

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

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ROBERT J. ROBINSON
REGISTERED DEEDS
CLERK
BRUNSWICK COUNTY, N.C.
DECLARATION OF CONDOMINIUM FOR
THE HAMMOCKS, A CONDOMINIUM

THIS Declaration of Condominium, dated for purposes of reference only this 5th day of August, 1998, is made by The Hammocks, LLC, a North Carolina limited liability company with its principal place of business being located in Brunswick County, Village of Bald Head Island, North Carolina, hereinafter designated "Developer", pursuant to the North Carolina Condominium Act, Chapter 47C, of the General Statutes of North Carolina:

WITNESSETH

WHEREAS Developer is the owner in fee simple of certain real property located in the Village of Bald Head Island, Brunswick County, North Carolina, described in Exhibit A attached hereto, together with all buildings and improvements now or hereafter constructed or located thereon, including all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate ("Property"); and

WHEREAS Developer has constructed on a portion of the Property certain residential structures and related improvements; and

WHEREAS Developer desires to submit the improved portion of the Property to the provisions of the Act;

NOW, therefore, Developer, as the owner of the Property, hereby declares as follows:

ARTICLE I

DEFINITIONS

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As used herein, the following words and terms shall have the following meaning:

1.1 ACT.

North Carolina Condominium Act, Chapter 47C, General Statutes of North Carolina, as the same is in effect at the time of recordation of this Declaration of Condominium or, to the extent required by law, as the same may be amended from time-to-time.

RET Grace Edwards
TOTAL 120.00 REV TC# 7033
REC# 04 CK AMT 120.00 CR# 1105
CASH REF BY CR
84.00 08/02

1.2 ASSOCIATION.

The Hammocks Association, Inc., a North Carolina non-profit corporation organized pursuant to Article III of the Act.

1.3 BOARD.

The Board of Directors of the Association.

1.4 BY-LAWS.

The By-Laws of the Association which are incorporated herein and made a part hereof by this reference.

1.5 CALENDAR.

The time period or periods each calendar year during which the Owner of each Co-Ownership Interest is entitled to utilize the Unit in which said Owner owns a Co-Ownership Interest, as set out on Exhibit B attached hereto.

1.6 COMMON ELEMENTS.

All portions of the Condominium except the Units.

1.7 COMMON EXPENSES.

Expenditures made for liabilities incurred by or on behalf of the Association together with any allocations to reserve.

1.8 CONDOMINIUM.

All improvements constructed or to be constructed on the Condominium Property, or which are to be annexed thereto upon completion.

1.9 CO-OWNERSHIP INTEREST.

An undivided interest in a Unit within the Condominium, as the same may be deeded by fee simple warranty deed.

1.10 CONDOMINIUM PROPERTY

The real estate submitted to the Act by this Declaration of Condominium, as more fully described on Exhibit D attached hereto, including all rights, privileges, easements and

appurtenances belonging to or in any way pertaining to said real estate, and further including, at the appropriate time, any real estate submitted to the Act by amendment to this Declaration.

1.11 CROFTER.

An efficiency living unit, not attached to a Unit or made a part of a Unit, which may be attached to a Garage, and which is owned by the Association or is made a part of the Common Elements, the utilization of which shall be controlled by the Association.

1.12 DECLARANT.

The Developer and any person who succeeds to any Special Declarant Rights pursuant to the Act, including without limitation, ownership for purposes of development of any portion of the Property.

1.13 DECLARANT CONTROL PERIOD.

The period commencing on the date of the recordation of this Declaration of Condominium and continuing until the earlier of:

- a. One hundred twenty (120) days after conveyance of seventy-five percent (75%) of all Units which may be included within the Condominium by Declarant; or
- b. Two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or
- c. Two (2) years after any development right to add new Units was last exercised.

1.14 FIRST MORTGAGE AND FIRST MORTGAGEE.

A First Mortgage is a mortgage or deed of trust which has been recorded so as to give constructive notice thereof, and which is a first lien on the Unit described therein. A First Mortgagee is the holder, from time-to-time, of a First Mortgage as shown by the records in the office in which the First Mortgage is recorded. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the By-Laws.

1.15 FLOOR PLANS.

The floor plans of the Condominium recorded as Exhibit C to this Declaration, and made by the Act a part of this Declaration, as the same may hereafter be amended, and the plat of survey recorded in Map Cabinet 7, Pages 345 and 350 Brunswick County Registry.

Through

1.16 GARAGE.

A detached structure made by this Declaration a part of a Unit, which is designed to allow enclosure therein of a single golf cart or similar electric vehicle, which structure may stand alone, be a part of a duplex Garage, or be part of a duplex Garage with Crofter.

1.17 INTERVAL.

An Interval is a specific period of continuous days during which the Owner of a Co-Ownership Interest shall have the exclusive right of utilization of the Unit within which said Owner owns his Co-Ownership Interest.

1.18 LIMITED.

Limited shall mean Bald Head Island Limited, a Texas limited partnership qualified to do business in the State of North Carolina.

1.19 LIMITED COMMON ELEMENTS.

Those portions of the Common Elements allocated by operation of North Carolina General Statutes, Section 47C-2-102(2) and (4) of the Act for the exclusive use of at least one but fewer than all of the Units and also any Limited Common Elements specifically allocated to one or more Units on the Floor Plans or specified herein.

1.20 OCCUPANT.

Any person or persons in possession of a Unit, including any Owner, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees and other such persons as named herein.

1.21 OWNER.

See Unit Owner.

1.22 PERSON.

A natural person, corporation, partnership, limited liability company, trust or other entity, or any combination thereof.

1.23 PROPERTY.

The real property described on Exhibit A, which real property is owned by either Declarant or Bald Head Island Limited, which said real property may be annexed to this Declaration.

1.24 SECURITY FOR AN OBLIGATION.

A Vendor's interest in a contract or deed, Mortgagee's interest in a mortgage, beneficiary's interest in a deed of trust, purchaser's interest under a share or certificate of sale during the period of redemption, or the holder's interest in a lien.

1.25 SECURITY HOLDER.

Any Person owning a Security for an Obligation in a Unit.

