

OCT 31 1988

FIRST AMENDMENT TO THE DECLARATION OF COVENANTS,
 RESTRICTIONS AND UNIT OWNERSHIP OF
 HATTERAS HIGH IN THE FORM OF AN
 AMENDED AND RESTATED DECLARATION

THIS FIRST AMENDMENT TO THAT CERTAIN DECLARATION OF COVENANTS AND RESTRICTIONS AND DECLARATION OF UNIT OWNERSHIP OF HATTERAS HIGH dated May 22, 1985, is made this 28th day of June, 1988, by and between LIFESTYLE HOMES, INC., a Virginia Corporation, the Developer, and HATTERAS HIGH OWNERS ASSOCIATION, INC., a North Carolina Non-stock Corporation, the Association.

W I T N E S S E T H

WHEREAS, on May 22, 1985 the Developer executed a certain Declaration of Covenants and Restrictions and Declaration of Unit Ownership of Hatteras High and recorded the same in the Office of Register of Deeds of Dare County, North Carolina on May 28, 1985 at Deed Book 402, page 521, and Unit Ownership File #2, pages 278-290; and

WHEREAS, a thorough review of such Declaration has revealed a number of inconsistencies and ambiguities with respect to the various rights and responsibilities of the Developer and the property owners constituting the membership of the Association; and

WHEREAS, the Developer has concluded that an Amendment to the Declaration in the form of Amended and Restated Declaration is desirable and in the best interests of the Developer and the other members of the Association and will promote the most efficient and desirable further development of the Hatteras High Condominium project; and

WHEREAS, the Developer as a member of the Association has proposed the adoption by the members of the Association of a resolution adopting the Amendment stated herein to the May 22, 1985 Declaration as aforesaid; and

WHEREAS, this Amendment has been duly adopted by more than 80% of the votes of the entire membership of the Association at a general meeting held on June 25, 1988 as required by Paragraph B of Section 24 of the original Declaration and accordingly has been properly adopted pursuant to the provisions thereof;

NOW, THEREFORE, in consideration of these premises and the mutual benefits accruing to the Developer and the members of the Association, the Developer and the Association do hereby amend and restate the said May 22, 1985 Declaration as set forth herein and to that end make the following declarations:

1. Exhibits A-G attached to and filed with the May 22, 1985 Declaration are hereby incorporated by reference as if fully set forth herein.

2. The property described in Exhibit B and the improvements heretofore or hereafter constructed thereon to the condominium form of ownership have been submitted to such form of ownership under the provisions of Chapter 47A of the General Statutes of North Carolina.

3. Certain of the condominium units heretofore or hereafter constructed and submitted to this Declaration are dedicated to a plan of individual time ownership of real property pursuant to Chapter 93A of the General Statutes of North Carolina so that owners of "Time Share Weeks" (as hereafter defined) shall have certain rights to occupy and enjoy a "Time Share Unit" and the furnishings located therein, subject to all of the conditions of this Declaration.

4. The Developer intends to provide for, allow and reserve the right to a phased or graduated step construction and development of the project, and to that end to amend this Declaration, if necessary, as such additional phases or additions to the project are developed and completed.

5. The Condominium Units and Time Share Units shall be held, conveyed, hypothecated, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the limitations, covenants, conditions and restrictions set forth in this Declaration, as herein amended and as the same may be hereafter amended pursuant to the provisions hereof from time to time, all of which limitations, covenants, conditions and restrictions are in furtherance of a plan established for the purpose of enhancing and perfecting the value, desirability and enjoyment of the Hatteras High Project and each part thereof.

6. All of the limitations, covenants, conditions and restrictions set forth in the Declaration, as amended herein and as may be amended hereafter from time to time, shall constitute covenants running with the land and equitable servitudes, which shall be binding upon and inure to the benefit of the Developer and the Owner of each Condominium Unit and Time Share Unit heretofore or hereafter conveyed, and shall be binding upon the heirs, executors, administrators, assigns and other successors of interest of any of the parties and all of the subsequent owners and users of any such Condominium Unit or Time Share Unit.

Section 1. THE PROPERTY SUBMITTED TO UNIT OWNERSHIP

A. The property described in Exhibit B attached to the May 22, 1985 Declaration, and as shown on a survey attached as

Exhibit A to said Declaration, has been submitted and shall remain submitted hereafter to the condominium form of ownership pursuant to the applicable provisions of the Unit Ownership Act, compiled as Chapter 47A of the North Carolina General Statutes.

B. The property hereby submitted to the condominium form of ownership is located North of the village of Avon in Kinnakeet Township, in Dare County, North Carolina, having a mailing address of Rodanthe, North Carolina, 27968. Such property, together with any additional contiguous property hereafter submitted to this Declaration, is and shall be known as Hatteras High.

Section 2. DEFINITIONS Unless it is plainly evident from the context that a different meaning is intended, the following terms used in this Declaration shall have the following meanings:

A. "Association" means Hatteras High Owners Association, Inc., which is a North Carolina Non-profit and Non-stock Corporation composed of all of the Unit Owners and Time Share Owners in Hatteras High.

B. "Building" means a structure containing two or more Units. The Buildings constructed or which may be constructed at Hatteras High are numbered as set forth in Exhibit E annexed to the original May 22, 1985 Declaration.

C. "By-laws" means the By-laws adopted by Hatteras High Owners Association, Inc., as the same may be amended from time to time.

D. "Common Areas" means:

(i) all the land actually submitted to the Declaration, as amended;

(ii) any common rooms or similar areas in a Building intended for the common use of all Unit Owners and Time Share Owners of any Phase of Hatteras High and not limited to the use only of Unit Owners and Time Share Owners in a particular Phase in which such Building is a part;

(iii) any yards, gardens, parking areas, driveways, storage spaces and sidewalks;

(iv) any premises for the lodging of maintenance or cleaning personal or resident manager and any storage or office facilities associated therewith;

(v) the swimming pool, including all support facilities associated with the use, maintenance or enjoyment of such pool, and such other recreational areas and facilities as may be intended for the common use of all Unit Owners and Time Share Owners in more than one Phase of Hatteras High;

(vi) all electric, water, sewer, gas, air conditioning and other utility services as may be intended for the use of and actually used by Unit Owners and Time Share Owners in more than one Phase of Hatteras High; and

(vii) all other real and personal property located at Hatteras High necessary or convenient to the existence, maintenance and safety of any Phase of Hatteras High and not limited to the Unit Owners and Time Share Owners of any single Phase of Hatteras High.

