the Property in accordance with the Master Plan, including, but not limited to, the rights of the Declarant as set forth in Article XV.

(j) Abridging Existing Rights. Any rule which would require Owners to dispose of personal property being kept on the Property shall apply prospectively only and shall not require the removal of any property which was being kept on the Property prior to the adoption of such rule and which was in compliance with all rules in force at such time unless otherwise required to be removed by law.

The limitations in this Section 12.5 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 18.2.

Article XIII: Easements

13.1 Easements of Encroachment. Declarant reserves unto itself, so long as it owns any portion of the Property or has the right to annex property pursuant to Section 9.1, easements of encroachment, and for Upkeep and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with this Declaration) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of the Declarant.

13.2 Easements for Utilities, Etc. Declarant reserves unto itself, so long as it owns any portion of the Property or has the right to annex property pursuant to Section 9.1, and grants to the Association an easement for the purpose of access and Upkeep upon, across, over, and under all of the Property to the extent reasonably necessary to install and provide Upkeep for cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, lakes, ponds, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity. The Declarant and/or the Association may assign these rights to any local utility supplier, cable company, security company or other company providing a service or utility to Villages of Currituck subject to the limitations herein.

This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing Dwelling Unit on a Lot, and any damage to a Lot resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

Declarant specifically grants to the local utility suppliers easements across the Property for ingress, egress, installation, reading, and providing Upkeep of meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the Dwelling Unit on any Lot, nor shall any utilities be installed or relocated on the Property, except as approved by the Board or Declarant.

13.3 Easements to Serve Additional Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, employees, successors, assigns, licensees, and Mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of any Contiguous Property whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving such property.

13.4 Development and Other Easements. The Declarant specifically reserves all of the easements identified as being so reserved in this Declaration including, but not limited to, those set forth in Article XV.

13.5 Easements for Cross-Drainage. Every Lot and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Property; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of storm water onto adjacent portions of the Property without the consent of the Owner(s) of the affected property and the Board.

13.6 Right of Entry. The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Property, including each Lot, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents of the Association, its Board, officers or committees, and by all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to and permission from the Owner thereof. This easement includes the right to enter any Lot to cure any condition which increases the risk of fire or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but does not authorize entry into any Dwelling Unit without permission of the Owner, except by emergency personnel acting in their official capacities.

13.7 Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Property, including each Lot to (a) perform its Upkeep responsibilities under Article V, and (b) make inspections to ensure compliance with this Declaration, any Supplemental Declaration, By-Laws, and rules. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to and permission from the Owner. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association at its expense.

The Association also may enter a Lot to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Declaration, any Supplemental Declaration, the By-Laws, the Design Guidelines, or the rules. All costs incurred, including reasonable attorneys' fees, shall be assessed against the violator as a Benefited Assessment.

The Property are hereby burdened with a non-exclusive easement in favor of the Association for overspray of water from any irrigation system serving the Area of Common Responsibility. The Association may use treated effluent in the irrigation of any Area of Common Responsibility. Under no circumstances shall the Association be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

13.8 Rights to Storm Water Runoff, Effluent and Water Reclamation. Declarant hereby reserves for itself and its designees, including but not limited to the owner of any Private Amenity, all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Property, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such right shall include an easement over the Property for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent.

13.9 Easements for Lake and Pond Maintenance and Flood Water. Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, rivers, streams, and wetlands located within the Area of Common Responsibility to (a) perform Upkeep of pumps in order to provide water for the irrigation of any of the Area of Common Responsibility; (b) perform Upkeep of any bulkhead, wall, dam, or other structure retaining water; and (c) remove trash and other debris therefrom and fulfill their maintenance responsibilities as provided in this Declaration. Declarant, the Association, and their successors, assigns and designees shall have an access easement over and across any of the Property abutting or containing any portion of any of the lakes, ponds, rivers, streams, or wetlands to the extent reasonably necessary to exercise their rights under this Section.

There is further reserved herein for the benefit of Declarant, the Association, and their successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Lots (but not the Dwelling Units thereon) adjacent to or within one hundred feet of lake beds, ponds, rivers, streams and wetlands within the Property, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Property; (b) fill, drain, dredge, deepen, clean, fertilize, dye, and generally maintain the lakes, ponds, rivers, streams, and wetlands within the Area of Common Responsibility subject to the approval of all appropriate regulatory bodies; (c) maintain and landscape the slopes and banks pertaining to such lakes, ponds, rivers, streams, and wetlands; and (d) enter upon and across such portions of the Property for the purpose of exercising their rights under this Section. All Persons entitled to exercise these easements shall use reasonable care in, and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall, hurricanes, or other natural occurrences.

13.10 Easement to Use of Disposal System. So long as Declarant retains ownership of, operates and provides for Upkeep of the Disposal System more particularly set

forth in Section 4.13, each Lot, as an appurtenance thereto, shall have and is hereby granted and conveyed a non-exclusive easement to the benefit of said Lot, and the Owners and occupants thereof, to utilize the Disposal System for its intended purposes and for the treatment of effluent emitting from said Lot. The easement hereby granted and conveyed for the benefit of each Lot shall be deemed to have been granted and conveyed whether or not described or mentioned in the deed conveying such Lot to the Owner. The easement herein granted and conveyed shall terminate upon the occurrence of either event set forth and described in Section 4.14(a) or (b).

Article XIV: Mortgage Provisions

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots in the Property. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

14.1 Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or By-Laws relating to such Lot or the Owner or Occupant which is not cured within 60 days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Lot of any obligation under the Declaration or By-Laws which is not cured within 60 days; or

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

14.2 No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

14.3 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

Article XV: Declarant's Rights

15.1 Transfer of Declarant's Rights. Any or all of the special rights and obligations of the Declarant set forth in this Declaration or the By-Laws may be transferred to

other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration or the By- Laws. No such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the office of the Register of Deeds of Currituck County, North Carolina. Nothing in this Declaration shall be construed to require Declarant or any successor to develop any Contiguous Property in any manner whatsoever.

15.2 Modification of Development Plan. Each Owner, by accepting title to a Lot and becoming an Owner, and each other Person, by acquiring any interest in the Property, acknowledges awareness that Villages of Currituck is a master planned community, the development of which is likely to extend over many years, and agrees not to protest or otherwise object to (a) zoning or changes in zoning or to uses of, or changes in density of, the Property, or (b) changes in any conceptual or master plan for the Property, including, but not limited to, the Master Plan; provided, such revision is or would be lawful (including, but not limited to, lawful by special use permit, variance or the like) and is not inconsistent with what is permitted by the Declaration (as amended from time to time).

15.3 Development Easements. Declarant, its employees, agents and designees, specifically reserve a non-exclusive easement over, upon, under and above the Common Area and other portions of the Property (expressly excluding a Dwelling Unit) for any all purposes deemed reasonably necessary or desirable by Declarant for the development of the Property and any Contiguous Property including, but not limited to, easements of access, the installation and maintenance of utilities and easements as may be required from time to time by any governmental agency or pursuant to the Permit or the Disposal System Permit. The Declarant and its employees, agents and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing, installing, modifying, expanding, replacing, and removing such improvements to the Common Area as it deems appropriate in its sole discretion.

15.4 Marketing and Sales. So long as construction and initial sales of Lots shall continue or the Declarant owns any Private Amenity, the Declarant and its designees may maintain and carry on upon the Common Area and any property owned by the Declarant such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such Lots, including, but not limited to, business offices, signs, model units, sales offices, and storage of building materials. The Declarant and its designees shall have easements for access to and use of such facilities. The Declarant's or any designee's unilateral right to use the Common Area for purposes stated in this section shall not be exclusive and shall not unreasonably interfere with use of such Common Areas by Owners unless leased pursuant to a lease agreement with the Association providing for payment of reasonable rent.

15.5 Declarant Approval to Changes in Association Documents. So long as the Declarant owns any portion of the Property or any Private Amenity or has the right to annex property pursuant to Section 9.1, The Association shall not, without the prior written approval of the Declarant, adopt any policy, rule or procedure that:

(a) Limits the access of the Declarant, its successors, assigns and/or affiliates or their personnel and/or guests, including visitors, to the Common Areas of the Association or to any property owned by any of them;

(b) Limits or prevents the Declarant, its successors, assigns and/or affiliates or their personnel from advertising, marketing or using the Association or its Common Areas or any property owned by any of them in promotional materials;

(c) Limits or prevents purchasers of new residential housing constructed by the Declarant, its successors, assigns and/or affiliates in Villages of Currituck from becoming members of the Association or enjoying full use of its Common Areas, subject to the membership provisions of this Declaration and the By-Laws;

(d) Discriminates against or singles out any group of Association members or prospective members or the Declarant [this provision shall expressly prohibit the establishment of a fee structure (i.e., assessments, Special Assessments and other mandatory fees or charges) that discriminates against or singles out any group of Association members or the Declarant, but shall not prohibit the establishment of Benefited Assessments;

(e) Impacts the ability of the Declarant, its successors, assigns and/or affiliates, to carry out to completion its development plans and related construction activities for Villages of Currituck, as such plans are expressed in the Master Plan, as such may be amended and updated from time to time. Policies, rules or procedures affecting the provisions of existing easements established by the Declarant and limiting the establishment by the Declarant of easements necessary to complete Villages of Currituck shall be expressly included in this provision. Easements that may be established by the Declarant shall include but shall not be limited to easements for development, construction and landscaping activities and utilities; or

(f) Impacts the ability of the Declarant, its successors, assigns and/or affiliates to develop and conduct customer service programs and activities in a customary and reasonable manner.

15.6 Unimpeded Access. The Association shall not exercise its authority over the Common Areas (including, but not limited to, any gated entrances and other means of access to the Property or any Private Amenity) to interfere with the rights of the Declarant set forth in this Declaration or to impede access to any portion of the Property, or any Private Amenity over the streets and other Common Areas within the Property.

15.7 Additional Declarations/Restrictions. No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Property without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant.