1.26 SPECIAL DECLARANT RIGHTS.

The rights reserved herein and in the By-Laws for the benefit of the Declarant, including the following:

1.26.1 Right to complete the improvements indicated on the Floor Plans;

1.26.2 Right to maintain sales offices, management offices, models and advertising signs in a Condominium;

1.26.3 Right to use easements through the Common Elements, and easements allowing access to the Common Elements;

1.26.4 Right to elect, appoint or remove members of the Board during the Declarant Control Period; and

1.26.5 Right to add real estate and improvements so as to become a part of the Condominium.

1.27 UNIT.

That portion of the Condominium, whether or not contained solely or partially within a single building, together with its percentage of undivided interest in the Common Elements as set forth in Exhibit E. The term "Unit" shall specifically include any decks or patios appurtenant to any Unit, and which are clearly designed for exclusive utilization of the Occupant of said Unit, and shall include the Garage appurtenant thereto. The term "Unit" shall not include Crofters.

1.28 UNIT BOUNDARIES.

The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Floor Plans, are the interior undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceilings facing the

interior of the Unit, and the top most surfaces of the sub-flooring, including the decorations on all such interior and top most surfaces, being, without limitation, all paneling, tiles, wallpaper, paint, finished flooring and other materials constituting any part of the decorated surfaces thereof, and also including all spaces, interior partitions and other fixtures and improvements within such boundaries. Notwithstanding any other provisions of this definition, all decks or balconies, including steps thereto, immediately appurtenant to any Unit and accessible directly from a Unit, shall be considered a part of that Unit, and the Unit Boundary of such decks or patios shall consist of the undecorated surface of the ceiling, if any, facing the floor of the Unit, and the top most surface of the unfinished flooring, and shall be bounded by a vertical plane drawn from the exterior perimeter of such balcony or deck, if unenclosed, and extended from the ceiling or flooring, whichever extends the greater distance from such exterior building wall, to a hypothetical plane extended from the ceiling or floor, horizontally, until intersected with the vertical plane as described.

1.29 UNIT OWNER.

The Person or Persons, including the Declarant or the Association, owning a Unit in fee simple, including contract for deed purchasers of a Unit, but excluding contract for deed purchasers of the Unit who are Security Holders, and also excluding all other Security Holders.

Any term or phrase defined in Section 47C-1-103 of the Act, in any other provision of the Act, or anywhere within this Declaration of Condominium or the By-Laws, to the extent not set out herein, shall be incorporated by reference herein as if fully defined in this Article I of this Declaration.

ARTICLE II

SUBMISSION OF PROPERTY TO THE ACT

2.1 SUBMISSION.

Developer hereby submits the Condominium Property to the Act.

2.2 NAME.

The Condominium Property shall hereafter be know as The Hammocks, a Condominium.

2.3 DIVISION OF PROPERTY INTO SEPARATELY OWNED UNITS.

Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium Property, does hereby divide the Condominium Property described on Exhibit D into two residential Units and does hereby designate such Units for separate ownership,

subject, however, to the provisions of the Declaration and the By-Laws. Developer further divides thereon one Crofter as a parcel of real estate, to be conveyed to the Association.

2.4 ALTERATION OF UNITS.

No Unit may be subdivided into more than one Unit.

2.5 LIMITED COMMON ELEMENTS.

The Limited Common Elements serving or designated to serve each Unit are as shown on the Floor Plans or as described in this Declaration, and are hereby allocated solely and exclusively to each such Unit.

2.6 UNIT ALLOCATION.

The Allocated Interests appurtenant to each Unit (including the undivided interests in the Common Elements, the Common Expense liability, and the votes in the Association allocated to each Unit) are as set out on Exhibit E. The method of determining each Allocated Interest is described in Article III hereunder.

2.7 ENCUMBRANCES.

The liens, defects and encumbrances on the Property to which the rights of Unit Owners and Occupants are made hereby subject are set out on Exhibit F.

ARTICLE III

ALLOCATED INTERESTS

3.1 UNDIVIDED INTEREST IN THE COMMON ELEMENTS.

The undivided interests in the Common Elements assigned to each Unit, and as set out on Exhibit E attached hereto, have been derived by dividing the approximate gross area square footage of each Unit by the total approximate gross square footage of all Units which have been submitted to the Declaration. Gross square footage shall include heated and unheated space, including balconies, covered and uncovered porches, screened porches and decks, but excluding steps and Garages. The resultant fraction has been rounded off by conversion to a percentage figure so that the total sum of the undivided interests in the Common Elements equals one hundred percent.

3.2 ALLOCATION OF COMMON EXPENSES.

The Common Expenses of the Association shall be allocated among all of the Units. The budget of the Association shall contain various categories of expense, which categories shall include, but need not be limited to, expenses relating to recreational facilities; expenses relating to landscaping; expenses relating to security; expenses relating to insurance; utility and general maintenance expenses; and expenses relating to management and administration of the Condominium Property. Except as otherwise specified, all Common Expenses shall be allocated based upon the number of bedrooms (including a Crofter as one bedroom) contained within a Unit, and whether the Owner of a Unit is entitled to utilization of a Crofter. There are therefore four categories of Units, each to pay a different percentage of the Common Expenses, with each unit within each category to pay identically. The categories of Units, to be specified in each deed of conveyance or on the Floor Plans, are as follows:

- a. R-2 without Crofter (2 bedroom);
- b. R-2 with Crofter;
- c. T-3 or R-3 without Crofter (3 bedroom); and
- d. T-3 or R-3 with Crofter.

The Base dues shall be for the R-2 without Crofter, and shall be designated "X". The dues for the T-3 or R-3 without Crofter shall be 120% of X. Any Unit whose Owner is entitled to utilization of a Crofter shall add to its assigned dues an amount to the estimated actual cost to the Association of maintenance and upkeep of the Crofter and personalty associated therewith (including reserves), divided by the number of Owners entitled to utilize each Crofter (maximum 26 Owners per Crofter). Said amount for 1999 has been determined to be \$465 per year per Owner entitled to such utilization.