E. "Common Expenses" means and includes all sums assessed by the Association against its members for the expenses of administration, maintenance, repair or replacement (including reserves for anticipated future expenses) of the Common Areas and for the general expenses of the management, administration and operation of the Association.

F. "Common Furnishings" shall mean furniture, appliances and furnishings for a particular Unit devoted to time share ownership and any other similar property held, leased or owned by the Association.

G. "Common Phase Areas" means:

(i) The foundations, columns, girders, beams, supports, main walls, roofs, halls, corridors, lobbies, stairs, stairways, elevators (if any), fire escapes and entrances and exits of any Building heretofore or hereafter constructed at Hatteras High for the principal use of the owners of the particular Phase of which such Building is a part;

(ii) any recreational facilities intended for and generally used only by the Unit Owners and Time Share Owners in a particular Phase of Hatteras High;

(iii) all electric, water, sewer, gas, heating, refrigeration, air conditioning and other utility services serving only the Unit Owners and Time Share Owners of a particular

Phase of Hatteras High and not generally all Unit Owners and Time Share Owners at Hatteras High;

(iv) the pumps, motors, fans, compressors, duct work and other elements providing water, heating, air conditioning, sewer or other similar utility services either generally to a Building in a Phase or to any Unit or Time Share Unit located in such Building; and

(v) all other real and personal property located in a particular Phase necessary or convenient to existence, maintenance or safety of such Phase and not for the general use of all Unit Owners and Time Share Owners of all Phases at Hatteras High.

H. "Common Phase Expenses" means and includes all sums assessed by the Association against the members of a particular Phase for the expenses of administration, maintenance, repair or replacement (including reserves for anticipated future expenses) of the Common Phase Areas and such expenses, if any, as may be applicable to the management, administration and general operation of the Association as it relates clearly and distinctly to a particular Phase at Hatteras High.

I. "Common Profits" means the balance of all receipts and revenues of the Association after the deduction of all of its proper expenses.

J. "Condominium" means the ownership of single units in a multi-unit structure with common areas and facilities.

K. "Declaration" shall mean the Declaration of covenants and restrictions and Declaration of Unit Ownership of Hatteras High dated May 22, 1985, as Amended and Restated herein, as the same may be hereafter amended from time to time. Any reference herein to Exhibits A, B, C, D, E, F or G shall refer to the Exhibits filed with the May 22, 1985 Declaration and recorded in the Office of Register of Deeds of Dare County, North Carolina with such Declaration as such Exhibits may be amended hereafter from time to time pursuant to the provisions hereof.

L. "Designated Season" shall mean the seasons of the calendar year in which Time Share Weeks are divided. There are three seasons as follows:

- (i) Blue Season is Weeks #1 through #12 and #46 through #52;
- (ii) White Season is Weeks #13 through #20 and #44 through #45; and

(iii) Red Season is Weeks #21 through #43, except that weeks #18, #19 and #20 of Unit 5A, weeks #18 and #20 of Unit 5B, and week #20 of Unit 5C, all of which were sold as "Gold" weeks under a prior system of designation, shall be deemed to be in the Red Season.

M. "Developer" shall mean Lifestyle Homes, Inc. and any successor in interest thereto by reason of merger or other change in corporate status, and shall also include any Person to which it shall assign expressly its rights as Developer under this Declaration by an instrument executed by the Developer and recorded in the Office of the Register of Deeds of Dare County, North Carolina.

N. "Exchange Program" means the service provided by an independent organization where owners of Time Share Weeks in different Resorts may exchange Time Share or Interval Weeks in one project for those in another.

O. "Exchange User" means a person who occupies a Unit dedicated to time sharing at Hatteras High pursuant to an Exchange Program.

P. "Expandable or Additional Land" means the entire proposed development of Hatteras High described in Exhibit C which the Developer may, from time to time and in its sole discretion, submit to this Declaration by an Amendment hereto as provided in Section 3 of the Declaration.

Q. "Flex Week" means and is synonymous with Floating Time Share Week.

R. "Maintenance Week" shall mean that time remaining in the calendar year not included within a designated Time Share Week which remains after fifty-one (51) Time Share Weeks in a Unit committed to time share ownership. This time shall be set aside for general maintenance and repair and for such other purposes as may be authorized by the Association.

S. "Majority" or "Majority of Unit Owners" means the Owners of more than fifty percent (50%) of all Units actually represented by Owners present and voting, in person or by proxy, at a duly called meeting of the members of the Association. The Unit vote of any Unit committed to time share ownership shall be

T. "Majority of Phase Unit Owners" means the Owners of more than fifty percent (50%) of all Units in a particular Phase of Hatteras High actually represented by Owners present and voting, in person or by proxy, at a duly called meeting of the members of such Phase.

U. "Majority of Time Share Owners" means the Owners of more than fifty percent (50%) of the Time Share Weeks

represented by Owners actually present and voting, in person or by proxy, at any meeting of Time Share Owners generally or of Time Share Owners of a particular Phase of Hatteras High.

V. "Person" means individual, corporation, partnership, association, trustee, or other legal entity.

W. "Phase" or "Phases" shall refer to the proposed stages of development of Hatteras High and to those portions of the Expandable or Additional Land as may be added from time to time by the Developer to Hatteras High and submitted to this Declaration. There shall be up to six phases of development of Hatteras High as specified in Exhibit E to the Declaration. Each Phase shall consist of one Building. Phases may be added to Hatteras High in the manner provided in Section 3 of the Declaration.

X. "Property" means the parcel or parcels of real estate expressly made subject to this Declaration, together with all improvements thereon and appurtenances thereunto belonging.

Y. "Time Share Expense" means the proportionate share of Common Expenses and Common Phase Expenses applicable to a respective Unit committed to Time Share Ownership and shall further include those expenses incurred by the Association and which are not attributable generally to services provided to all Unit Owners, and shall specifically include the cost of cleaning and linen service to Units committed to time share use, the acquisition, maintenance, repair, cleaning and replacement of Common Furnishings located in Units devoted to time share ownership, and to accounting, administrative and other similar services required for the services provided to Time Share Owners by the Association or related to those expenses of the Association distinctly applicable to Time Share Owners and not generally to all Unit Owners.