15.8 Additional Declarant Rights. This Article shall not be amended without the prior written consent of the Declarant so long as the Declarant owns any portion of the Property or any Private Amenity or has the right to annex property pursuant to Section 9.1. The rights contained in this Article shall terminate upon the earlier of (a) 40 years after the conveyance of the first Lot to a Home Owner, or (b) upon recording by Declarant of a written statement that all sales activity has ceased. Thereafter, the Declarant and its designees may

continue to use the Common Areas for purposes stated in this Article only pursuant to a rental or lease agreement between the Declarant and/or such designee and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Areas.

Article XVI: Dispute Resolution and Limitation on Litigation

16.1 Agreement to Avoid Litigation. The Declarant, the Association, its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Property, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that those claims, grievances or disputes described in Sections 16.2 ("Claims") shall be resolved using the procedures set forth in Section 16.3 in lieu of filing suit in any court.

16.2 Claims. Unless specifically exempted below, all claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Association Documents, or the rights, obligations and duties of any Bound Party under the Association Documents or relating to the design or construction of improvements on the Property shall be subject to the provisions of Section 16.3.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 16.3:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article X (Assessments);

(b) any suit by the Association to obtain a temporary restraining order, or other mandatory or prohibitive equitable relief, and such other ancillary relief as permitted to enforce the provisions of Article XI (Architectural and Design Standards) and Article XII (Use Restrictions);

(c) any suit by an Owner to challenge the actions of the Declarant, the Association, the ARC, the MC, or any other committee with respect to approval, disapproval, application or enforcement of the provisions of Article XI (Architectural and Design Standards) or Article XII (Use Restrictions);

(d) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Association Documents;

(e) any suit in which any indispensable party is not a Bound Party; and

(f) any suit which otherwise would be barred by any applicable statute of limitations.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 16.3.

16.3 Mandatory Procedures.

(a) Notice: Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (collectively, the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely:

i. the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

ii. the legal basis of the Claim (i.e., the specific authority out of which the claim arises);

iii. Claimant's proposed remedy; and

iv. that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation and Mediation.

i. The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation.

ii. If the Parties do not resolve the Claim within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to mediation under the auspices of an independent agency providing dispute resolution services in the Currituck County, North Carolina area.

iii. If Claimant does not submit the Claim to mediation within 30 days after Termination of Negotiations, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

iv. Any settlement of the Claim through mediation shall be documented in writing by the mediator. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation process, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

v. Within five days of the Termination of Mediation, the Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent and the Respondent shall make a final written settlement offer ("Settlement Offer")

to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(c) Final and Binding Arbitration.

i. If the Parties do not agree in writing to a settlement of the Claim within 15 days of the Termination of Mediation, the Claimant shall have 15 additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "C" or such rules as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons other than Claimant.

ii. This subsection (c) is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the State of North Carolina. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of North Carolina.

16.4 Allocation of Costs of Resolving Claims.

(a) Subject to Section 16.4(b), each Party shall bear its own costs, including any attorneys fees incurred, and each Party shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("Post Mediation Costs").

(b) Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add Claimant's Post Mediation Costs to the Award, such costs to be borne equally by all Respondents. Any Award which is equal to or less favorable to Claimant than any Respondent's Settlement Offer shall award to such Respondent its Post Mediation Costs.

16.5 Enforcement of Resolution. After resolution of any Claim, if any Party fails to abide by the terms of any agreement or Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in Section 16.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys' fees and court costs.

Article XVII: General Provisions

17.1 Term. This Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of 20 years from the

date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of ten years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding each extension, agreeing to amend, in whole or in part, or terminate this Declaration, in which case this Declaration shall be amended or terminated as specified therein.

17.2 Amendment.

(a) By Declarant. Until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make or purchase Mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of this Declaration. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing. In addition, so long as Declarant owns any portion of the Property or has the right to annex property pursuant to Section 9.1, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner. Thereafter and otherwise, this Declaration may be amended in accordance with Section 17.2(b).

(b) By Owners. Except as otherwise specifically provided in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing 67% of the total Class "A" votes in the Association, and the consent of the Declarant, so long as the Declarant owns any Private Amenity or any portion of the Property or has the right to annex property pursuant to Section 9.1.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Notwithstanding the above, no amendments to Section 7.2 hereof may be adopted without the express written consent of the appropriate officials for Currituck County.

(c) Validity and Effective Date of Amendments. Amendments to this Declaration shall become effective upon recordation in the Register of Deeds of Currituck County, North Carolina unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority so to consent, and no contrary

provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege as long as the Declarant owns any Private Amenity or any portion of the Property or has the right to annex property pursuant to Section 9.1.

17.3 Litigation. Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of 67% of the Class "A" vote and the consent of Declarant during Class "B" control period. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article X; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above. This Section shall apply in addition to the provisions of Article XVI, if applicable.

Notwithstanding any of the provisions of Article XVI, the Association shall not (e) file a complaint or grievance or initiate or participate in any other proceedings on account of an act or omission of Declarant with any governmental agency which has regulatory or judicial authority over the Property or any part thereof or (f) assert and prosecute a claim against or in any manner sue Declarant without first having obtained the affirmative written consent of Owners of Lots to which at least sixty-seven (67%) percent of the votes in the Association are allocated.

17.4 Hearing Procedures. Except as may be otherwise specifically authorized by the Association Documents, and permitted by the Association Documents, the Board shall not (i) impose a fine or penalty, (ii) undertake permitted remedial action, or (iii) suspend voting or infringe upon other rights of a Member or other occupant for violations of the Association Documents, or for assessments or other amounts due and owing to the Association remaining unpaid for a period of thirty (30) days, or longer, unless and until the following procedure is completed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than five (5) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months following such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or an adjudicatory panel appointed by the Board shall serve the violator with a written notice of a hearing to be held by the Board of the Association in executive session or an adjudicatory panel appointed by the Board; provided, however, any adjudicatory panel appointed by the Board shall be composed

of members of the Association who are not officers of the Association or members of the Board. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the proposed sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the alleged violator or to any person who may be served on the alleged violator's behalf as provided in said Rule 4.

(c) Hearing. The hearing shall be held in executive session of the Board or an adjudicatory panel appointed by the Board pursuant to the notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of deliver, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(d) Appeal. Following a hearing before the adjudicatory panel, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the managing agent of the Association, President or Secretary of the Association within thirty (30) days following the hearing date, said written notice to contain information by which the Board may notify the alleged violator of the date of the appeal hearing. If no adjudicatory panel is appointed by the Board, no right of appeal shall exist.

(e) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred and No/100 Dollars ($100.00) (or as may be provided otherwise by law) per violation of the Association Documents and without further hearing, for each day after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in this Declaration and the Act. If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

17.5 Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

17.6 Use of the Words "Waterside Villages of Currituck" and "Villages of Currituck". No Person shall use the words "Waterside Villages of Currituck," "Villages of Currituck" or any derivative, or any other term which Declarant may select as the name of this development or any component thereof, in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the words "Waterside Villages of

Currituck" and "Villages of Currituck" in printed or promotional matter solely to specify that a particular property is located within the Property and the Association shall be entitled to use the words "Waterside Villages of Currituck" and "Villages of Currituck" in its name.

17.7 Compliance. Every Owner and occupant of any Lot shall comply with the Association Documents. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, by the Association or, in a proper case, by any aggrieved Owner(s).

17.8 Notice of Sale or Transfer of Title. Any Owner desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least seven days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title. The Association may require the payment of a reasonable administration or registration fee by the transferee.

17.9 Attorneys' Fees. In the event of an action instituted to enforce any of the provisions contained in the Association Documents, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorneys' fees and costs, including administrative and lien fees, of such suit. In the event the Association is a prevailing party in such action, the amount of such attorneys' fees and costs shall be a Benefited Assessment with respect to the Lot(s) involved in the action.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 28 day of October, 2005.

VOC, L.L.C., a North Carolina limited liability company

By: _____

Its: _____

EXHIBIT "A"

Lying and being situate in Poplar Branch Township, Currituck County, North Carolina, and being all of those parcels shown and designated as (1) Lots 115 through 148, inclusive, (2) "Common Area" and (3) Waterfront Drive on the map or plat entitled "WATERSIDE VILLAGES OF CURRITUCK PHASE 1" said map or plat being recorded in Plat Cabinet I, at Slides 290-291 in the office of the Register of Deeds of Currituck County, North Carolina.

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Exhibit "B"

Initial Use Restrictions

General. Property shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration and any Supplemental Declaration), subject to applicable laws. Any Supplemental Declaration or additional covenants imposed on the property within any Neighborhood may impose stricter standards than those contained in this Declaration and the Association shall have standing and the power to enforce such standards.

Prohibited Activities. The following activities are prohibited within the Property unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board:

Posting of signs of any kind except those required by law, including posters, circulars and billboards; provided, one professionally lettered "for rent" or "for sale" sign may be displayed on a Lot being offered for lease or for sale if in accordance with any restrictions in size, coloring, lettering and placement of signs as may be adopted by the Board, the Architectural Review Committee and the MC and if approved by the MC;

Subdivision of a Lot into two or more Lots after a subdivision plat including such Lot has been approved and filed with the appropriate governmental authority, or changing the boundary lines of any Lot, except that the Declarant shall be permitted to subdivide or change the boundary lines of Lots which it owns;

Active use of lakes, ponds, rivers, streams, wetlands, or other bodies of water within the Property with the exception of any vessel moored in the Marina and except that the Board may allow use of non-motorized boats subject to any rules and regulations it may establish. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, rivers, streams, wetlands or other bodies of water within or adjacent to the Property;

Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Dwelling Unit rotates among participants in the program on a fixed or floating time schedule over a period of years;

Occupancy of a Dwelling Unit by more than two persons per bedroom in the Dwelling Unit. For the purposes of this provision, "occupancy" shall be defined as staying overnight in the Dwelling Unit more than 30 days in any six-month period;

Capturing, trapping or killing wildlife within the Property, except in circumstances posing an imminent threat to the safety of persons or pets on the Property;

Raising, breeding or keeping of animals or poultry of any kind, except that a total of two dogs and cats and a reasonable number, as determined by the Board, of other usual and common household pets may be permitted on a Lot. However, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise,

endanger the health or safety of, or constitute a nuisance or inconvenience to the Owners or occupants of other Lots shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet;

Feeding, caring, taunting, or playing with any alligators on the Property;

Activities which materially disturb or destroy the vegetation, wildlife, or air quality within the Property or which result in unreasonable levels of sound or light pollution;

Discharge of firearms or explosives within the Property. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size;

Exterior antennas, aerials, satellite dishes, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind; provided, the Declarant and the Association shall have the right, without obligation, to erect or install and maintain such apparatus for the benefit of all or a portion of the Property; and

Conducting any Business, Trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Dwelling Unit may conduct business activities which are commonly conducted within residential areas within the Dwelling Unit so long as: (A) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (B) the business activity conforms to all zoning requirements for the Property; (C) the business activity does not involve visitation of the Lot or Dwelling Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Property; and (D) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board. This subsection shall not be interpreted to prevent the operation of a home office or internet based business.