Declarant has determined that such an allocation fairly represents Common Expense liabilities compared to benefits. However, all long distance telephone charges billed directly to a Unit shall be charged as a Common Expense to that Unit, as set out in the Act, Section 47C-3-115(c)(3), and may then be further allocated to the holder of a Co-ownership Interest in said Unit entitled to utilization of said Unit for the period of time in which such charge was incurred.

3.3 ALLOCATION OF VOTES.

All Units shall be assigned one vote in all matters upon which Owners are entitled to vote as members of the Association. The Owners of said Unit shall allocate among themselves such vote, if there is more than one Owner, as set out in this Declaration and the By-Laws.

3.4 ANNEXATION.

Upon annexation of Units to the provisions of this Declaration, the undivided interests of each Unit Owner will be reassigned, as will the allocation of Common Interests, in accordance with the formulas set out in this Paragraph 3(3.1, 3.2 and 3.3).

3.5 INTERVAL SALES.

To the extent that Declarant sells a Unit to more than one person (see Article XVI), the undivided interests, allocation of Common Expenses and allocation of votes assigned to each Unit shall be further divided and allocated to each person having an ownership interest in said Unit, as set out on Exhibit E.

ARTICLE IV

EASEMENTS

4.1 ENCROACHMENTS.

In the event that, by reason of the construction, reconstruction, rehabilitation, alteration, settling or improvement of any building or improvement comprising a part of the Property, any part of the Common Elements now or hereafter constructed encroaches upon any part of any Unit, or any part of any Unit now or hereafter encroaches upon any part of the Common Elements, or upon any part of another Unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for as long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon, as determined by the Board.

4.2 EASEMENTS THROUGH WALLS.

Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association to install, construct, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

4.3 EASEMENTS TO REPAIR, MAINTAIN, RESTORE AND RECONSTRUCT.

Whenever in, and whenever by, this Declaration, the By-Laws or the Act, an Owner, the Association, the Board or any other Person is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore, replace or reconstruct all or any part of a Unit or the

Common Elements, or any personalty within a Unit (including fixtures), such easements as are necessary for such entry and repair, maintenance, restoration, replacement or reconstruction are hereby declared and granted.

4.4 DECLARANT EASEMENTS.

Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations and completing the development and construction of the Condominium, which easements shall exist so long as reasonably necessary for such purposes.

4.5 EASEMENTS TO RUN WITH THE LAND.

All easements and rights described within this Declaration are appurtenant easements running with the land or real estate, and except as otherwise expressed shall be perpetually in full force and effect, and shall enure to the benefit of and be binding upon Declarant, the Association, Owners, Occupants, Security Holders, and any other Person having any interest in the Condominium or any part thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Declaration, whether or not specifically mentioned in any such conveyance or encumbrance.

4.6 ACCESS EASEMENT.

By recording this Declaration, Declarant hereby specifically transfers, conveys and assigns, non-exclusively, all rights of ingress and egress to the Property granted to Declarant, as set out in that easement recorded in Deed Book 1191, Page 1057, Brunswick County Registry, to the Association and to each Owner, and their respective heirs, successors and assigns.

ARTICLE V

RESTRICTIONS, CONDITIONS AND COVENANTS

5.1 COMPLIANCE WITH DECLARATION, BY-LAWS AND RULES AND REGULATIONS.

Each Owner and Occupant shall comply with all applicable provisions of the Act, the Declaration, the By-Laws and the Rules and Regulations promulgated by the Board or the Association, as amended from time-to-time. Failure to comply shall be grounds for an action by the Association, an aggrieved Owner, or any person adversely affected, for recovery of damages, injunction or other relief.

5.2 ADMINISTRATION OF CONDOMINIUM.

The Condominium shall be administered in accordance with the provisions of the Act, the Declaration and the By-Laws.

5.3 USE RESTRICTION.

Each Unit submitted by the Declaration shall be occupied and used by its Owners and Occupants for residential purposes only, except as specifically authorized by a provision of this Declaration. Notwithstanding this provision, nothing contained herein shall prohibit any Owner from conducting business within a Unit by telephone, telefax, computer or other similar means, and nothing shall restrict Declarant from using any Unit for administrative or sales purposes.

5.4 RESTRICTIONS ON RENTALS.

No Unit may be listed with any third party for the purpose of procuring rental guests to utilize the Unit, nor may any notice or advertisement of any kind be placed by any Owner, or the agent or representative of any Owner soliciting rental business for any Unit. Nothing contained herein shall prohibit or restrict an Owner from renting his interest in any Unit to a friend or family member without use of a rental agent or payment of a commission, as long as such rental is not part of an on-going business enterprise of rental activities such allowed rentals shall be referred to as "Incidental Rentals."

5.5 HAZARDOUS USE AND WASTE.

Nothing shall be done to or kept in any Unit or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium. No Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse or destruction), to or in his Unit or the Common Elements.

5.6 ALTERATION OF COMMON ELEMENTS.

No Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon or remove anything from Common Elements or remove any personalty which is the maintenance or replacement responsibility of the Association, or paint, decorate or alter any of the interior or exterior of any Unit, without the prior written consent of the Board.

5.7 PETS.

No pets shall be allowed in the Condominium except as provided by rules and regulations adopted from time-to-time upon recommendation by the Board, and approved by majority vote of the Association. Until such rules are adopted, pets are prohibited.

5.8 RULES AND REGULATIONS.

In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time-to-time by the Board or the Association as more fully provided in the By-Laws.

5.9 RESTRICTIONS, CONDITIONS AND COVENANTS TO RUN WITH THE LAND.

Declarant and each Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land or real estate, and shall bind every person having any interest in the Condominium Property, and shall inure to the benefit of every Owner.

ARTICLE VI

ASSESSMENTS

6.1 ASSESSMENT OF LIENS.

The Board has the power to levy assessments against the Units for Common Expenses. Such assessments shall be a lien upon the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the Unit (or undivided interest therein) sold or a money judgment obtained against the Persons liable therefore. All authority to assess and collect liens granted by the Act is hereby given to the Association.