Z. "Time Share Owner" means a person or persons who owns a Time Share Week.

AA. "Time Share Unit" means a Unit which is committed by the Developer to time share ownership by conveyance of one or more Time Share Weeks. If all Time Share Weeks in a Unit committed to time share ownership are acquired by a single owner, including specifically the Developer, such Unit shall no longer be a Time Share Unit unless and until it is again committed to time share ownership.

BB. "Time Share Week" shall mean an exclusive right of occupancy in a Time Share Unit during a continuous seven (7) day period appurtenant to a 1/51st ownership interest in fee of such Unit. A Time Share Week shall be either a Fixed Time Share Week or a Floating Time Share Week, as follows:

(i) A "Fixed Time Share Week" shall mean in Buildings 1, 2 and 5 that period commencing at 4:00 o'clock P.M. on a respective Saturday and ending at 10:00 o'clock A.M. on the following Saturday, and in Buildings 3, 4 and 6 that period commencing at 4:00 o'clock P.M. on a respective Sunday and ending at 10:00 o'clock A.M. on the following Sunday.

(ii) A "Floating Time Share Week" shall mean a Time Share Week which has not been conveyed by the Developer as a Fixed Time Share Week. The right of occupancy appurtenant to a Floating Time Share Week is to reserve a week of occupancy during such Week's Designated Season among all available Floating Time Share Weeks in the respective Unit's Building in accordance with the procedures stated in Section 13 of this Declaration.

(iii) All Time Share Weeks shall be designated in the Deed of conveyance from Developer as either Fixed or Floating Weeks, but if not so designated, shall be deemed Floating Weeks.

(iv) Time Share Weeks shall be assigned a number from one (1) to fifty-two (52). Week #1 shall be the week commencing on the first Saturday or Sunday, as the case may be, of the calendar year, and ending at 9:00 o'clock A.M. on the following Saturday or Sunday, as the case may be, and so on.

(v) Once fifty-one (51) Time Share Weeks have been conveyed in a Unit, the remaining week and any additional days in a year not included within a designated Time Share Week in such Unit shall be a Maintenance Week.

CC. "Unit" or "Condominium Unit" means the physical elements of a condominium consisting of one or more rooms for residential purposes for the exclusive use of the owner or owners of such Unit and having an entrance from a Common Area or Common Phase Area. The physical boundaries of the Units for Phase One are designated in Exhibit F to the original May 22, 1985 Declaration.

DD. "Unit Owner" means the person or persons owning a Unit within a Building.

Section 3. RESERVED RIGHT OF ADDITIONAL DEVELOPMENT

A. The Developer intends to construct up to six buildings at Hatteras High and up to six Phases as specified in

Exhibit E to the Declaration. Phase One includes the property described in Exhibit B to the Declaration. Additional Phases will be constructed upon portions of the property described in Exhibit C to the Declaration. A maximum of 64 units will be constructed at Hatteras High. The appearance, size and configuration of units in subsequent Phases shall have substantially the same quality and design established by the building specifications for previous Phases. Portions of the Expandable or Additional Land described in Exhibit C may be submitted to the terms of this Declaration by the Developer filing in the Office of Register of Deeds of Dare County, North Carolina no later than May 1, 2000, an Amendment to such effect, to which shall be attached plans of the improvements located on the portion of the property being submitted to the Declaration, certified by a licensed architect or architectural engineer, together with an "as built" survey of such portion and the improvements thereon, which shall designate the Common Areas and Common Phase Areas located thereon. Such Amendment may contain such other provisions as may be reasonably necessary to make the Declaration suitable for the addition of such Phases.

B. The Developer hereby reserves a non-exclusive easement over, under and across the Common Areas and Common Phase Areas as may be needed in connection with the construction, maintenance or sale of additional Phases of Hatteras High. Neither the Association nor any Unit Owner shall interfere with the Developer's right of additional development reserved herein or with regard to any attempts of the Developer to sell any Units now or subsequently constructed at Hatteras High or to develop or sell any portion of the Expandable or Additional Land not previously submitted to the terms of this Declaration.

Section 4. OWNERSHIP OF COMMON AREAS AND COMMON PHASE AREAS

A. Unit Owner in Phases One, Two, Three or Four shall have an undivided one-twelfth (0.08333%) interest or share, and in Phases Five or Six shall have an undivided one-eighth (0.125%) interest or share, in those Common Phase Areas located in, or applicable or appurtenant to the Building in which his Unit is located, and an undivided interest or share in the Common Areas equal to 100% divided by the total number of Units in all of the Buildings which have been constructed in any of the Phases at Hatteras High and made subject to this Declaration, subject to a maximum of 0.08333% (1/12th) and a minimum of 0.0156% (1/64th) (i.e., no more than 64 total units can be made subject to this Declaration). The shares of ownership in the Common Areas are fixed as set forth in Exhibit E to the Declaration, but are subject to change upon the addition of Phases to Hatteras High as set forth in Exhibit E. The shares of ownership in Common Phase Areas shall be fixed.

Section 5. LIABILITY FOR COMMON EXPENSES

A. Each Unit Owner (including Developer) shall be responsible annually for his proportionate share of Common Area Expenses and Common Phase Area Expenses as such amounts are determined and assessed by the Association.

B. Except as provided in Paragraph H below, a Time Share Owner shall be responsible for his proportionate share of the assessments for Common Area Expenses and Common Phase Area Expenses applicable to the Unit in which his Time Share Week has an interest, together with his proportionate share of Time Share Expenses. Example: Assume that Phases One and Two have been built creating a total of 24 Units. Each Unit committed to Time Share Ownership will be responsible for 1/24th of Common Area Expenses and 1/12th of Common Phase Area Expenses. Assume that there are a total of 200 Time Share Weeks. An Owner of one Time Share Week shall be responsible for a 1/51st share of the Common Area Expenses and Common Phase Area Expenses applicable to the Unit in which he has a Time Share Week plus 1/200th share of Time Sharing Expenses.

C. The Association shall have the responsibility of setting assessments at a level reasonably expected to be necessary to establish over a period of time reserves for major repair expenses, such as replacement of Building roofs, exterior painting, resurfacing of parking lots and other similar improvements having an expected useful life of more than two years.