Remove, alter, damage or change any of the Stormwater Management Facilities without submitting a revision to the Permit and obtaining approval of the North Carolina Department of Environment and Natural Resources, Division of Water Quality.

This subsection shall not apply to any activity conducted by the Declarant with respect to its development and sale of the Property or its use of any Lots which it owns within the Property. The leasing of a Dwelling Unit for residential purposes shall not be considered a Business or Trade within the meaning of this subsection.

Prohibited Conditions. The following shall be prohibited within the Property:

Walls, dog runs, animal pens, or fences of any kind on any Lot except as approved in accordance with Article XI; provided, the Declarant and the Association shall have the right, without obligation, to construct and maintain fences on any portion of the Property which they own;

Open garage doors. Garage doors shall remain closed at all times except when entering and exiting the garage;

Excessive exterior lighting on any Lot. The Board shall in its sole discretion determine whether any exterior lighting is excessive;

Tents, shacks, or other structures of a temporary nature on any Lot except as approved in accordance with Article XI or as may be authorized by the Declarant during initial construction within the Property. Approved temporary structures used during the construction or repair of a Dwelling Unit or other improvements shall be removed immediately after the completion of construction or repair; and

Storage of furniture, fixtures, appliances, machinery, equipment or other goods and chattels not in active use on the Common Area or any portion of a Lot which is visible from outside the Lot, except as approved in accordance with Article XI.

Leasing. "Leasing," for purposes of this Declaration, is defined as regular, exclusive occupancy of a Dwelling Unit by any person other than the Owner, or the Immediate Family of the Owner, for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. As used in these Initial Use Restrictions, "Immediate Family" shall mean the parents, grandparents and children of such Owner. Dwelling Units may be leased only in their entirety. No fraction or portion may be leased. No structure on a Lot other than the primary residential Dwelling Unit shall be leased or otherwise occupied for residential purposes, except that any Lot comprised of more than one acre of land may make residential use of such a structure other than the primary residential Dwelling Unit for an ancillary use such as in-law suite or nanny suite, but not for independent leasing. There shall be no subleasing of Dwelling Units or assignment of leases unless prior written approval is obtained from the Board. All leases shall be in writing. No transient tenants may be accommodated in a Dwelling Unit, and all leases shall be for an initial term of no less than 180 days. The leasing of any Lot is further subject to the restrictions on occupancy set forth in Section 2.2 of the Declaration.

Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Lot Owner within ten days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the rules and regulations. The Board may adopt reasonable rules regulating leasing and subleasing.

Notwithstanding the above, Declarant retains the right to lease any Lot it owns for a period of not less than 30 days, provided the tenant is awaiting the completion of construction of a new home on a Lot he or she owns or is under a binding contract to purchase within Villages of Currituck

Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other portion of the Property. Woodpiles or other material shall be stored in a manner so as not to be visible from outside the Lot and so as not to be attractive to native rodents, snakes, and

other animals and to minimize the potential danger from fires. No other nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other portion of the Property. No activities shall be conducted upon or adjacent to any Lot or within improvements constructed thereon which are or might be unsafe or hazardous to any Person or property. No open fires shall be lighted or permitted on the Property, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes or within a safe and well designed interior fireplace.

Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are approved in accordance with Article XI or as required by the applicable governing jurisdiction. Such containers shall be kept inside garages or other structures on Lots except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot.

Vehicles and Parking. The term "vehicles," as used in this Section, shall include, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

No vehicle may be left upon any portion of the Property except in a garage, driveway, parking pad, or other area designated by the Board. Commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, or other oversized vehicles, stored vehicles, and unlicensed vehicles or inoperable vehicles shall not be parked within the Property other than in enclosed garages; provided however, that one recreational vehicle, one camper, or one boat or other watercraft may be temporarily kept or stored completely in a driveway or completely on a parking pad on a Lot for not more than 24 hours within each seven day period.

EXHIBIT "C"

Rules of Arbitration

1 Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's submission of the Claim to arbitration ("Arbitration Notice").

2 The Parties shall select arbitrators ("Party Appointed Arbitrators") as follows: all the Claimants shall agree upon one Party Appointed Arbitrator, and all the Respondents shall agree upon one Party Appointed Arbitrator. The Party Appointed Arbitrators shall, by agreement, select one neutral arbitrator ("Neutral") so that the total arbitration panel ("Panel") has three arbitrators.

3 If the Panel is not selected under Rule 2 within 45 days from the date of the Arbitration Notice, any party may notify the nearest chapter of The Community Associations Institute, for any dispute arising under the Governing Documents, or the American Arbitration Association, or such other independent body providing arbitration services, for any dispute relating to the design or construction of improvements on the Property, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4 No person may serve as a Neutral in any arbitration in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral or Appointed Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral or Appointed Neutral after receipt of that Neutral's Bias Disclosure, such Neutral or Appointed Neutral shall be replaced in the same manner in which that Neutral or Appointed Neutral was selected.

5 The Appointed Neutral or Neutral, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Property unless otherwise agreed by the Parties. In fixing the date of the hearing, or in continuing a hearing, the Arbitrator shall take into consideration the amount of time reasonably required to determine Claimant's damages accurately.

There shall be no stenographic record of the proceedings.

6 Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings. In the event the Respondent fails to participate in the arbitration proceeding, the Arbitrator may not enter an Award by default, but shall hear Claimant's case and decide accordingly.

7 All persons who, in the judgment of the Arbitrator; have a direct interest in the arbitration are entitled to attend hearings. The Arbitrator shall determine any relevant legal issues, including whether all indispensable parties are Bound Parties or whether the claim is barred by the statute of limitations.

8 The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties. The Arbitrator may issue such orders as it deems necessary to safeguard rights of the Parties in the dispute without prejudice to the rights of the Parties or the final determination of the dispute.

9 If the Arbitrator decides that it has insufficient expertise to determine a relevant issue raised during arbitration, the Arbitrator may retain the services of an independent expert who will assist the Arbitrator in making the necessary determination. The scope of such professional's assistance shall be determined by the Arbitrator in the Arbitrator's discretion. Such independent professional must not have any bias or financial or personal interest in the outcome of the arbitration, and shall immediately notify the Parties of any such bias or interest by delivering a Bias Disclosure to the Parties. If any Party objects to the service of any professional after receipt of a Bias Disclosure, such professional shall be replaced by another independent licensed professional selected by the Arbitrator.

10 No formal discovery shall be conducted in the absence of express written agreement among all the Parties. The only evidence to be presented at the hearing shall be that which is disclosed to all Parties at least 30 days prior to the hearing; provided, however, no Party shall deliberately withhold or refuse to disclose any evidence which is relevant and material to the Claim, and is not otherwise privileged. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

11 The Arbitrator shall declare the hearings closed when satisfied the record is complete.

12 There will be no posthearing briefs.

13 The Award shall be rendered immediately following the close of the hearing, if possible, and no later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

14 If there is more than one arbitrator, all decisions of the Panel and the Award shall be by majority vote.

15 Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing

STATE OF NORTH CAROLINA

COUNTY OF Dare

I, G. Sofia Decker, Notary Public of the County and State aforesaid, certify that Dario Russotto personally came before me this day and acknowledged that he is a Managing Member of VOC, L.L.C., a limited liability company organized under the laws of North Carolina, and that by authority given and as the act of said company, the foregoing instrument was signed in its name by him.

Witness my hand and official stamp or seal, this the 28th day of October, 2005.

G. Sofia Decker
Notary Public

My Commission Expires
19 - Nov. 2009

G. SOFIA DECKER
DARE COUNTY
NOTARY PUBLIC
NORTH CAROLINA

(OFFICIAL SEAL)

CONSENT OF TRUSTEE AND BANK

TRSTE, INC., Trustee, and Wachovia Bank, National Association, pursuant to the Deed of Trust, Assignment of Rents and Security Agreement recorded in Book 881, at Page 14 of the office of the Register of Deeds of Currituck County, North Carolina, hereby executes this Consent of Trustee and Bank to consent to the imposition of the covenants, conditions and restrictions contained in this Declaration on the property described in Exhibit "A" of the Declaration, and any subsequent amendments to the Declaration which subject additional real property described in the Deed of Trust to the provisions of the Declaration.

IN WITNESS WHEREOF, Trustee and Bank have property executed this Consent of Trustee and Bank this 28th day of October, 2005.

TRUSTEE:

TRSTE, INC., a Virginia corporation

By: _____
SENIOR VICE, President

BANK:

WACHOVIA BANK, NATIONAL ASSOCIATION, a National Banking Association

By: _____
SENIOR VICE, President

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, G. Sofia Decker, a Notary Public in and for said County and State, do hereby certify that on the 28th day of October, 2005, before me personally appeared T. Mark Smith with whom I am personally acquainted, who, being by me duly sworn, says that he is President of TRSTE, INC., the corporation described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the corporation was subscribed thereto by the said President; that the said President subscribed his name thereto and the said common seal was affixed, all by authority of the Board of Directors of said corporation; and that the said instrument is the act and deed of said corporation.

WITNESS my hand and notarial seal, this the 28th day of October, 2005.

G. Sofia Decker
Notary Public

My Commission Expires:

19th November, 2009

G. SOFIA DECKER
Dare County
NOTARY
PUBLIC
NORTH CAROLINA

Notary seal or stamp must appear within this box.