6.2 PERSONAL LIABILITY OF TRANSFEREE; STATEMENTS; LIABILITY OF FIRST MORTGAGEE.

6.2.1 Transferee. The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless the delinquent assessments are expressly assumed by the transferee. This provision relieves the transferee of personal obligation only, and in no way relieves the Unit from any applicable lien for nonpayment.

- 6.2.2 Statement. Any transferee referred to in 6.2.1 above shall be entitled to a statement of unpaid assessments from the Board, and such transferee's Unit shall not be subject to a lien for unpaid assessments against such Unit in excess of the amount therein set forth.
- 6.2.3 Assessments. Where a Mortgagee, or other Person claiming through such Mortgagee, pursuant to the remedies provided in a Mortgage or Deed of Trust, or by foreclosure, or by deed in lieu of foreclosure, obtained title to a Unit, the liability of such Mortgagee, or such other person, for assessments shall be only for the assessments, or installments thereof, that would become delinquent if not paid after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.
- 6.2.4 Common Expense. Without releasing the transferrer from any liability therefore, any unpaid portion of assessment which is not a lien under 6.2.2 above, or resulting, as provided in 6.2.3 above, from the exercise of remedies in a mortgage or deed of trust, or by foreclosure thereof, or by deed in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under 6.2.2 above, and the Mortgagee or such other person under 6.2.3 above to acquire its ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.
- 6.2.5 Co-Ownership Interests. Notwithstanding any of the provisions contained within this Article, and to the extent that Co-Ownership Interests have been conveyed in any Unit, the assessment to be charged to such Unit shall be equally divided as an assessment against the Owner of each equal Co-Ownership Interest in such Unit, and any remedy for nonpayment allowed to the Association or to any third-party shall be available only against the defaulting Owner of such a Co-Ownership Interest, and any lien shall attach only to said Co-Ownership Interest.

6.3 **PROHIBITION OF EXEMPTION FROM LIABILITY FOR CONTRIBUTION TOWARDS COMMON EXPENSES.**

No Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of a use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

ARTICLE VII

MANAGEMENT, MAINTENANCE, REPAIRS, REPLACEMENTS,
ALTERATIONS AND IMPROVEMENTS

7.1 COMMON ELEMENTS.

7.1.1 By the Association. The management, replacement, maintenance, repair, alteration and improvement of the Common Elements shall be the responsibility of the Association, and subject to the provisions of this Article VII, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to the Declaration or the By-Laws. All damage caused to a Unit by any work on or to the Common Elements, or otherwise in regard to the responsibilities of the Association being carried out, shall be repaired by the Association, and the cost thereof shall be a Common Expense.

7.1.2 By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his intentional acts or the intentional acts of any Occupant of his Unit. Such payment shall be made upon demand by the Association, and shall be, for all purposes of collection, considered an Assessment. As used herein, an intentional act shall include any damage done to a Common Element occasioned by said Owner or any Occupant to the extent that such occurred during a social event within a Unit in which alcohol is served.

7.2 EXPENSES ASSOCIATED WITH LIMITED COMMON ELEMENTS OR BENEFITTING LESS THAN ALL UNITS.

7.2.1 Limited Common Elements. Any Common Expense associated with the maintenance, repair or replacement of a Limited Common Element shall be assessed as a Common Expense of the Association, and shall not be charged to the Owner of the Unit, unless such damage is caused as set out in Section 7.1.2.

7.2.2 Benefitting Less Than All Units. Unless an assessment which benefits less than all Units would be charged if charged as a Common Expense to a particular Unit or group of Units under Article 3.2 of this Declaration, such assessment shall be a Common Expense, and not charged to the Unit or the Units specifically benefitted thereby.

7.3 UNITS.

The Association shall maintain all Units in a good and clean condition at all times, and shall repair and replace at its expense all portions of each Unit as necessary, on a schedule as determined by the Board. It is expressly acknowledged that all Units are completely furnished

as of the time of the acquisition of title thereto by the initial Owner, and that the repair, maintenance and replacement of all such furnishings (including, without limitation, fixtures, decorations, kitchenware, floor coverings, and wall coverings) shall be the responsibility of the Association. Furthermore, it is expressly acknowledged that a golf cart will be provided, either through ownership or by lease, to each Unit, and that the obligation to pay for, repair and maintain said golf cart shall be a Common Expense, and shall not be allocated to the particular user thereof. Notwithstanding this provision, to the extent that a Unit, or any of its furniture, fixtures or equipment, becomes damaged or destroyed by reason of the negligence or intentional act of the Owner or an Occupant of a Unit, replacement thereof shall be made by the Association, but the cost thereof may be assessed to the Unit, and to the Owner of the Co-Ownership Interest which Owner had right of utilization of the Unit at the time of the occurrence of such damage. It is the intent of this provision that the Association adequately maintain all Common Elements, all portions of any Unit and all personalty provided for utilization of the Occupants of any Unit, and all personalty within any Unit, including all furniture, fixtures and equipment contained within any Unit, or provided for the exclusive use of the Occupants of a Unit. The cost thereof shall be a Common Expense, except as specifically limited by a provision of this Declaration, in which instance the cost may be assessed against the Owner of a Unit, or, if applicable, the holder of a Co-Ownership Interest in any Unit. Nothing herein contained shall modify any waiver by insurance companies of any right of subrogation.

7.4 WAIVER OF CLAIMS.

Except only as provided in Section 7.5.1, the Association agrees that it shall make no claim against the Unit Owner or Occupant, and Unit Owners and Occupants agree that they shall make no claim against the Association, members of the Board, officers of the Association, or employees or agents of any thereof, or against any manager retained by the Board or its officers, directors, employees or agents, or other Unit Owners or Occupants, for any loss or damage to any of the Property, or to a Unit or personal property therein, provided that this waiver shall not apply to any such loss or damage caused by negligent or intentional acts if such claim is specifically allowed by a provision of this Declaration, and provided further that this waiver is void if application of the same will result in loss of insurance coverage or by the parties suffering the damage.