D. No Unit Owner or Time Share Owner may waive or otherwise escape liability for assessments of his proportionate share of Common Expenses by failing to use the Common Areas or Common Phase Areas or by failing to occupy his Unit or by the abandonment or attempted abandonment of his interest in Hatteras High. Each Unit Owner and each Time Share Owner shall remain liable for such assessments until such time as he shall no longer be a Unit Owner or Time Share Owner, as the case may be.

E. The Association shall have the right and authority not only to make regular annual assessments for Common Expenses, but also to make special assessments for capital improvements and operating deficits. All such annual and special assessments, together with interest at the judgment rate of interest provided by North Carolina law, any applicable Court costs and reasonable attorney's fees incurred by the Association for the collection thereof shall be a charge and a continuing lien upon the Unit or Time Share Week against which such assessment is made, and may be enforced in the manner provided for enforcement of judgment liens in the State of North Carolina. In addition each such assessment, together with

interest, costs and reasonable attorney's fees as aforesaid, shall also be the personal obligation of the person or persons (jointly and severally) who was or were the Owner or Owners of such Unit or Time Share Week at the time such assessment became due. The lien for assessments shall have priority as to all other claims or liens against the Unit or Time Share Week, as the case may be, except (a) liens for real estate taxes due and unpaid, (b) all sums secured by any deed of trust or mortgage recorded against the Unit or Time Share Week prior to docketing of a notice of lien in the Office of the Clerk of Superior Court of Dare County, North Carolina by the Association under the provisions of Article 8 of Chapter 44 of the North Carolina General Statutes, as the same may be amended, including specifically any assignee or grantee of any instrument enforcing such mortgage or deed of trust of Trustee's deed or deed to lender in lieu of foreclosure, and (c) materialman's and mechanic's liens specifically against such Unit or Time Share Week.

F. In the event any portion or all of a lien for assessments cannot be collected in a cost effective manner by foreclosure of such lien against the Unit or Time Share Week, as the case may be, or by collection from the Owner or former Owner of such Unit or Time Share Week, the uncollected amount shall be the responsibility proportionately of the other Owners in that particular Phase with regard to that portion of the assessment related to Common Phase Area Expenses, and proportionately among all of the Unit Owners for that portion of the Assessment attributable to Common Expenses. Any amount which cannot be collected from the Owner of a Time Share Week shall be borne pro rata by the Owners of all other time Share Weeks in that particular Phase.

G. No later than the time of filing of a notice of lien for unpaid assessments in the Office of the Clerk of Superior Court of Dare County against a Unit or Time Share Week, as the case may be, the Association shall cause a copy of said notice of lien to be sent to the holder of any deed of trust conveying such Unit or Time Share Week who has given the Association notice of its deed of trust or mortgage and the address to which such notices should be sent.

H. The Developer shall be responsible for Common Area Expenses and Common Phase Area Expenses applicable to any Unit owned by such Developer. The Developer shall have no liability for Time Sharing Expenses with regard to any Time Share Weeks owned by Developer, excepting only those Time Share Weeks which are occupied by any employee, guest, tenant or other invitee of the Developer. As to such weeks actually occupied the regular annual assessment shall be paid.

I. Any expenses individual to a Unit Owner or Time Share Owner (such as long distance telephone charges or physical damage beyond ordinary wear and tear) shall be paid promptly by the Owner responsible therefor.

Section 6. EASEMENTS

A. The Developer hereby grants and conveys a non-exclusive easement of ingress and egress to all Unit Owners and Time Share Owners in Hatteras High to Hatteras High from North Carolina Highway #12, as more particular set forth in Exhibit D to the Declaration, said easement to be appurtenant to the Units or Time Share Units conveyed to such Owners, nontransferable apart from the ownership of such Units or Time Share Units, and limited to the time during which such Unit Owners and Time Share Owners may rightfully use and enjoy their respective Units or Time Share Units.

B. The Developer hereby reserves unto itself, its successors and assigns, a non-exclusive easement of ingress and egress over and across all streets, driveways, parking areas, walkways, pathways and other Common Areas on the property which has been made subject to this Declaration, to and from the Atlantic Ocean, to facilitate the completion of the proposed development, and for the use of any subsequent owner of any portion of property located within the Expandable or Additional Land, whether or not such Expandable or Additional Land has been submitted to become subject to the terms of this Declaration.

C. The Developer hereby grants and conveys to the Association and to all Unit Owners and Time Share Owners in common with each other a non-exclusive easement for the maintenance, repair and upkeep of any driveways, sidewalks, sanitary or other utility facilities or similar improvements now existing or subsequently constructed by the Developer over, under or across any portion of the Expandable or Additional Land which are necessary for the convenient enjoyment of Hatteras High by the Unit Owners and Time Share Owners in common with each other.

D. Developer hereby reserves to itself during the permissible period of development and to the Association forever the right to grant easements over, under or across any portions of the Common Areas or Common Phase Areas located within the property made subject to this Declaration as may be necessary to provide utility services, including but not limited to electricity, telephone, natural gas, water, sewer, cable T.V. and other similar services.

E. Reference is hereby made to Paragraph B of Section 3 of the Declaration wherein the Developer reserves a non-

exclusive easement for construction, maintenance and sale of additional Phases of Hatteras High.

F. In the event there is any discrepancy between building plans and the "as-built" survey which results in any encroachment between any Unit and any Common Area or Common Phase Area, or vice-versa, an easement for the continued existence of such encroachment is hereby reserved and granted.

Section 7. MAINTENANCE AND ALTERATION OF HATTERAS HIGH FACILITIES

A. The maintenance, upkeep, repair, reconstruction, if necessary, improvement or alteration of any Common Areas or Common Phase Areas shall be the responsibility of the Association.

B. The upkeep, maintenance, repair, interior painting and other expenses particular to a particular Unit not dedicated to Time Share Ownership shall be the responsibility of the Unit Owner, who shall be responsible for the maintenance of a sufficiently high temperature in the Unit to prevent freezing of pipes.

C. The responsibility for the upkeep, maintenance, repair, cleaning and other expenses particular to a Unit dedicated to Time Share Ownership shall be that of the Association.

D. Without the consent of the Association, no Unit Owner or Time Share Owner shall make any alterations to any part of Common Phase Areas or Common Areas or any alteration to his Unit which would or might affect in any material way any other Units located within that building, and no Time Share Owner shall make any alterations or other changes to his Time Share Unit.