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, G. Sofia Decker, a Notary Public in and for said County and State, do hereby certify that on the 28th day of October, 2005, before me personally appeared T. Mark Smith with whom I am personally acquainted, who, being by me duly sworn, says that he is President of WACHOVIA BANK, NATIONAL ASSOCIATION, the corporation described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the corporation was subscribed thereto by the said President; that the said President subscribed his name thereto and the said common seal was affixed, all by authority of the Board of Directors of said corporation; and that the said instrument is the act and deed of said corporation.

WITNESS my hand and notarial seal, this the 28th day of October, 2005.

G. Sofia Decker
Notary Public

My Commission Expires:

19th November 2009

G. SOFIA DECKER Dare County NOTARY PUBLIC NORTH CAROLINA

Notary seal or stamp must appear within this box.

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Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK931 PG32-42

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FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF THE UNITED STATES OF AMERICA OR STATE OF NORTH CAROLINA. THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF POLITICAL SIGNS.

Prepared by WARD AND SMITH, P.A., 127 Racine Drive, PO Box 7068, Wilmington, NC 28406-7068

Please return to WARD AND SMITH, P.A., 127 Racine Drive, PO Box 7068, Wilmington, NC 28406-7068
Attention: W. Daniel Martin, III

THIS FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("First Amendment") is made this 17th day of February, 2006 by VOC, L.L.C., a North Carolina limited liability company (hereinafter referred to as "Declarant").

WHEREAS, Declarant caused to be recorded the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck in Book 908, at Page 872 in the office of the Register of Deeds of Currituck County, North Carolina (the "Declaration"); and,

WHEREAS, Declarant is the Class "B" Member as provided in Section 3.3 of the Declaration and the Class "B" Control Period has not expired or otherwise terminated; and,

WHEREAS, as set forth in Section 17.2(a) of the Declaration, Declarant may unilaterally amend the Declaration for any purpose until termination of the Class "B" membership; and,

WHEREAS, Declarant has determined need for the amendments hereinafter set forth in this First Amendment.

The capitalized terms in this First Amendment shall have the same meaning as set forth in the Declaration unless otherwise defined herein.

NOW, THEREFORE, Declarant, acting pursuant to the provisions of Section 17.2(a) of the Declaration does hereby amend the Declaration as follows:

1. Article I: Definitions is amended by adding the following:

1.41 "Improved Lot": A Lot containing a Dwelling Unit for which a certificate of occupancy (temporary, conditional or final) has been issued.

1.42 "Unimproved Lot": A Lot other than an Improved Lot.

2. Section 1.6 is deleted, and the following is substituted as new Section 1.6 of Article I.

1.6 "Base Assessment": Assessments levied on all Lots to fund the Common Expenses. The Base Assessment for all Unimproved Lots owned by Declarant shall be one-third (1/3) of the Base Assessment established for all Lots pursuant to Section 10.3. #50

3. The first sentence of Section 10.2 is deleted and inserted as the new first sentence of Section 10.2 is the following:

10.2 Declarant's Obligation for Assessments: During the Class "B" Control Period, Declarant may elect annually either to pay the Base Assessment on all of its unsold Improved Lots and the Base Assessment on all of its unsold Unimproved Lots (as Base Assessment is defined in Section 1.6) or to pay the shortage for such fiscal year.

4. Section 10.3 is deleted and the following is substituted as new Section 10.3:

10.3 Computation of Base Assessment:

Not less than 30 days before the beginning of each fiscal year, the Board shall prepare a budget covering the Common Expenses estimated to be incurred during the coming year. The budget shall include a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 10.4, but shall not include expenses incurred during the Class B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Owners representing a majority of the total Class "A" voted of the Association. In determining the budget, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Lots subject to assessment under Section 10.7 on the first day of the fiscal year for which the budget is prepared and the number of Lots reasonably anticipated to become subject to assessment during the fiscal year. The budget prepared by the Board shall also include a separate fund allocated solely for the

Upkeep, operation and administration of the Disposal System and the Disposal System Permit following transfer of the Disposal System to the Association.

Within thirty (30) days after adoption of any proposed budget by the Board, the Board shall provide to all Owners a summary of the budget and notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary of the budget and notice of the meeting. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless, at that meeting, a majority of all the Owners in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

The Base Assessment for the fiscal year shall be determined based upon the budget adopted by the Board and ratified by the Owners. The amount of Base Assessment shall be levied equally against all Lots, subject to the provisions of Section 1.6; provided, however, for the period of one (1) year from the date of the recording of a deed from Declarant for an Unimproved Lot to an Owner or Builder, the Base Assessment for such Unimproved Lot shall be one-half (1/2) of the Base Assessment as above-determined pursuant to the budget. During said one (1) year period, if such Unimproved Lot becomes an Improved Lot, the full amount of the Base Assessment for all Lots shall be paid by such Owner or Builder commencing on the first day of the first month after said formally Unimproved Lot becomes an Improved Lot.

5. Section 12.5(b) is deleted and the following is substituted as new Section 12.5(b):

(b) Flags/Speech. The rights of Owners and occupants to display on their Lots flags, political signs, signs and symbols of the kinds normally displayed in or outside of residences located in single-family residential

neighborhoods in individually owned property shall not be abridged; provided, however, the Board may adopt reasonable time, place, size and manner of display restrictions regulating flags, political signs, signs and symbols which are visible from outside the Lots.

6. Section 12.5(h) is deleted.

7. Exhibit "A" is deleted and Exhibit "A" attached to this First Amendment is substituted as new Exhibit "A."

8. Exhibit "B" is deleted and Exhibit "B" attached to this First Amendment is substituted as new Exhibit "B."

9. Section 1.12 is deleted and the following is substituted as new Section 1.12.

1.12 "Class" "B" "Control Period": The period during which the Class "B" Member is entitled to appoint a majority of the Board members as provided in Section 4.1(a) of the By-Laws.

10. The third paragraph of Section 10.4 is deleted.

11. The following new Section 10.11 is added to the Declaration:

10.11 Initial Working Capital Fund.

Upon the initial conveyance of a Lot by a Class "B" or a Class "C" Member to an Owner who is a Class "A" Member, such Class "A" Member shall contribute at the closing of the acquisition of said Lot an amount equal to one-sixth (1/6) of the Base Assessment levied for the current fiscal year against each such Lot, said sum to be paid to the Association. Said sum is not an advance payment of any installment of the Base Assessment, but shall be utilized to establish the initial working capital fund. Such sum may also be utilized to reimburse Declarant the exact cost of any premiums for insurance policies purchased by Declarant for the benefit of the Association.

EXHIBIT "A"

Lying and being situate in Poplar Branch Township, Currituck County, North Carolina, and being all of those parcels shown and designated as (1) Lots 115 through 148, inclusive, (2) "Common Area" and (3) Waterfront Drive, Yacht Club Lane North, Transom Drive North, Bowsprit North, and Pirate Quay Lane on the map or plat entitled "WATERSIDE VILLAGES OF CURRITUCK PHASE 1" said map or plat being recorded in Plat Cabinet I, at Slides 256-261, in the office of the Register of Deeds of Currituck County, North Carolina.

EXHIBIT "B"

Initial Use Restrictions

General. Property shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration and any Supplemental Declaration), subject to applicable laws. Any Supplemental Declaration or additional covenants imposed on the property within any Neighborhood may impose stricter standards than those contained in this Declaration and the Association shall have standing and the power to enforce such standards.

Prohibited Activities. The following activities are prohibited within the Property unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board:

Subdivision of a Lot into two or more Lots after a subdivision plat including such Lot has been approved and filed with the appropriate governmental authority, or changing the boundary lines of any Lot, except that the Declarant shall be permitted to subdivide or change the boundary lines of Lots which it owns;

Active use of lakes, ponds, rivers, streams, wetlands, or other bodies of water within the Property with the exception of any vessel moored in the Marina and except that the Board may allow use of non-motorized boats subject to any rules and regulations it may establish. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, rivers, streams, wetlands or other bodies of water within or adjacent to the Property;

Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Dwelling Unit rotates among participants in the program on a fixed or floating time schedule over a period of years;

Occupancy of a Dwelling Unit by more than two persons per bedroom in the Dwelling Unit. For the purposes of this provision, "occupancy" shall be defined as staying overnight in the Dwelling Unit more than 30 days in any six-month period;

Capturing, trapping or killing wildlife within the Property, except in circumstances posing an imminent threat to the safety of persons or pets on the Property;

Raising, breeding or keeping of animals or poultry of any kind, except that a total of two dogs and cats and a reasonable number, as determined by the Board, of other usual and common household pets may be permitted on a Lot. However, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the Owners or occupants of other Lots shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet;

Feeding, caring, taunting, or playing with any alligators on the Property;

Activities which materially disturb or destroy the vegetation, wildlife, or air quality within the Property or which result in unreasonable levels of sound or light pollution;

Discharge of firearms or explosives within the Property. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size;

Exterior antennas, aerials, satellite dishes, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind; provided, the Declarant and the Association shall have the right, without obligation, to erect or install and maintain such apparatus for the benefit of all or a portion of the Property; and

Conducting any Business, Trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Dwelling Unit may conduct business activities which are commonly conducted within residential areas within the Dwelling Unit so long as: (A) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (B) the business activity conforms to all zoning requirements for the Property; (C) the business activity does not involve visitation of the Lot or Dwelling Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Property; and (D) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board. This subsection shall not be interpreted to prevent the operation of a home office or internet based business.

Remove, alter, damage or change any of the Stormwater Management Facilities without submitting a revision to the Permit and obtaining approval of the North Carolina Department of Environment and Natural Resources, Division of Water Quality.

This subsection shall not apply to any activity conducted by the Declarant with respect to its development and sale of the Property or its use of any Lots which it owns within the Property. The leasing of a Dwelling Unit for residential purposes shall not be considered a Business or Trade within the meaning of this subsection.