7.5 RIGHT OF ENTRY.

7.5.1 By The Association. The Association, and any Person authorized by the Association, may enter any Unit or any of the Limited Common Elements in case of any emergency or dangerous condition or situation originating in or threatening that Unit or any of the Limited Common Elements. Furthermore, such entry may be made by such parties to fulfill any obligation of the Association, including, without limitation, the obligation to maintain, repair or replace any personalty within any Unit, or any obligation to clean, treat for pests, or otherwise provide services to and for the benefit of the

Occupant of any Unit. Notwithstanding Section 7.4, the Association shall be responsible for any damage caused by the Association or any person authorized by it to enter any Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner. As set out on the Calendar, there is one or more Intervals reserved each year, during which time the Owner of a Co-Ownership Interest shall not have the right of occupancy of any Unit, and during that period of time, to the extent practical, the Association shall perform its major cleaning, repair, replacement and maintenance obligations. Assessments shall be waived for the week during which occupancy is denied.

7.5.2 By Unit Owners. No Unit Owner other than the holder of a Co-Ownership Interest in the same Unit shall have the right to enter any Unit within the Condominium, and no holder of any Co-Ownership Interest shall have the right to enter the Unit in which his Co-Ownership Interest is held, except during the designated period for exclusive occupancy as set out on the Calendar, and at such other times as may be authorized by the holder of a Co-Ownership Interest, during the period of exclusive right reserved to such other holder of a Co-Ownership Interest.

7.5.3 By Municipal Employees. In the event of an emergency, such as a storm or fire, or in the event of a medical emergency, employees or agents of the Village of Bald Head may, for the sole purpose of responding to the emergency, enter a Unit without prior notice to the Association or to any Occupant or Owner.

7.6 UTILIZATION

As set out on the Calendar, the Owner of each Co-Ownership Interest is assigned each year specific periods of time for utilization of that Owner's Unit. The periods of time so designated on the Calendar shall be the times wherein the Owner of the Co-Ownership Interest shall have the exclusive right of utilization of the Unit within which said Owner holds his Co-Ownership Interest. On the commencement date of any Interval, occupancy shall be granted as of 3:00 p.m. on such date; on the last day of such Interval the Unit must be vacated no later than 10:30 a.m. To the extent that there is an unauthorized holdover, the Association may levy a late fee against the Owner of the Co-Ownership Interest whose Occupant fails to remove himself from the Unit as required, which shall be collected as an Assessment and shall be collected only from the holder of said Co-Ownership Interest, which late fee shall be in the amount of \$100.00 per hour, or any portion thereof, of any such holdover, but shall not exceed the sum of \$1,000 per day. No holdover shall be considered subject to Assessment if said holdover is with the permission of the Owner of the Co-Ownership Interest entitled to occupancy, or with permission of the Association. However, notification of this extension shall be given to the Association as soon as practical following granting of permission for

such extension. Check-in and check-out times as specified above may be altered by vote of the Board, without concurrence by vote of the Unit Owners.

ARTICLE VIII

INSURANCE

8.1 CASUALTY INSURANCE.

The Association shall maintain casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to, the Association, as Trustee for all Owners and Security Holders as their interest may appear, and the proceeds shall be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than the full insurable value of the Property on a replacement cost basis, and shall insure against such risk and contain such provisions as the Board from time-to-time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the Insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to the Act. Such insurance shall include replacement costs of all fixtures and items of personal property included within the Unit at the time of conveyance by Declarant of a Co-Ownership Interest in the Unit, to the extent insurable, including, but not limited to, appliances, floor coverings, wall coverings, window accessories, light fixtures, furniture, kitchenware, and accessories.

Any insurance purchased by the Association may, notwithstanding the provisions of Paragraph 8.1, be subject to a deductible so that the total amount of insurance, after application of the deductible, shall be not less than 90% of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavation, foundations and other items normally excluded from property policies. All such deductibles may be considered by the Board a Common Expense. Should for any reason the insurance required to be carried in accordance with this Article not be reasonably available, which shall include availability at a reasonable cost, as determined by the Board, the Association shall promptly cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Owners and upon making such decision, the Association shall be relieved of its obligations to carry such insurance until and only until such time as such insurance can be reasonably procured.

The Board may elect to procure flood insurance on any Unit or the contents within any Unit, but shall not be obligated to do so unless such insurance would routinely be required by a conventional mortgage lender taking as security for a loan on a Unit an interest in said Unit. However, the Board may elect to purchase flood insurance, even if not otherwise required, in amounts and subject to deductibles, determined by the Board, and any premiums associated therewith shall be a Common Expense. If the Board elects to purchase such insurance, it shall

be purchased for all Units located at similar finished floor elevations. All damage to Units, including the contents thereof, which are not covered by applicable insurance shall be paid by the Association as a Common Expense.

All policies of physical damage insurance shall contain waivers of subrogation and of any reduction of prorata liability of the insurer as the result of any insurance carried by any individual Owner or of the invalidity arising from any acts of the insured or any Owners.

8.2 PUBLIC LIABILITY INSURANCE.

The Association shall maintain public liability insurance for the benefit of the Owners, Occupants and holders of a vendor's interest in a contract for deed on a Unit, the Association, the Board, the Manager, if any, the Declarant, and their respective Officers, Directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board; provided that the public liability insurance shall be for at least \$1,000,000 per occurrence for death, bodily injury and property damage. Limits on liability may be altered from time-to-time by the Board. Said insurance shall contain a severability of interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefitted parties against such liability arising out of or in connection with the use, ownership or maintenance of the Common Elements, including any properties to which the Association or the Owners have a right of utilization, even though not a part of the Condominium.

8.3 OTHER INSURANCE.

The Association may procure such other insurance as it may from time-to-time deem appropriate to protect the Association or the Owners.