Section 8. ASSOCIATION

A. The Association shall be composed of and have as members all Unit Owners and Time Share Owners, including specifically the Developer. Each Unit Owner shall have one vote on all matters coming before the Association affecting the Unit Owners generally. Any Unit dedicated to Time Share Ownership shall have one vote, which shall be cast as determined by a majority of the Time Share Owners of that particular Unit actually voting, either in person or by proxy.

B. The Board of Directors of the Association shall have the authority to promulgate and enforce reasonable rules governing the operation of Hatteras High and the activities of Unit Owners and Time Share Owners while at Hatteras High which

the Association determines reasonably necessary to promulgate the general happiness, comfort and safety of all Unit Owners and Time Share Owners at Hatteras High in common.

C. The By-laws of Association are in the form set forth in Exhibit F, as the same may be amended from time to time.

D. Membership in the Association is not divisible from a Person's status as a Unit Owner or Time Share Owner, as the case may be, at Hatteras High. The share of any member in the funds and assets of the Association cannot be assigned, hypothecated, or transferred in any manner and shall automatically pass as an appurtenance to such person's Unit or Time Share Week. At such time as more than the original Phase One has been added to and become subject to this Declaration, the funds and assets attributable to the Common Phase Areas of a particular Phase shall be segregated and shall not be commingled with those funds and assets attributable to the Common Phase Areas of any other Phase.

E. Any decisions affecting only the Unit Owners and Time Share Owners in a particular Phase shall be determined by the vote of such Owners in such Phase.

F. Any Unit Owner or Time Share Owner may cast any vote which he is entitled to exercise either in person or by a proxy duly designated in writing.

G. The Developer shall maintain the right to appoint the Board of Directors of the Association until May 28, 1990, or until such earlier date as the Developer shall relinquish such right by notice directed to the Board of Directors of the Association, which shall thereupon give notice to the members of the Association.

H. For any matter requiring the vote of Unit Owners the Developer shall have one vote for each unsold Unit. For Units dedicated to time share ownership, the Developer shall have one vote for each Time Share Week either unsold or subsequently reacquired by the Developer in each Unit dedicated to time share ownership. Example: The Developer has sold 40 Time Share Weeks in a Unit committed to time share ownership. In determining how the vote of that Unit will be cast, the Developer will have 11 votes and the other owners of Time Share Weeks in Unit shall have the remaining 40 votes. In any matter requiring a general vote of all Time Share Weeks the Developer shall have one vote for each Time Share Week then owned by the Developer in Units committed to time share ownership.

I. The Board of Directors of the Association shall have the authority to determine and assess regular and special assessments for Unit Owners and Time Share Owners. Such

assessments shall be binding upon all Unit Owners and Time Share Owners unless within thirty days after the date of notice of mailing of any such assessment written objections shall have been received from 20 percent or more of the affected Unit Owners or Time Share Owners. In such event the Board of Directors of the Association shall schedule a meeting of the membership of the Association within thirty days thereafter and give notice thereof to all Unit Owners and/or Time Share Owners affected by the assessment in dispute. At such a meeting the amount of the assessment shall be adjusted to such amount as shall receive the approval of three-fourths or more in interest of the affected Unit Owners, either generally or in a particular Phase, and/or Time Share Owners, as the case may be, actually present and voting, either in person or by proxy. In the event no amount receives the approval by the required three-fourths vote, the assessment declared by the Board of Directors of the Association shall be confirmed and shall be due and payable by all affected Unit Owners and/or Time Share Owners.

Section 9. INSURANCE

A. The Association shall obtain and maintain the following insurance to protect all parties in interest at Hatteras High:

(1) All Buildings, improvements, and common furnishings located at Hatteras High in an amount equal to the maximum insurable replacement value without deduction for depreciation, if available, as determined annually by the Board of Directors of the Association, and insuring against loss or damage by reason of fire or other hazards covered by a standard extended coverage endorsement, and such other risks as are customarily covered with respect to buildings similar to the buildings at Hatteras High.

(2) Public liability insurance in such amounts and with such coverages as may be determined necessary by the Board of Directors of the Association.

(3) Such workmen's compensation coverage as may be required by law or otherwise determined necessary by the Board of Directors of the Association.

(4) Flood insurance required for any federally regulated lending institution pursuant to the Flood Disaster Protection Act of 1973.

(5) Such other insurance as the Board of Directors of the Association shall determine from time to time to be necessary or advantageous.

B. All insurance acquired by the Association shall be purchased by it for the benefit of the Association, the Unit Owners and Time Share Owners and their respective mortgagees as their interests may appear. Such policies and endorsements shall be issued in the name of and deposited with the Board of Directors of the Association as Trustee for the Unit Owners in each Phase in the percentages of interest of each Unit Owner established in Section 4 of this Declaration. A blanket insurance policy covering all Common Areas shall be acquired for the benefit of all Unit Owners, Time Share Owners and their respective mortgagees, as their interests may appear.

C. Insurance premiums shall be allocated among the Unit Owners and Time Share Owners in accordance with the provisions of Section 5 of this Declaration.

D. Each Unit Owner and each Time Share Owner, as the case may be, by acceptance of a deed for a Unit or Time Share Week, as the case may be, hereby irrevocably appoints the Board of Directors of the Association as Agent to adjust all claims arising under any insurance policies purchased by the Association, and to execute and deliver releases upon the payment of such claims.

E. Each Unit Owner or mortgagee of a Unit Owner shall upon request be furnished copies of any insurance policy purchased by the Association, or an appropriate certificate of insurance, showing the name of the insurance company, the beneficiaries, the policy number, the effective date and expiration date of the policy, the total amount of the policy, and the name and address of the insurance agent issuing or servicing the policy. Each casualty insurance policy shall provide that a respective Unit Owner or mortgagee of a Unit Owner shall be furnished notice of any change in or cancellation of the policy with thirty (30) days prior written notice before the proposed effective date of such change or cancellation.