Prohibited Conditions. The following shall be prohibited within the Property:

Walls, dog runs, animal pens, or fences of any kind on any Lot except as approved in accordance with Article XI; provided, the Declarant and the Association shall have the right, without obligation, to construct and maintain fences on any portion of the Property which they own;

Open garage doors. Garage doors shall remain closed at all times except when entering and exiting the garage; Excessive exterior lighting on any Lot. The Board shall in its sole discretion determine whether any exterior lighting is excessive;

Tents, shacks, or other structures of a temporary nature on any Lot except as approved in accordance with Article XI or as may be authorized by the Declarant during initial construction within the Property. Approved temporary structures used during the construction or repair of a Dwelling Unit or other improvements shall be removed immediately after the completion of construction or repair; and

Storage of furniture, fixtures, appliances, machinery, equipment or other goods and chattels not in active use on the Common Area or any portion of a Lot which is visible from outside the Lot, except as approved in accordance with Article XI.

Leasing. Nothing contained herein shall prohibit the leasing or subleasing of a Dwelling Unit; provided, however, that:

(i) No Dwelling Unit shall be leased for a period of less than one hundred eighty (180) consecutive calendar days without the prior written consent of the Board.

(ii) All leases for any Dwelling Unit shall be in writing signed by the Owner and the tenant.

(iii) All leases shall be in such form, and contain such provisions, as approved by the Board, including provisions (a) requiring the tenant to comply with the Association Documents, (b) providing that the failure of any tenant under a lease to comply with the Association Documents shall constitute an event of default under the lease, and (c) providing that the Board may exercise any and all remedies for a default under the Association Documents against the Owner and the tenant under the lease including, without limitation, the right to remove a tenant from possession of a Dwelling Unit by judicial process or otherwise.

(iv) No structure on any Lot other than the Dwelling Unit may be leased or otherwise occupied, and no fraction or portion of any Dwelling Unit may be leased separately from any other portion of the Dwelling Unit.

(v) A true executed copy of any lease for a Dwelling Unit shall be provided to the Association prior to the occupancy by the tenant of such Dwelling Unit.

(vi) The leasing of any Dwelling Unit is further subject to the restrictions on occupancy set forth in Section 12.2 of this Declaration.

The Board may also adopt reasonable rules and regulations regarding leasing which may include, but are not limited to, (a) the imposition of a fee to the Owner leasing the Dwelling Unit equal to the costs of administration and ensuring compliance incurred by the Association with the restrictions and rules and regulations relating to leasing and (b) prohibiting or restricting the leasing of more than twenty percent (20%) of the Dwelling Units at any one time within the Property. "Leasing," for purposes of this Declaration, is defined as regular, exclusive occupancy of a Dwelling Unit by any person other than the Owner, or the Immediate Family of the Owner, for which the Owner receives, or the tenant provides, any consideration or benefit, including, but not limited to, a fee, service, gratuity,

or emolument. As used in these Initial Use Restrictions, "Immediate Family" shall mean the parents, grandparents and children of such Owner.

Notwithstanding the above, Declarant retains the right to lease any Dwelling Unit it owns for a period of not less than 30 days.

Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other portion of the Property. Woodpiles or other material shall be stored in a manner so as not to be visible from outside the Lot and so as not to be attractive to native rodents, snakes, and other animals and to minimize the potential danger from fires. No other nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other portion of the Property. No activities shall be conducted upon or adjacent to any Lot or within improvements constructed thereon which are or might be unsafe or hazardous to any Person or property. No open fires shall be lighted or permitted on the Property, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes or within a safe and well designed interior fireplace.

Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are approved in accordance with Article XI or as required by the applicable governing jurisdiction. Such containers shall be kept inside garages or other structures on Lots except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot.

Vehicles and Parking. The term "vehicles," as used in this Section, shall include, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

No vehicle may be left upon any portion of the Property except in a garage, driveway, parking pad, or other area designated by the Board. Commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, or other oversized vehicles, stored vehicles, and unlicensed vehicles or inoperable vehicles shall not be parked within the Property other than in enclosed garages; provided however, that one recreational vehicle, one camper, or one boat or other watercraft may be temporarily kept or stored completely in a driveway or completely on a parking pad on a Lot for not more than 24 hours within each seven day period.

IN TESTIMONY WHEREOF, Declarant, acting pursuant to the authority above-recited, has caused this First Amendment to be executed in such form as to be legal and binding, effective the day and year upon the recording of this First Amendment in the office of the Register of Deeds of Currituck County, North Carolina.

VOC, L.L.C. (SEAL)
A North Carolina Limited Liability Company

By: _____
David S. Russotto, Manager

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, G. SoSa Decker, a Notary Public in and for said County and State, do hereby certify that DAVID S. RUSSOTTO before me this day personally appeared, who being by me first duly sworn, says that he is the manager of VOC, L.L.C., the limited liability company described in and which executed the foregoing instrument; that he executed said instrument in the limited liability company name by subscribing his name thereto; and that the instrument is the act and deed of said limited liability company.

Date 2/17/06

(Official Seal)

G. SoSa Decker
Signature of Notary Public

G. SoSa Decker, Notary Public
Printed or typed name
My commission expires: Nov. 19, 2009

040511-00001-001
WLMAIN\138317\1

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Doc ID: 001717000003 Type: CRP
Recorded: 05/05/2006 at 11:24:58 AM
Fee Amt: $20.00 Page 1 of 3
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK 942 PG 508-510

SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

(Phases 1A and 6)

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Supplemental Declaration") is made this 1st day of MAY, 2006, by VOC, L.L.C., a North Carolina limited liability company (hereinafter sometimes referred to as the "Declarant").

RECITALS:

A. Declarant caused to be prepared the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 908, at Page 872 in of the office of the Register of Deeds of Currituck County, North Carolina, as amended by the First Amendment to Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 931, at Page 32 in of the office of the Register of Deeds of Currituck County, North Carolina (the "Declaration"). The capitalized terms and definitions in this Supplemental Declaration shall be the same as set forth in the Declaration unless otherwise defined herein.

B. Declarant is the owner in fee simple of the real property described in Exhibit "A," which is attached hereto and incorporated herein by reference ("Phase 1A" and "Phase 6"), said real property being part of the Contiguous Property.

C. Pursuant to Section 9.1 of the Declaration, Declarant desires to annex Phase 1A and Phase 6 into the Project and subject it to the provisions of the Declaration and the jurisdiction of the Association.

Prepared by Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Please return to Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Attention: W. Daniel Martin, III

EXHIBIT A

Tract 1:

Lying and being situate in Poplar Branch Township, Currituck County, North Carolina, and being all of those parcels shown and designated as (1) Lots 163-166, (2) "Common Area", and (3) Pirate Quay Lane on the map or plat entitled "Waterside Villages of Currituck Phase 1A", said map or plat being recorded in Plat Cabinet I, and Slides 365-366, in the office of the Register of Deeds of Currituck County, North Carolina.

Tract 2:

Lying and being situate in Poplar Branch Township, Currituck County, North Carolina, and being all of those parcels shown and designated as (1) Lots 1-24, (2) "Common Area", (3) Binnacle Lane, and (4) Compass Drive North on the map or plat entitled "Waterside Villages of Currituck Phase 6", said map or plat being recorded in Plat Cabinet I, and Slides 367-368, in the office of the Register of Deeds of Currituck County, North Carolina, specifically excepting the parcel identified as "Existing Cemetary" on said map or plat..

Unofficial

NOW, THEREFORE, Declarant, exercising its right to annex Contiguous Property pursuant to Section 9.1 of the Declaration, does hereby declare that all Phase 1A and Phase 6 shall be held, sold, used and conveyed subject to the Declaration and all easements, restrictions, covenants, conditions and benefits described therein; and further, that Phase 1A and Phase 6 are hereby subjected to the jurisdiction of the Association and all Association Documents.

IN WITNESS WHEREOF, Declarant has executed this Supplemental Declaration this 1st day of MAY, 2006.

VOC, L.L.C., (SEAL)
A North Carolina limited liability company

By: _____
David S. Russotto, Manager

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, G. Sofia Decker, a Notary Public in and for said County and State, do hereby certify that DAVID S. RUSSOTTO before me this day personally appeared, who being by me first duly sworn, says that he is manager of VOC, L.L.C., the limited liability company described in and which executed the foregoing instrument; that he executed said instrument in the limited liability company name by subscribing his name thereto; and that the instrument is the act and deed of said limited liability company.

Date May 1, 2006

(Official Seal)

G. Sofia Decker
Signature of Notary Public

G. Sofia Decker, Notary Public
Printed or typed name

My commission expires: Nov. 19, 2009

040511-00001-001
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BOOK 951 PAGE 0232

Doc ID: 001860620006 Type: CRP
Recorded: 06/23/2006 at 02:12:43 PM
Fee Amt: $29.00 Page 1 of 6
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK951 PG232-237

AMENDMENT OF AND CONSENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

BY: VOC, LLC, a North Carolina Limited liability company and OLD NAGS HEAD PLACE NO. 3, LLC, a North Carolina limited liability company

Unofficial

Prepared by **WARD AND SMITH, P.A.**, 127 Racine Drive, PO Box 7068, Wilmington, NC 28406-7068

Please return to **WARD AND SMITH, P.A.**, 127 Racine Drive, PO Box 7068, Wilmington, NC 28406-7068

AMENDMENT OF AND CONSENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Amendment and Consent") is made this 22 day of June, 2006 by VOC, L.L.C., a North Carolina limited liability company ("Declarant") and OLD NAGS HEAD PLACE NO. 3, LLC, a North Carolina limited liability company ("Old Nags Head").

RECITALS:

A. Declarant caused to be prepared the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 908, at Page 872 in the office of the Register of Deeds of Currituck County, North Carolina, and the First Amendment to Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 931, at Page 32 in the office of the Register of Deeds of Currituck County, North Carolina (collectively the "Declaration"). The capitalized terms and definitions in this Amendment and Consent shall be the same as set forth in the Declaration unless otherwise defined herein.

B. Declarant also caused to be prepared the Supplemental Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck (Phases 1A and 6) which was recorded in Book 942 at Page 508 in the office of the Register of Deeds of Currituck County, North Carolina ("Phases 1A and 6 Declaration").

C. Declarant is the Class "B" Member as provided in Section 3.3 of the Declaration and the Class "B" Control Period has not expired or otherwise terminated.

D. Pursuant to Section 17.2(a) of the Declaration, Declarant may unilaterally amend the Declaration for any purpose until the termination of the Class "B" membership.