8.4 INSURANCE TRUSTEE.

The Board, acting on behalf of the Association, shall receive any insurance proceeds payable to the Association, as Insurance Trustee, and shall maintain such funds in such capacity, for the benefit of the Association and Owners to be benefitted thereby. No Owner, nor any party claiming through any Owner shall have any claim against the Association, the Board, or the officers, managers, employees or agents of the Association, relating to the collection and disposition of any insurance proceeds, as long as such collection and disposition was made by the Board in good faith. Any such collection or disbursement made following receipt of an opinion from an attorney licensed to practice law in the State of North Carolina, engaged independently by the Association, shall be conclusively deemed a collection or disbursement made in good faith to the extent made in reliance thereon. To the extent there are any expenses incurred by the Board acting as Insurance Trustee, such expenses shall be deemed a Common Expense, and may be deducted from any insurance proceeds received prior to disbursement, or may be collected in the nature of an Assessment.

8.5 INDIVIDUAL POLICY FOR UNIT OWNERS.

Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, Condominium assessment, personal liability and any other coverage obtainable, to the extent and in the amount such Owner deems necessary to protect his own interests; provided that any such insurance shall contain waivers pursuant to Section 7.4 and shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of the insurance purchased by an Owner under this Section, such Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assign the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE IX

CASUALTY DAMAGE

If all or any part of the Property shall be damaged or destroyed, the same shall be repaired or replaced, and the proceeds of insurance shall be used and applied in accordance with the provisions of North Carolina General Statutes, Section 47C-3-113.

ARTICLE X

CONDEMNATION

In the event of a taking by eminent domain, or by conveyance in lieu thereof, of all or any part of the Property, the provisions of North Carolina General Statutes, Section 47C-1-107 shall be applicable.

ARTICLE XI

TERMINATION

The Condominium may be terminated only in compliance with North Carolina General Statutes, Section 47C-2-118, which, among other requirements, allows termination only by agreement of Owners entitled to cast a minimum of 80% of the votes in the Association.

ARTICLE XII

AMENDMENT

This Declaration may only be amended in compliance with the Act, including, without limitation, North Carolina General Statutes, Section 47C-2-117. Subject to additional or special requirements

as set out in said Section, amendments require the affirmative vote by Owners entitled to cast at least 67% of the votes in the Association. As limited by the Act, no amendment may create or increase Special Declarant Rights, increase the number of Units, change the boundaries of any Unit, alter the Allocated Interest of any Unit, or alter the uses to which any Unit is restricted, in the absence of unanimous consent of Owners. No amendment may be adopted without consent of Declarant during the period of Declarant Control.

ARTICLE XIII

RIGHTS OF FIRST MORTGAGEE

The following provisions shall take precedence over all other provisions of this Declaration and the By-Laws:

13.1 AVAILABILITY OF DOCUMENTS AND RECORDS.

The Association shall, upon request during normal business hours, make available for inspection by Owners, First Mortgagees, and the insurers and guarantors of a First Mortgagee of any Unit, current copies of the Declaration, the By-Laws, other Rules and Regulations governing the Condominium and the books, records and financial statements of the Association. The Association shall provide an audited financial statement for the preceding fiscal year if requested in writing by a First Mortgagee or insurer or guarantor of a First Mortgage provided that said First Mortgagee bears the cost thereof, if performed because of said request. The Association shall, upon request during normal business hours, make available for inspection by prospective purchasers of Units, current copies of the Declaration, By-Laws, other Rules and Regulations governing the Condominium, and the most recent Annual Audited Financial Statement (if one has been prepared).

13.2 SUCCESSOR'S PERSONAL OBLIGATION FOR DELINQUENT ASSESSMENT.

The personal obligation for Assessments which are delinquent at the time of transfer of a Unit shall not pass to the successors in title or interest to said Unit unless said delinquent assessments are expressly assumed by them.

13.3 RIGHTS OF ACTION.

The Association and any aggrieved Owner shall have a right of action against other Owners and any aggrieved Owner shall have a right of action against the Association for failure to comply with the provisions of this Declaration, the By-Laws, Rules and Regulations and decisions of the Association made pursuant to authority granted to the Association in this Declaration and the By-Laws.

13.4 CONSENT OF FIRST MORTGAGEE.

Any decision to terminate the Condominium for reasons other than substantial destruction or condemnation of the Property shall require the prior, written consent of all First Mortgagees. Furthermore the Association shall not be entitled to, without said permission:

13.4.1 By act or omission, seek to abandon or terminate the Condominium;

13.4.2 Change the prorata interest or obligations of any Unit for the purpose of either levying assessments or charges, or determining the prorata share of ownership of each Unit in the Common Elements;

13.4.3 Partition or subdivide any Unit; or

13.4.4 Use hazard insurance proceeds for losses to any part of the Condominium (whether to Units or to Common Elements) for other than repair, replacement or reconstruction thereof.

13.5 NOTIFICATIONS.

Each First Mortgagee and each insurer or guarantor of the First Mortgage, upon written request stating its mortgage held, insured or guaranteed, shall be entitled to timely written notification by the Association of:

13.5.1 Any proposed action which requires consent of a specified percentage of First Mortgagees;

13.5.2 Any Condominium or casualty loss that effects either a material portion of the Condominium or the Unit securing its First Mortgage;

13.5.3 Any sixty day delinquency in the payment of Assessments or charges owed by an Owner on which the First Mortgagee held its First Mortgage or in the performance of any obligation under this Declaration or the By-Laws by said Owners; or

13.5.4 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

Any First Mortgagee who receives a written request by the Association, or from any Owner, to approve an addition or amendment to the Declaration or By-Laws who does not deliver or post to the requesting party a negative response within thirty days shall be deemed to have approved such request.

13.6 ASSESSMENTS.

Assessments shall be due and payable in monthly or quarterly installments, as determined from time-to-time by the Board. Declarant shall pay all accrued expenses of the Condominium until Assessments are levied against the Units. An Assessment shall be deemed levied against the Unit upon the giving of notice by the Board to a Member of the Association who is a Owner of that Unit. Owners shall have no obligation to pay Assessments until an Assessment is levied. Assessments will begin at such time as the Board elects, but not prior to January 1, 1999. Prior to the levy of an Assessment, Declarant shall pay all Common Expenses.

13.7 RIGHTS OF FIRST MORTGAGEE.

With respect to a First Mortgage held by or for the benefit of any Person, no provision of this Declaration or the By-Laws shall be deemed to give an Owner, or any other party, priority over any rights of a First Mortgagee pursuant to its First Mortgage on said Owner's Unit, in the case of a distribution to said Owner of insurance proceeds or Condominium awards for losses to or taking of Units and/or Common Elements.