Section 10. DAMAGE TO OR DESTRUCTION OF HATTERAS HIGH

A. Damage to or destruction of any one or all of the Buildings, Common Phase Areas or Common Areas shall be promptly repaired and restored by the Association using the proceeds of casualty insurance for that purpose. If there is a deficiency in the proceeds of the applicable insurance policies, the Unit Owners of the Phase or Phases affected thereby shall be assessed as Common Expenses for the deficiency between the amount of insurance proceeds and the amount necessary to repair, rebuild or replace the damaged building or improvement to its original condition.

B. All repairs or construction shall be made substantially in accordance with the plans and specifications

used for the original structure or building so damaged or destroyed.

C. In the event any building shall be more than two-thirds destroyed by fire or other casualty and the Owners of three-fourths or more of the Units in such building agree not to proceed with the repair or restoration thereof, then the proceeds of insurance applicable to such building and the property located within such Phase shall be subject to the provisions of Section 47A-25 of the North Carolina General Statutes, except that the property located within such Phase shall remain subject to an easement for the continued existence, maintenance and repair of any Common Areas located within such Phase for the benefit of Unit Owners and Time Share Owners in other Phases of Hatteras High.

D. Any excess proceeds from any such insurance policies remaining after payment of all expenses for repairing and restoration have been made shall be held by the Association and applied to Common Expenses of the Unit Owners and Time Share Owners in the Phase in which the damage occurred.

E. The Association and its agent shall have an irrevocable right of access to and about each Unit during reasonable hours for the purpose of inspection, maintenance, repair and replacement of any Common Areas or Common Phase Areas in or about such Unit.

Section 11. USE RESTRICTIONS

A. All Units now or subsequently constructed at Hatteras High upon property submitted to this Declaration shall be used for residential purposes exclusively. In addition no Unit Owner or Time Share Owner shall use his Unit or Time Share Week, or allow the same to be used, for any illegal purpose or for any purpose which would affect adversely the general reputation that Hatteras High, together with all Unit Owners and Time Share Owners thereof, enjoy, or the intended use of Hatteras High by such Owners.

B. The Board of Directors of the Association shall have the right to promulgate and enforce reasonable rules concerning the use and enjoyment of any of the property now or hereafter expressly submitted to the provisions of this Declaration.

C. No Unit Owner or Time Share Owner shall keep or allow to be kept any pet or pets, either in his Unit or upon any Common Area or Common Phase Area of Hatteras High.

D. No sign shall be erected or posted upon any Common Phase Area or Common Area by any Unit Owner or Time Share Owner without the express written consent of the Board of Directors of

the Association. Notwithstanding this limitation, the Developer shall have maintain the right during its permissible period of development of the property to post such signs as it may determine appropriate to facilitate the development and sale of any Units constructed or to be constructed at Hatteras High.

Section 12. DESCRIPTION OF BUILDINGS AND CONDOMINIUM UNITS

A. The buildings and condominium units of Phase One of Hatteras High are as described in Exhibit F, which is hereby incorporated by reference.

B. As additional Phases are subjected to this Declaration by the Developer, the description of the buildings and other facilities located thereon shall be shown and described by an appropriate Amendment to this Declaration duly filed by the Developer in the Office of Register of Deeds of Dare County, North Carolina.

C. The condominium units in each building are numbered in sequence from North to South and building to building from East to West. The last letter of each Unit number indicates the level in which the Unit is located. Level One is the ground level and there are no condominium units located on this level. All condominium units located on Levels Two, Three and Four will have a Unit designation ending with the letters A, B and C, respectively.

Section 13. UNITS COMMITTED TO TIME SHARE OWNERSHIP

A. Upon conveyance and recordation of the first deed conveying a Time Share Week in a Unit, the Unit shall be deemed committed to time share ownership. A Unit shall be considered to be no longer committed to time share ownership in the event that all Time Share Weeks in a particular Unit are reacquired by the Developer or become united in ownership by any other person. No Unit may be committed to time share ownership by any Person other than the Developer or a Person to whom a Developer has expressly assigned his right to commit Units to time share ownership or has granted a general mortgage or deed of trust against Hatteras High.

B. The Owner of each fixed Time Share Week shall be entitled to the Exclusive use and occupancy of the Unit and the common furnishings located therein, as well as the right in common with others to use the Common Areas and Common Phase Areas at Hatteras High, to the exclusion of any other Time Share Owners in that Unit, during the particular Fixed Time Share Week conveyed to such person.

C. The Owner of a Floating Time share Week shall have the right to reserve the exclusive occupancy of a specific Floating Time Share Week during his Designated Season. All such reservations shall be made with the Association, or its designated agent on a first come, first serve basis. Reservations may be made for a Floating time Share Week in a particular year, no earlier than one (1) year prior to the first week in such Owner's Designated Season. In the event conflicting reservation requests are received simultaneously by the Association, it shall resolve the same by means of chance. A reservation must be confirmed by payment of the Owner's annual assessment within thirty (30) days of its billing on such reserved week shall be available for reservation by another Owner. If any Owner makes no confirmed reservation for a particular week in a year by February 28 of such year, the Association may make an assignment of a specific week to such Owner during such Owner's Designated Season. A Floating Time Share Week Owner can lose his right of occupancy during his Designated Season in a particular year if he fails to make a reservation for a particular week sufficiently in advance of such week and by reason of such delay there remains no available Floating Time Share Week in such Phase to permit his occupancy. Accordingly, the obligation is upon each Floating Time Share Week Owner to make a reservation of a particular Week during his Designated Season in sufficient time to assure the availability of a Week for his occupancy. Lose of right of occupancy to a Floating Time Share Week Owner in a particular year shall not affect the liability of such Owner for the assessment which is his responsibility for such calendar year. In the event a Floating Time Share Week Owner shall lose his right of occupancy during his Designated Season in a particular year by reason of failure to make a reservation sufficiently in advance of a desired week, the Association and the Developer shall attempt to accommodate such Owner by making available an unsold or unreserved week in another Phase of Hatteras High, subject to the priority rights of the existing Owner in such other Phase, so that such floating Time Share Week Owner does not entirely forfeit his right of occupancy in such year, but neither shall have any liability to such Floating Time Share Week Owner if any mutually satisfactory alternate arrangements cannot be made.

D. The Association shall have the right to bar any Time Share Owner from occupancy in his respective Unit unless all outstanding assessments applicable to such Time Share Owner for the current and all preceding calendar years have been paid in full to the satisfaction of the Association.