E. Old Nags Head is the owner in fee simple of portions of the Property described in the Declaration and in the Phase 1A and 6 Declaration and desires to subject those portions of the Property it owns to the provisions of the Declaration.

Official

NOW, THEREFORE, Old Nags Head hereby declares that all of the Property described in the Declaration and the Phase 1A and 6 Declaration shall be held, sold, used and conveyed together with and subject to the Declaration and all easements, restrictions, covenants, conditions and benefits described therein; and further, that all such Property is hereby subjected to the jurisdiction of the Association.

Declarant, acting pursuant to the authority above recited, does amend the Declaration, with the consent of Old Nags Head, as follows:

1. Section 1.6 of the Declaration is deleted and substituted as new Section 1.6 is the following:

> 1.6 "Base Assessment": Assessments levied on all Lots to fund the Common Expenses. The Base Assessment for all Unimproved Lots owned by Declarant or Old Nags Head shall be one-third (1/3) of the Base Assessment established for all Lots pursuant to Section 10.3.

2. The first sentence of Section 3.3(b) is deleted and substituted as the new first sentence of Section 3.3(b) is the following:

> (b) Class "B": The Class "B" Members shall be the Declarant and Old Nags Head, and all references to Class "B" Members shall include Old Nags Head so long as Old Nags Head owns any Lot or portion of the Property.

IN TESTIMONY WHEREOF, Declarant and Old Nags Head have caused this Amendment and Consent to be executed in such form as to be legal and binding, effective the day and year above stated.

VOC, L.L.C. (SEAL)
A North Carolina Limited Liability Company

By: David S Russotto (SEAL)
David S. Russotto, a Manager

By: David H Weybright (SEAL)
David H. Weybright
Attorney-in-Fact for David S. Russotto

OLD NAGS HEAD NO. 3. LLC (SEAL)
A North Carolina Limited Liability Company

By: D S Russotto (SEAL)
David S. Russotto, a Manager

By: D H Weybright (SEAL)
David H. Weybright
Attorney-in-Fact for David S. Russotto

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, Kelly Renee Clem, a Notary Public in and for said County and State, do hereby certify that DAVID H. WEYBRIGHT, attorney-in-fact for DAVID S. RUSSOTTO, a Manager of VOC, L.L.C., has caused the foregoing and annexed instrument to be executed in its limited liability name by DAVID H. WEYBRIGHT, this day on behalf of DAVID S. RUSSOTTO, as a Manager of VOC, L.L.C., and said authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged, and recorded in Book 951, Page 228, in the office of the Register of Deeds of Currituck County, North Carolina, on the 23 day of June, 2006.

Date June 22, 2006

Kelly Renee Clem
Signature of Notary Public

(Official Seal)

Kelly Renee Clem
Notary Public, State of North Carolina
Appointed in Dare County

Kelly Renee Clem, Notary Public
Printed or typed name
My commission expires: June 6, 2007

Unofficial

STATE OF NORTH CAROLINA
COUNTY OF Dare

I, Kelly Renee Clem, a Notary Public in and for said County and State, do hereby certify that DAVID H. WEYBRIGHT, attorney-in-fact for DAVID S. RUSSOTTO, a Manager of OLD NAGS HEAD NO. 3, LLC., has caused the foregoing and annexed instrument to be executed in its limited liability name by DAVID H. WEYBRIGHT, this day on behalf of DAVID S. RUSSOTTO, as a Manager of OLD NAGS HEAD NO. 3, LLC, and said authority to execute and acknowledge said instrument is contained in an instrument duly executed, acknowledged, and recorded in Book 951, Page 230, in the office of the Register of Deeds of Currituck County, North Carolina, on the 23 day of June, 2006.

Date June 22, 2006

(Official Seal)

Kelly Renee Clem
Notary Public, State of North Carolina
Appointed in Dare County

Kelly Renee Clem
Signature of Notary Public

Kelly Renee Clem, Notary Public
Printed or typed name
My commission expires: June 6, 2007

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Unofficial

GRANTOR:

VOC, L.L.C.

BY: _____
James M. Rose, Jr., Manager

NORTH CAROLINA, DARE COUNTY

I, Betsy A Towle, a Notary Public of the County and State aforesaid, certify that James M. Rose, Jr. personally came before me this day and acknowledged that he is Manager of VOC, L.L.C., a limited liability company of the State of North Carolina, and that he, as Manager, being authorized to do so, executed the foregoing on behalf of the limited liability company.

Witness my hand and official stamp or seal, this 22nd day of June, 2006.

(AFFIX NOTARY SEAL)

_____
Notary Public
Notary's printed or typed name: Betsy A Towle

My commission expires: 11/27/10

BETSY A. TOWLE
Notary Public
Dare County, NC

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Doc ID: 001900480003 Type: CRP
Recorded: 10/20/2006 at 04:21:14 PM
Fee Amt: $20.00 Page 1 of 3
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK 971 PG 620-622

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Unofficial Document

SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

(Phase 5)

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Supplemental Declaration") is made this 5th day of September, 2006, by VOC, L.L.C., a North Carolina limited liability company (hereinafter sometimes referred to as the "Declarant").

RECITALS:

A. Declarant caused to be prepared the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 908, at Page 872 in of the office of the Register of Deeds of Currituck County, North Carolina, as amended by the First Amendment to Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 931, at Page 32 in of the office of the Register of Deeds of Currituck County, North Carolina (the "Declaration"). The capitalized terms and definitions in this Supplemental Declaration shall be the same as set forth in the Declaration unless otherwise defined herein.

B. Declarant is the owner in fee simple of the real property described in Exhibit "A," which is attached hereto and incorporated herein by reference ("Phase 5"), said real property being part of the Contiguous Property.

C. Pursuant to Section 9.1 of the Declaration, Declarant desires to annex Phase 5 into the Project and subject it to the provisions of the Declaration and the jurisdiction of the Association.

Prepared by Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Please return to Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Attention: W. Daniel Martin, III

Unofficial Document

Unofficial Document

EXHIBIT A

Lying and being situate in Poplar Branch Township, Currituck County, North Carolina, and being all of those parcels shown and designated as (1) Lots 25-50, (2) Common Areas R, S, and T, and (3) Compass Drive South, Treasure Run, and Mizzenmast Way shown on the map or plat entitled "Waterside Villages of Currituck Phase 5", said map or plat being recorded in Plat Cabinet J, and Slides 71&72, in the office of the Register of Deeds of Currituck County, North Carolina.

NOW, THEREFORE, Declarant, exercising its right to annex Contiguous Property pursuant to Section 9.1 of the Declaration, does hereby declare that all Phase 5 shall be held, sold, used and conveyed subject to the Declaration and all easements, restrictions, covenants, conditions and benefits described therein; and further, that Phase 5 are hereby subjected to the jurisdiction of the Association and all Association Documents.

IN WITNESS WHEREOF, Declarant has executed this Supplemental Declaration this 5th day of September, 2006.

VOC, L.L.C., (SEAL)
A North Carolina limited liability company

By: _____
David S. Russotto, Manager

STATE OF NORTH CAROLINA
COUNTY OF CURRITUCK

I, NANCY L. ENGLE, a Notary Public in and for said County and State, do hereby certify that DAVID S. RUSSOTTO before me this day personally appeared, who being by me first duly sworn, says that he is manager of VOC, L.L.C., the limited liability company described in and which executed the foregoing instrument; that he executed said instrument in the limited liability company name by subscribing his name thereto; and that the instrument is the act and deed of said limited liability company.

Date _____

NANCY L ENGLE
NOTARY PUBLIC
Official Seal
CAMDEN COUNTY, NC

_____
Signature of Notary Public

NANCY L. ENGLE, Notary Public
Printed or typed name

My commission expires: 6/25/2011

040511-00001-001
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Doc ID: 001957770003 Type: CRP
Recorded: 03/09/2007 at 01:50:47 PM
Fee Amt: $20.00 Page 1 of 3
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK 993 PG 368-370

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SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

(Villas at Waterside Condominium - Phase I)

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Supplemental Declaration") is made this 22 day of February, 2007, by VOC, L.L.C., a North Carolina limited liability company (hereinafter sometimes referred to as the "Declarant").

RECITALS:

A. Declarant caused to be prepared the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck which is recorded in Book 908, at Page 872 in of the office of the Register of Deeds of Currituck County, North Carolina, as amended and supplemented, (collectively, the "Declaration"). The capitalized terms and definitions in this Supplemental Declaration shall be the same as set forth in the Declaration unless otherwise defined herein.

B. Declarant is the owner in fee simple of the real property described in Exhibit "A," which is attached hereto and incorporated herein by reference ("Villas at Waterside Condominium Phase I"), said real property being part of the Contiguous Property.

Prepared by Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Please return to Ward and Smith, P.A., 127 Racine Drive, Wilmington, NC 28403-8705
Attention: W. Daniel Martin, III

Unofficial Document

EXHIBIT A

That tract or parcel of land lying and being situate in Currituck County, North Carolina, and being more particularly shown and described on the revised map entitled "VILLAS AT WATERSIDE CONDOMINIUM FINAL PLAT - BUILDING 100," prepared by Bissell Professional Group, said map or plat being recorded in Condominium Book 1, Slides 208 through 214, in the office of the Register of Deeds of Currituck County, North Carolina.

Unofficial Document

C. Pursuant to Section 9.1 of the Declaration, Declarant desires to annex Villas at Waterside Condominium Phase I into the Project and subject it to the provisions of the Declaration and the jurisdiction of the Association.

NOW, THEREFORE, Declarant, exercising its right to annex Contiguous Property pursuant to Section 9.1 of the Declaration, does hereby declare that all of Villas at Waterside Condominium Phase I shall be held, sold, used and conveyed subject to the Declaration and all easements, restrictions, covenants, conditions and benefits described therein; and further that Villas at Waterside Condominium Phase I are hereby subjected to the jurisdiction of the Association and all Association Documents.

IN WITNESS WHEREOF, Declarant has executed this Supplemental Declaration this 22nd day of February, 2007.

VOC, L.L.C., (SEAL)
A North Carolina limited liability company

By: _____
David S. Russotto, Manager

Currituck COUNTY, NORTH CAROLINA

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she signed the foregoing document for the purpose(s) stated therein, in the capacity indicated, and having been first authorized to do so: DAVID S. RUSSOTTO, Manager of VOC, L.L.C.