ARTICLE XIV

GENERAL PROVISIONS

14.1 SEVERABILITY.

Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provision of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or of any part of the same or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or effect the rest of this Declaration or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other Person or circumstance.

14.2 INTERPRETATION OF DECLARATION.

Whenever appropriate the singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely to the part in which they appear.

14.3 CAPTIONS.

The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

14.4 EXHIBITS.

All exhibits attached hereto are made a part hereof for all purposes.

14.5 NUMBER OF UNITS.

The maximum number of Units are twenty-three. The maximum number of Crofters which may be owned by the Association for the use and benefit of Owners are eight. Fewer Units or fewer Crofters may be constructed, but Declarant shall construct, at a minimum, 7 Units and 2 Crofters.

14.6 DESCRIPTION.

All Units submitted by this Declaration to the Act are single-family, detached homes, and the designation of the Units so submitted, as shown on the Floor Plans, are Unit 20 and Unit 22, including the appurtenant Garages denoted G20 and G22. To the extent that Special Declarant Rights are exercised to add additional real estate to the provisions of this Declaration, the Floor Plans and any Amendment to this Declaration appropriately recorded, shall designate each Unit so submitted. All Units so annexed must be of comparable size and quality to Units previously made subject to this Declaration, but need not be furnished, or, if furnished, may be furnished differently, either higher or lower quality, than Units previously made subject to this Declaration.

14.7 LIMITED COMMON AREAS.

There are no Limited Common Areas within the Condominium at the time of the recordation of this Declaration except as established by the Act, Section 47C-2-102. No portion of the Common Elements shall be made a Limited Common Area except by unanimous consent of all of the Owners. Notwithstanding this restriction, should any of the Property become a part of this Condominium by amendment hereto, portions thereof may be designated Limited Common Areas.

14.8 DEVELOPMENT RIGHTS.

The Declarant reserves the following Special Declarant Rights:

14.8.1 To amend the Declaration, as more fully set out in Article XV hereinafter, to add additional real estate as a part of the Condominium;

- 14.8.2 To complete any improvements to the Common Elements to the extent the same are not completed upon recordation of this Declaration;
- 14.8.3 To maintain sales offices, construction offices, management offices, signs advertising the Condominium and models within any Unit or within any Common Element including specifically, without limitation, any recreational amenity or clubhouse;
- 14.8.4 To utilize any access easements or the Common Elements for the purpose of constructing or improving real estate to be annexed hereto, or for accessing any portions thereof, and further to use any utilities providing services to the Condominium Property to assist in any of such purposes; and
- 14.8.5 To remove any Member of the Board appointed by Declarant or otherwise select members of the Board during the Declarant Control Period, as limited or set out in the By-Laws.

14.9 MANAGEMENT AGREEMENT.

Attached hereto and denoted Exhibit G is a Management Agreement ("Management Agreement") which has been entered into between Declarant and Bald Head Island Property Management, Inc., a related entity to Declarant. As set out therein, said Agreement has a stated term of approximately ten years, and is subject to renewal. However, as required by North Carolina General Statute 47C-3-102, said Agreement may be terminated, upon ninety days notice, following election of the first Board by the Owners, which Board is constituted of a majority of Owners selected by the Owners, and not appointed by the Declarant.

14.10 PROPERTY TAXES.

All real and personal property taxes assessed against any Unit, or any of the Common Elements, as well as any Common Property located thereon or therein, shall be considered for all purposes Common Expenses.

14.11 BUDGET

A budget approved by the Board shall be deemed approved by the Owners unless eighty percent of all Owners entitled to vote (not just Owners present in a meeting) vote to reject said budget.

ARTICLE XV

ADDITIONAL REAL ESTATE

15.1 DECLARANT'S RIGHT TO ADD REAL ESTATE.

Declarant expressly reserves the right to add any portion of the Property described on Exhibit A to the Condominium, subject to any limitation contained within this Declaration. All or any part of the Property may be added to the Condominium at different times, and no assurances are made in regard to the order in which portions may be added. Declarant shall have no duty or obligation of any kind to add any or all of the Property to the Condominium. The method of adding the Property to the Condominium shall be as set out in the Act, which requires an Amendment to this Declaration to be recorded in the office of the Register of Deeds of Brunswick County. Declarant's right to add to the Condominium all or any part of the Property must be exercised within ten years following recordation of this Declaration. Nothing shall obligate Declarant to add any of the Property to the Condominium.

15.2 MAXIMUM NUMBER OF ADDITIONAL UNITS.

The maximum number of additional Units within the Property that may be created is twenty-one, and up to an additional seven Crofters, to be owned by the Association, shall be allowed.

15.3 USE TO THE EXTENT SUBMITTED TO THE CONDOMINIUM.

All Units, subject to Special Declarant Rights specifically reserved herein, must be used for residential purposes only. To the extent not submitted to the Condominium, the Property may be used for any purpose consistent with the Zoning Ordinances of the Village of Bald Head, and other applicable use restrictions.

15.4 APPLICABILITY OF RESTRICTIONS.

All restrictions in this Declaration and the By-Laws affecting Units will apply to any and all Units that may be created within the Property and which are submitted as a part of the Condominium, except as changed as authorized by a provision of this Declaration.

15.5 UNIT ALLOCATIONS.

The Allocated Interests in the Condominium of any Unit constructed on the Property and annexed hereto shall be computed in accordance with the provisions of Article III hereinbefore, and shall be specifically designated on the Amendment to this Declaration when recorded.

ARTICLE XVI

UNDIVIDED INTERESTS

16.1 INTENT TO CONVEY.

It is the intent of Declarant to convey, in each Unit submitted to the Condominium, title to as many as thirteen Persons, by conveyance of undivided interests in the Unit, by general warranty deed. Nothing, however, shall require that the Declarant convey undivided interests in any Unit, Declarant reserving the right to convey fee simple ownership to a single Person in any Unit. Declarant, if it elects to convey Co-Ownership Interests in any Unit within the first seven Units made subject to this Declaration, shall create no more than thirteen Co-Ownership Interests in any one Unit, which restriction shall not apply to Units annexed to the Condominium after the first seven Units.