E. A Time Share Owner shall have the right to permit the use of his respective Time Share Week, provided that all assessments have been paid, by an Exchange User. In such event the Time Share Owner shall give written notice to the

Association of the name and address of such Exchange User at least thirty (30) days prior to the commencement of such Time Share Week.

F. Any damage beyond ordinary wear and tear which occurs to a Unit committed to Time Share Ownership or any of the Common Furnishings located therein shall be the financial responsibility of the Time Share Owner for the Time Share Week during which such damage occurred. Any such financial responsibility shall be paid forthwith by the Time Share Owner in question to the Association.

G. In the event any person shall fail to vacate a Unit committed to Time Share Ownership by the end of the applicable Time Share Week, such person shall be subject to immediate removal, eviction or ejection from the Unit wrongfully occupied and to have waived any minimum period of notice required to quit the premises. In addition such person shall reimburse the Association and/or the person or persons having the right to occupy the Unit during the immediately following Time Share Week, for all costs and expenses incurred by the Association or such other person or persons as a result of such holding over, including but not limited to the cost of alternate accommodations, travel costs, court costs and reasonable attorney's fees incurred in connection therewith, and in addition to pay to the Owner of the immediately following time Share Week a sum equal to \$150.00 per day during each day or portion thereof, including the day of final surrender of the premises, during which such person wrongfully fails to vacate the Unit.

H. Upon reasonable notice to any person, lawfully occupying a Unit committed to Time Share Ownership, the Developer, the Association and its designated agent or agents shall have the right to enter such Unit for inspection and cleaning thereof or to make repairs at reasonable hours and whenever necessary to make necessary emergency repairs to such Unit.

Section 14. AMENDMENTS

A. This Declaration can be amended by the Developer without the consent of the Association or any Unit Owner or Time Share Owner for the purposes of adding additional Phases as provide din Section 3 of the Declaration, to correct any apparent inconsistencies of provisions within the Declaration, to supply any omissions of provisions required by law to be in the Declaration, and to make such other changes not materially affecting the rights of any Unit Owner or time Share Owner as may be necessary to obtain approval of the Declaration and

registration of Hatteras High with the North Carolina Real Estate Commission and any other governmental or administrative body having jurisdiction thereof.

B. This Declaration can be amended by the unanimous vote of the Board of Directors of the Association without the approval of the membership in such manner as may be required to qualify loans against any Unit or Time Sharing Week at Hatteras High so purchased by any federally insured financial institution or any generally recognized agency or corporation active in the mortgage secondary market, as may be required to obtain title insurance upon any Unit or Time Sharing Week at Hatteras High from any duly qualified title insurance company transacting business within the State of North Carolina, and for the purposes allowed to the Developer under Paragraph A immediately preceding.

C. Except to the extent that unanimous agreement or consent is required by other provisions hereof, this Declaration can be amended for any purpose by the affirmative vote of at least two-thirds in interest of those actually voting, either in person or by duly designated proxy, by both the Unit Owners and the Time Share Owners, or in such other manner as may be permitted by North Carolina General Statutes 47A or 93A-39, as the same may be from time to time amended hereafter. Any Amendment affecting only Unit Owners or the Unit Owners in a particular Phase or Time Share Owners may be adopted by the required affirmative vote of such Unit Owners, as the case may be. A quorum for the conduct of business to consider a proposed Amendment shall consist of twenty-five percent (25%) in interest of the Unit Owners, Unit Owners in a particular Phase, and/or Time Share Owners to whom the proposed Amendment is to be submitted for a vote. The determination of the quorum shall include not only those owners personally present but those represented by duly returned proxy. Any proposed Amendment to this Declaration by the membership of the Association shall be mailed to all Unit Owners and Time Share Owners together with notice of the meeting to consider such adoption, which meeting may either be a regular annual meeting or a meeting specially called for the purpose, sent to such Owners no fewer than ten (10) days and no more than fifty (50) days prior to the date of such scheduled meeting. The Developer shall have the same voting status as any other Unit Owner or Time Share Owner with regard to all Units or Time Share Weeks owned by the Developer, whether unsold or reacquired.

D. Any Amendment to this Declaration shall be in writing and shall be recorded in the Office of Register of Deeds of Dare County, North Carolina, shall be executed on behalf of the entity making such Amendment by the President thereof or other authorized official, and shall make reference specifically

to the authority contained in this Declaration by which such Amendment is made. Such Amendment shall be effective as of the date of its recordation as aforesaid. In each case any copy of the Amendment to the Declaration shall also be filed with the North Carolina Real Estate Commission, or any agency succeeding to its authority under North Carolina law, but the effectiveness of such Amendment shall not depend upon such filing with the North Carolina Real Estate Commission.

Section 15. AGENT FOR SERVICE OF PROCESS

The agent for any service of process upon either the Developer or the Association shall be Linda L. Glisson, P. O. Box 740, Grandy, North Carolina, 27939 or Lot C6 Midway Drive, Walnut Island, North Carolina, 27939.

Section 16. RIGHT TO INFORMATION

Any Unit Owner or Time Share Owner and any lender holding a recorded lien against a Unit or Time Share Unit shall be furnished promptly by the Association upon written request therefor any information relevant to the status or financial condition of the Association or otherwise pertinent to the reasonable protection of the interests of any such Unit Owner, Time Share Owner or lender, and shall be furnished copies of any relevant documentation upon payment of the reasonable expense of producing such copies.

Section 17. TERMINATION

This Declaration can be terminated upon obtaining the written consent of the Developer, all Unit Owners, Time Share Owners, and all lenders having a recorded lien against any portion of Hatteras High or any individual Unit or Time Share Unit. In such event the property submitted to this Declaration shall be owned by the Unit Owners and Time Share Owners in accordance with their respective undivided interests. In the event of condemnation of Hatteras High or any portion thereof or other acquisition through eminent domain, any persons affected thereby shall be notified by the Association and any proceeds resulting from such condemnation or other acquisition shall be distributed to the affected parties as their interests may appear.

Section 18. NOTICES

Any Unit Owner or Time Share Owner and any lender holding a recorded lien against any Unit or Time Share Unit and wishing to receive notices to which it may be entitled shall notify the Association of the address to be used to send any notice to such Owner or Lender.

Section 19. SEVERABILITY

The invalidity of any portion of this Declaration, as amended, or of the by-laws or any Regulations of the Association, shall not effect the validity of the remaining portions thereof.