Date February 22, 2007

_____
Signature of Notary Public NANCY L. ENGLE

(Official Seal)

NANCY L ENGLE
NOTARY PUBLIC
CAMDEN COUNTY, NC

My commission expires: 6/25/2011

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Doc ID: 002353140012 Type: CRP
Recorded: 10/10/2011 at 09:29:42 AM
Fee Amt: $26.00 Page 1 of 12
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK 1174 PG 467-478

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Drawn by and mail to:
Nathaniel C. Parker, Esq.
K&L Gates, LLP
430 Davis Drive, Suite 400
Morrisville, NC 27560

INDEX UNDER:

Waterside Villages at Currituck Subdivision
Waterside Villages, LLC

STATE OF NORTH CAROLINA

COUNTY OF CURRITUCK

AMENDMENT TO DECLARATION
OF VILLAS AT WATERSIDE CONDOMINIUM
CURRITUCK COUNTY, NORTH CAROLINA

THIS AMENDMENT TO DECLARATION OF VILLAS AT WATERSIDE CONDOMINIUM CURRITUCK COUNTY, NORTH CAROLINA (the "Amendment"), is made effective as of the 17 day of August, 2011 (the "Effective Date") by Waterside Villages, LLC, a North Carolina limited liability company ("WVLLC"), as successor in interest and Substitute Declarant to VOC, LLC, Villas at Waterside Condominium Association, a North Carolina nonprofit corporation (the "Association"), and Russell E. Cook Jr., Charles Robert McNaughton Sr. and wife, Frances McNaughton, Marjorie S. Martin, Ruth E. Strickland, Daniel T. Hedberg and wife, Heidy L. Hedberg, and David J. Hedberg and wife, Barbara J. Hedberg (collectively, the "Unit Owners").

WHEREAS, VOC, LLC caused to be recorded the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck (the "Declaration") in Book 908, at Page 872 in the Currituck County Registry (the "Registry"); and,

WHEREAS, WVLLC acquired Units 100B, 100G, 100H, 100I and 100J in the Villas at Waterside Condominiums (the "Condominium") pursuant to that certain Trustee's Deed recorded in Book 1055, at Page 530, and rerecorded in Book 1058, at Page 660, in the Registry and is the current owner of Units *100B, 100G, 100H, and 100I*; and,

WHEREAS, David Hedberg and Barbara Hedberg acquired Unit 100A in the Condominium pursuant to that certain general warranty deed recorded in Book 1134, at Page 370 in the Registry; and

Unofficial Document

WHEREAS, Russell E. Cook Jr. acquired Unit 100C in the Condominium pursuant to that certain general warranty deed recorded in Book 994, at Page 250 in the Registry; and

WHEREAS, Charles Robert McNaughton Sr. and wife, Frances McNaughton acquired Unit 100D in the Condominium pursuant to that certain general warranty deed recorded in Book 993, at Page 679 in the Registry; and

WHEREAS, Marjorie S. Martin acquired Unit 100E in the Condominium pursuant to that certain general warranty deed recorded in Book 1043, at Page 106 in the Registry; and

WHEREAS, Ruth E. Strickland acquired Unit 100F in the Condominium pursuant to that certain general warranty deed recorded in Book 1133, at Page 284 in the Registry; and

WHEREAS, Daniel T. Hedberg and wife, Heidy L. Hedberg and David J. Hedberg and wife, Barbara J. Hedberg acquired Unit 100J in the Condominium pursuant to that certain general warranty deed recorded in Book 1138, at Page 474 in the Registry; and

WHEREAS, as a result of Unit ownership, the Unit Owners and WVLLC, are each a Member under the Declaration.

WHEREAS, as set forth in Article 28(A) of the Declaration, the Members may amend the Declaration by affirmative vote of sixty-seven percent (67%) of the votes in the Association or written agreement executed by Unit Owners representing sixty-seven percent (67%) of the votes in the Association; and,

WHEREAS, the undersigned are Unit Owners and Members representing sixty-seven percent (67%) of the votes in the Association; and,

WHEREAS, WVLLC, as Substitute Declarant, has consented to the amendments to the Declaration as hereinafter set forth in this Amendment.

NOW, THEREFORE, WVLCC, the Association, and the undersigned Unit Owners, acting pursuant to the provisions of Article 28(A) of the Declaration do hereby amend the Declaration as follows:

1) Article 2 of the Declaration shall be deleted in its entirety and replaced with the following to reflect the recording of an amended survey and plat and plans which are Exhibit B of the Declaration:

ARTICLE 2.

SURVEY AND DESCRIPTION OF IMPROVEMENTS

An amended survey of the land and plat and plans of the improvements constituting the Condominium, prepared by Bissell Professional Group and dated 8/2, 2011, identifying the Condominium Units, the Common Elements and the Limited Common Elements, as said terms are herein defined, and containing the information required by N.C. Gen. Stat. 47C-2-109(b) and (c) is recorded in Condominium Book 1, Pages 249 through 255, in the Currituck County Registry, said amended survey and plat and plans being incorporated herein by reference. Said amended survey and plat and plans are sometimes collectively referred to herein as Exhibit "B." Each Condominium Unit is identified by a specific number on said Exhibit "B," and no Condominium Unit bears the same number as any other

Document is NOT OFFICIAL!

Condominium Unit. The Condominium Units are designated and numbered as Units 100A through 100J as shown on Exhibit "B."

2) Paragraph R of ARTICLE 3 of the Declaration, entitled "DEFINITIONS," is deleted in its entirety and replaced with the following:

R. "Limited Common Elements" means those portions of the Common Elements allocated by operation of N.C. Gen. Stat. § 47C-2-102 for the exclusive use of one or more but fewer than all of the Units, those portions of the Common Elements described in this Declaration as Limited Common Elements and those portions of the Common Elements designated as Limited Common Elements on Exhibit "B" as "LCE" followed by the letter identifying the Unit to which the Limited Common Element is assigned.

Supplementing the provisions of N.C. Gen. Stat § 47C-2-102(4); all exterior doors and door frames, except screen doors or storm doors as may have been permitted by the Association, exterior windows and window frames, and all related components of the exterior doors and exterior windows including glass, panes and screens, shall be Limited Common Elements.

Each Unit has been assigned a parking space under the building in which the Unit is located, which are Limited Common Elements and shown and delineated on Exhibit "B" as "LCE", followed by the identification of the Unit to which the Limited Common Element is assigned.

Units 100A, 100C, 100D, 100E, 100F, 100G, 100H, and 100J have been assigned one (1) storage closet under the building in which the Unit is located, which are Limited Common Elements and shown and delineated on Exhibit "B" as "LCE," followed by the identification of the Unit to which the Limited Common Element is assigned. Units 100B and 100I have not been assigned a storage closet.

NOW, THEREFORE, WVHCC, the Association, and the undersigned Unit Owners, also agree that:

1. Counterparts. This Amendment may be signed in one or more counterparts, in which event the signature pages thereof shall be combined in order to constitute a single original document.

2. Primacy of this Amendment. In the event of any inconsistency between the terms and provisions set forth in this Amendment and those set forth in the Declaration, the terms and provisions of this Amendment shall prevail.

3. Ratification. As hereby amended, the Declaration shall remain in full force and effect. All covenants, terms, obligations and conditions of the Declaration, as modified and amended by this Amendment, are hereby ratified and confirmed.

4. Defined Terms. Unless otherwise defined in this Amendment, all terms spelled in this Amendment with initial capital letters shall have the meanings given to them in the Declaration.

[SIGNATURE AND NOTARY PAGES TO FOLLOW]

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the Substitute Declarant under the Declaration, and as owner of Units 100B, 100G, 100H, and 100I herein, has caused this Amendment to be executed under seal as of the Effective Date.

Waterside Villages, LLC

a North Carolina Limited Liability Company

By: Wells Fargo Bank N.A. , Manager

By: William Honaker (SEAL)
Name: William Honaker
Title: Vice President

STATE OF NORTH CAROLINA

COUNTY OF Wake

I certify that the following person personally appeared before me this day acknowledging to me that he signed the foregoing document for the purpose stated therein and in the capacity indicated:: William Honaker, Vice President of Wells Fargo Bank N.A. , Manager of Waterside Villages, LLC.

Date: 9-26, 2011

April L. Rivers
Print Name: April L. Rivers
Notary Public

(Official Seal below)

My commission expires: 5-4-2016

April L Rivers
Notary Public
My Commission Expires
5/4/2016
Wake County, NC

RT-3008999 v3

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the Association herein, has caused this Amendment to be executed under seal as of the Effective Date.

Villas at Waterside Condominium Association,
a North Carolina non-profit corporation

By: _____ (SEAL)
Name: William Honaker
Title: President

STATE OF NORTH CAROLINA

COUNTY OF Wake

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: William Honaker, President of the Villas at Waterside Condominium Association.

Date: 9-26-11

_____
Official Signature of Notary Public

April L. Rivers
Notary printed or typed name

[OFFICIAL SEAL]

My commission expires: 5-4-2016

April L Rivers
Notary Public
My Commission Expires
5/4/2016
Wake County, NC

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owners of Unit 100A herein, execute this Amendment as of the day and year first above written to acknowledge that the undersigned agree to this Amendment.

By: David Hedberg (SEAL)
Name: David Hedberg

By: Barbara Hedberg (SEAL)
Name: Barbara Hedberg

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: David Hedberg.

Date: 9-14-11

Julie Sanders
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: 07-21-2014

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Barbara Hedberg.

Date: 9-14-11

Julie Sanders
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: 07-21-2014

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owner of Unit 100C herein, executes this Amendment as of the day and year first above written to acknowledge that the undersigned agrees to this Amendment.

By: Russell E. Cook Jr (SEAL)
Name: Russell E. Cook, Jr.

STATE OF ~~NORTH CAROLINA~~ VIRGINIA

COUNTY OF Norfolk

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Russell E. Cook, Jr..

Date: 8-17-2011

Jeanette Kazmierski
Official Signature of Notary Public

Jeanette Kazmierski
Notary printed or typed name

My commission expires: July 31, 2015

JEANETTE KAZMIERSKI NOTARY PUBLIC REG # 7091151 MY COMMISSION EXPIRES 7/31/2015 COMMONWEALTH OF VIRGINIA
OFFICIAL SEAL

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owners of Unit 100D herein, execute this Amendment as of the day and year first above written to acknowledge that the undersigned agree to this Amendment.

By: _____ (SEAL)
Name: Charles Robert McNaughton, Sr.

By: _____ (SEAL)
Name: Frances McNaughton

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Charles Robert McNaughton, Sr..

Date: 9-14-2011

_____
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]
LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: 07-21-2014

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Frances McNaughton.

Date: 9-14-2011

_____
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]
LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: ~~07-21-2011~~ 07-21-2014

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owner of Unit 100E herein, executes this Amendment as of the day and year first above written to acknowledge that the undersigned agrees to this Amendment.

By: Marjorie S. Martin (SEAL)
Name: Marjorie S. Martin

STATE OF NORTH CAROLINA

COUNTY OF Dare

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Marjorie S. Martin.

Date: 09-14-2011

Leslie Sanders
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]
LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: 07-21-2014

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owner of Unit 100F herein, executes this Amendment as of the day and year first above written to acknowledge that the undersigned agrees to this Amendment.

By: Ruth E. Strickland (SEAL)
Name: Ruth E. Strickland

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Ruth E. Strickland.

Date: 09-14-11

Leslie Sanders
Official Signature of Notary Public

LESLIE SANDERS
Notary printed or typed name

[OFFICIAL SEAL]

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

My commission expires: 07-21-2014

Unofficial Document

IN WITNESS WHEREOF, the undersigned being the owners of Unit 100J herein, execute this Amendment as of the day and year first above written to acknowledge that the undersigned agree to this Amendment.

By: _____ (SEAL)
Name: Daniel T. Hedberg

By: _____ (SEAL)
Name: Heidy L. Hedberg

By: _____ (SEAL)
Name: David J. Hedberg

By: _____ (SEAL)
Name: Barbara J. Hedberg

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Daniel T. Hedberg.

Date: 09-14-2011

_____
Official Signature of Notary Public

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

[OFFICIAL SEAL]

LESLIE SANDERS
Notary printed or typed name

My commission expires: 07-21-2014

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Heidy L. Hedberg.

Date: 09-14-2011

_____
Official Signature of Notary Public

Unofficial Document

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

[OFFICIAL SEAL]

Leslie Sanders
Notary printed or typed name

My commission expires: 07-21-2014

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: David J. Hedberg.

Date: 09-14-2011

Leslie Sanders
Official Signature of Notary Public

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

[OFFICIAL SEAL]

Leslie Sanders
Notary printed or typed name

My commission expires: 07-21-2014

STATE OF NORTH CAROLINA

COUNTY OF DARE

I certify that the following person personally appeared before me this day, acknowledging to me that she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Barbara J. Hedberg.

Date: 09-14-2011

Leslie Sanders
Official Signature of Notary Public

LESLIE SANDERS
NOTARY PUBLIC
DARE COUNTY, NC
My Commission Expires 7-21-2014

[OFFICIAL SEAL]

Leslie Sanders
Notary printed or typed name

My commission expires: 07-21-2014

Unofficial Document

Doc ID: 002444710003 Type: CRP
Recorded: 10/01/2012 at 10:32:26 AM
Fee Amt: $26.00 Page 1 of 3
Currituck County, NC
Charlene Y Dowdy Register of Deeds
BK 1218 PG 486-488

4

AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK

This AMENDMENT TO DELCARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK (the "Amendment") is made this 25th day of SEPTEMBER, 2012, by WATERSIDE VILLAGES, LLC, a Delaware limited liability company (the "Declarant").

VOC LLC executed and recorded, as the original Declarant, that certain Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck (the "Original Declaration") as recorded in Book 908 at page 872 of the Currituck County Register of Deeds. The Original Declaration, as the same has been amended and supplemented from time to time, is hereinafter referred to as the "Declaration".

Declarant has succeeded to all rights and easements reserved by, granted to, and provided for the Declarant under the Declaration, and all "special declarant rights" as that term is defined in NCGS §47F-1-103(28), pursuant to that certain Trustee's Deed recorded in Book 1055 at page 530, and re-recorded in Book 1058 at page 660, in the Office of the Currituck County Register of Deeds. Such rights that Declarant has succeeded to include, without limitation, the right to unilaterally amend the Declaration pursuant to Section 17.2 of the Original Declaration.

Declarant desires to exercise such right to unilaterally amend the Declaration as set forth in Section 17.2 of the Original Declaration as set forth herein.

NOW, THEREFORE, as provided in Section 17.2 of the Original Declaration, Declarant does hereby amend the Declaration to delete Section 12.2 entitled "Age Restricted Development" therefrom in its entirety.

In addition, Declarant does hereby delete any and all references to Section 12.2 of the Original Declaration (which is erroneously cited as Section 2.2 and as Section 12.3 of the Original Declaration in a number of places in the Declaration), including without limitation the following references:

Drawn by and mail to:
Brian P. Evans, Esq.
K&L Gates, LLP
214 North Tryon Street, 47th Floor
Charlotte, NC 28202

1. The phrase "provided that such residents are occupying such Dwelling Unit in compliance with Section 2.2," as set forth in the next to the last grammatical paragraph of Section 2.1, which phrase is hereby deleted.

2. The last sentence of Section 12.5(d) of the Original Declaration, which reads "this Subsection shall not be interpreted to permit any variation of the Age Restrictions as implemented by Section 2.2," which sentence is hereby deleted.

3. Subsection 12.5(h)(v) of the Original Declaration, wherein the reference to Section 12.2 of the Original Declaration is erroneously cited as Section 12.3 of the Original Declaration, and which subsection is hereby deleted.

4. The sentence reading "The leasing of any Lot is further subject to the restrictions on occupancy set forth in Section 2.2 of the Declaration" as set forth in the paragraph entitled "Leasing" on Exhibit B attached to the Original Declaration, which sentence is hereby deleted.

5. The provision in the paragraph entitled "Leasing" set forth on Exhibit B attached to the First Amendment to Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck recorded in Book 931 at page 32 of the Currituck County Register, labeled as subsection (vi), providing that "the leasing of any Dwelling Unit is further subject to restrictions on occupancy set forth in Section 12.2 of this Declaration," which subsection is hereby deleted.

IN WITNESS WHEREOF, Declarant, acting pursuant to the authority above recited, has caused this Amendment to be executed in such form as to be legal and binding, effective the day and year of the recording of this Amendment in the Office of the Register of Deeds of Currituck County, North Carolina.

WATERSIDE VILLAGES, LLC

By: Wells Fargo Bank, N.A., its sole member

By: William Honaker
Name: WILLIAM HONAKER
Title: SVP

STATE OF NORTH CAROLINA
COUNTY OF Wake

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: William Honaker.
(name of principal(s)

Date: 9-25-12

Official Signature of Notary Public

April L. Rivers
Notary printed or typed name

[OFFICIAL SEAL]

My commission expires: 5-4-16

Unofficial Document

Doc No: 300359
Recorded: 04/12/2013 at 02:29:00 PM
Fee Amt: $26.00 Page 1 of 3

Currituck County North Carolina
Denise A. Hall Reg of Deeds

Bk 1245 Pg 2-4

SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK (LOT 93)

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSIDE VILLAGES OF CURRITUCK ("Supplemental Declaration") is made this 12th day of February, 2013, by WATERSIDE VILLAGES, LLC, a Delaware limited liability company (the "Declarant").

RECITALS:

A. Declarant is the Declarant under the Declaration of Covenants, Conditions and Restrictions for Waterside Villages of Currituck, which is recorded in Book 908 at page 872 in the Office of the Register of Deeds of Currituck County, North Carolina, as previously supplemented and amended (the "Declaration"). The capitalized terms and definitions in this Supplemental Declaration shall be the same as set forth in the Declaration unless otherwise defined herein.

B. Declaration is the fee owner of fee simple of the real property described in Exhibit "A" which is attached hereto and incorporated herein by reference ("Lot 93"), said real property being part of the "Contiguous Property."

C. Pursuant to Section 9.1 of the Declaration, Declarant desires to annex Lot 93 into the Project and subject it to the provisions of the Declaration and the jurisdiction of the Association.

NOW, THEREFORE, Declarant, exercising its right to annex Contiguous Property pursuant to Section 9.1 of the Declaration, does hereby declare that all of Lot 93 shall be held, sold, used and conveyed subject to the Declaration and all easements, restrictions, covenants, conditions and benefits described therein; and further, that Lot 93 is hereby subjected to the jurisdiction of the Association and all Association Documents.

Drawn by and mail to:
Brian P. Evans, Esq.
K&L Gates, LLP
214 North Tryon Street, 47th Floor
Charlotte, NC 28202

CH-3149143 v1

Unofficial Document

Unofficial Document

EXHIBIT "A"

Being located in Currituck County, North Carolina, and being more particularly described as follows:

Lot 93 of Waterside Villages of Currituck as shown on Final Plat thereof entitled "Waterside Villages of Currituck—Phase 2—Lot 93" as recorded in Plat Cabinet M at Slides 153-154 in the Office of the Register of Deeds of Currituck County, North Carolina.

Unofficial Document

IN WITNESS WHEREOF, Declarant has executed this Supplemental Declaration this 12th day of February, 2013.

WATERSIDE VILLAGES OF CURRITUCK, LLC, a Delaware limited liability company

By: Wells Fargo Bank, N.A., its sole member

By: William Honaker
Name: WILLIAM HONAKER
Title: SVP

STATE OF NORTH CAROLINA

COUNTY OF Wake

I certify that the following person(s) personally appeared before me this day, acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: William Honaker.
(name of principal(s)

Date: 2-12-13

April L. Rivers
Official Signature of Notary Public

April L. Rivers
Notary printed or typed name

[OFFICIAL SEAL]

My commission expires: 5-4-16

April L Rivers
Notary Public
My Commission Expires
5/4/2016
Wake County, NC

Unofficial Document