IN WITNESS WHEREOF, the Developer and the Association have each caused this instrument to be executed by their presidents and their corporate seals to be affixed and attested by their secretaries, all as of the day and year first above written.

LIFESTYLE HOMES, INC.

By Jerrold J. Greene
President



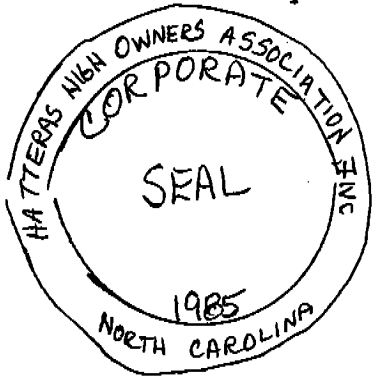
Linda L. Glisson
Secretary

HATTERAS HIGH OWNERS ASSOCIATION, INC.

By Jerrold J. Greene
President

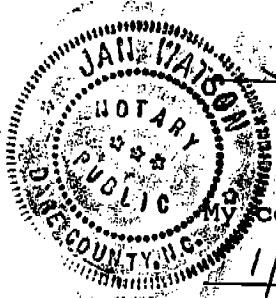
ATTEST:

Linda L. Glisson
Secretary



DARE COUNTY,
NORTH CAROLINA

This is to verify that on this date before me personally came Linda Glisson, with whom I am personally acquainted, who being by me duly sworn says that Jerrold T. Greene is the president and that she is the secretary of Lifestyle Homes, Inc., the corporation described in and which executed the foregoing instrument; that she knows the common seal of the corporation; that the seal affixed to the foregoing instrument is said common seal and the name of the corporation was subscribed thereto by the said president and the said president and secretary subscribed their names thereto and 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 15th day of July, 1988.

Jan Watson
Notary Public

My commission expires:
1/26/92

DARE COUNTY,
NORTH CAROLINA

This is to verify that on this date before me personally came Linda Glisson, with whom I am personally acquainted, who being by me duly sworn says that Jerrold T. Greene is the president and that she is the secretary of Hatteras High Owners Association, Inc., the Association described in and which executed the foregoing instrument; that she knows the common seal of the Association; that the seal affixed to the foregoing instrument is said common seal and the name of the Association was subscribed thereto by the said president and the said president and secretary subscribed their names thereto and said common seal was affixed all by authority of the Board of Directors of said Association and that the said instrument is the act and deed of said Association.



Witness my hand and notarial seal this the 15th day of July, 1988.

Jan Watson
Notary Public

My commission expires:
1/26/92

The foregoing Certificate(s) of Jan Nelson a
Notary Public of Dare Co. N.C.
is/are certified to be correct. This instrument and this
certificate are duly registered at the date and time and in the
Book and Page shown on the first page hereof.

Doris A. Gray REGISTER OF DEEDS
FOR Dare COUNTY
BY Nam Jean Wain Deputy/Assistant-Register of
Deeds

DARE COUNTY
072653

STATE OF
NORTH CAROLINA



Real Estate
Excise Tax

04.00

OCT 31 '88

P.B. 19717

BK 595 PG 0454

FILED

OCT 31 AM 9 53

JORRIS A. FRY
REGISTER OF DEEDS
DARE COUNTY, N.C.

EXEMPT

DARE COUNTY TAX
COLLECTOR

NO. 6571-88

Excise Tax \$4.00

Recording Time, Book and Page

Tax Lot No. DARE REAL ESTATE TRANSFER TAX Parcel Identifier No. _____
 Verified by COUNTY County on the _____ day of _____, 19____
 by 6571.88

Mail after recording to Barrier Island Station, Inc., S. R. Box 270X, Duck, NC 27949

This instrument was prepared by Grantor

Brief description for the Index **BARRIER ISLAND STATION FOUR CONDOMINIUMS**

NORTH CAROLINA GENERAL WARRANTY DEED

THIS DEED made this 5th day of February, 1988, by and between

GRANTOR

Sunset Developer's, Inc.
2802 N. Main Avenue
Scranton, PA 18508

GRANTEE

BARRIER ISLAND STATION, INC.
S. R. Box 270X
DUCK, NC 27949

Enter in appropriate block for each party: name, address, and, if appropriate, character of entity, e.g. corporation or partnership.

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all that certain lot or parcel of land situated in the City of _____, Atlantic Township,

Dare County, North Carolina and more particularly described as follows:
 Unit Week(s) No.(s): 1,24 Unit 1,204 Unit Week(s) No.(s): _____ Unit _____
 Unit Week(s) No.(s): _____ Unit _____ Unit Week(s) No.(s): _____ Unit _____

BARRIER ISLAND STATION FOUR Condominiums, according to the Declaration of Unit Ownership thereof initially recorded in Book 377, Page 154, Dare County Public Registry including specifically Exhibit 'L' attached hereto which consists of a declaration of interval ownership recorded in Book 377, Page 219, Dare County Public Registry.

Each said Unit week consists of a stated time period for a period of years, together with a remainder interest over in fee simple as tenants in common with all other purchasers of Unit Weeks in each particular Unit, together with the right to exclusive use and occupancy of said unit during the stated time period as defined in said Declarations of Unit Ownership and Interval Ownership. Each said Unit Week further consists of a non-exclusive right to use and enjoy the common elements and a 1/52 undivided interest in fee simple as tenants in common with the other owners of Unit Weeks in such Unit in and to the percentage of ownership in and to the common elements as assigned to such Unit pursuant to the Declaration of Unit Ownership. All the provisions of the Declaration of Unit Ownership (including the Declaration of Interval Ownership) as recorded in Book 377, Page 154 being incorporated herein by reference. A Unit Week is a recurring estate for years with remainder over in fee simple as tenants in common with other purchasers of Unit Weeks in each particular Unit with the estate for years terminating on the 31st day of December in the year 2024, at which time Grantee's remainder interest as set forth above becomes vested.

This conveyance is subject to taxes for the current year and subsequent years; conditions, restrictions, limitations, reservation, easements, and other matters of record in Dare County, North Carolina affecting said Unit; and the aforesaid Declaration of Unit Ownership and amendments thereto of record in the Dare County Public Registry.

The above land was conveyed to Grantor by Deed duly recorded in the Dare County Public Registry.