16.2 RIGHT OF PARTITIONING.

Notwithstanding any provision of the North Carolina General Statute or North Carolina common law, or any other provision of law, unless such provision has been made by General Statute or court decree unwaivable, no Owner of any Unit shall have the right of partition in regard to that Unit and each and every Person having any undivided interest in any Unit, by acceptance of a deed to said undivided interest, specifically, to the maximum extent permitted by law, waives any and all right to partition, or to otherwise subdivide or cause such Unit to be sold by judicial or other process.

16.3 SEPARATE DEEDS OF TRUST.

The holder of each Co-Ownership Interest shall have the right to mortgage or otherwise encumber his Co-Ownership Interest, and shall be fully authorized to grant to the holder of such mortgage a deed of trust in his Co-Ownership Interest. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever any portion of the Unit or any Co-Ownership Interest other than that held by said Owner, nor shall any Owner have the right or authority to do so. Any mortgage, deed of trust or other encumbrance of any Co-Ownership Interest shall be subordinate to all other provisions of this Declaration unless specified otherwise herein, and in the event of foreclosure, the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure or by private power of sale, judicial foreclosure, or otherwise.

16.4 CALENDAR.

As set out in the Calendar (Exhibit B), each Co-Ownership Interest shall have the exclusive right of utilization of the Unit in which his Co-Ownership Interest is owned, for one or more

Intervals annually. The Association shall specifically have the right to enforce the provisions of the Calendar, and to take such actions, by nature of imposition of Assessments, as authorized hereinbefore, or judicially, to assure the Owner of each Co-Ownership Interest the exclusive use rights allocated to such Owner. Any Unit annexed to this Declaration by Declarant may have a different calendar, and if so, the amendment subjecting said Unit to the provisions of this Declaration shall specify the calendar for each such Unit.

16.5 PERSONAL PROPERTY.

Attached hereto as Exhibit H is a listing of the personal property ("Common Property") which shall be included in each of the first two Units submitted to the Condominium. If substantial changes are made as to personal property included in Units annexed, such changes shall be described in the Amendment to this Declaration annexing said Units. All of such Common Property shall be owned by the Owner of each Co-Ownership Interest in each Unit in the same proportion as the interest in real estate is so owned. The Association shall, however, have the right and obligation to maintain and replace the Common Property from time-to-time, on a schedule determined solely in its discretion. All expenses associated therewith shall be deemed Common Expenses. No Owner shall have the right to remove or take possession of any of the Common Property. The Association reserves the right to make additions or substitutions, or to remove, any of the Common Property as it in its sole discretion deems to be in the best interest of the Association and the Owners. There is no guarantee or warranty that replacement of any of the Common Property shall be of the same make, model, quality, color or otherwise as set out on Exhibit H, and as originally included within the Condominium. Furthermore, the Common Property included within the Units may be changed as to annexed Units, if so set out in the Declaration annexing such Units. To the extent that any Units are conveyed to a single Person, there shall be no obligation to include any of the Common Property within said Unit at time of conveyance or subsequent to conveyance.

16.6 RECREATIONAL AMENITIES.

Declarant warrants and represents that it will construct, at its own expense, and included as part of the Common Elements, the recreational amenities ("Recreation Amenities") as set out on Exhibit I attached hereto. All such amenities shall be constructed on or before the 31st day of December, 1999.

16.7 CROFTERS.

There is submitted to the Act one Crofter upon recordation of this Declaration, which Crofter is denoted on the Floor Plans as "Dogwood Loft 21". This Crofter, as well as all other Crofters which may be made a part of the Condominium, shall be conveyed by Declarant to the Association no later than one year following recordation of a deed authorizing utilization thereof by an Owner. The Association shall have the full right to determine utilization schedules for each Crofter. However, all such utilization shall be limited to Owners and guests

and invitees. The method of allocating use in each Crofter is set out on Exhibit J attached hereto. This method of allocation may be changed from time to time upon recommendation of the Board, ratified by the holders of a majority of the votes entitled to be cast in any election of Directors, but limited to those entitled to utilize said Crofters. Dues and assessments payable because of utilization rights in a Crofter to an Owner shall be levied only when said Crofter is conveyed to the Association, and made available for utilization by Owners. No dues assessments, votes or ownership of Common Elements shall be appurtenant to Crofters, as ownership is limited to the Association, and expenses relating thereto are paid by Owners entitled to utilization thereof.

16.8 RULE AGAINST PERPETUITIES.

If any of this provision of this Declaration shall be held invalid it shall not effect the validity of the remainder of this Declaration. If any provision of this Declaration would violate the rule against perpetuities or any other limitation on the duration of the provisions contained herein imposed by law, then such provision shall be deemed to remain in effect only for the maximum permissible period permitted by law.

ARTICLE XVII

ENFORCEMENT AND RULES

In addition to the provisions of this Declaration and the By-Laws, the Association, acting by and through its Board, may enact rules and regulations from time-to-time, without the consent of the Owners, which rules and regulations are consistent with the provisions contained within the Declaration and By-Laws, and which are deemed by the Board to be reasonably necessary or desirable to carry out the purpose and intent of this Declaration and the By-Laws, or to establish procedures to assist in implementation thereof. Specifically, it is the intent of the Declarant for the rules and regulations contained herein and in the By-Laws to be enforced consistently, fairly and equitably, and that the conduct of all Owners and their guests be regulated so as to minimize damage to property and to maintain the peace and tranquility of the Condominium for the benefit of all making utilization thereof. Furthermore, the Association is specifically granted the right to enact rules and regulations governing use of the Common Elements and any property owned by the Association, and to strictly enforce such rules.

To the extent that the Association is required to do so, it may bring legal action against any Owner or the guest of any Owner, and, in addition to any remedy provided by Law or contained within this Declaration, shall be entitled to specific performance, and shall further be entitled to recover any costs and expenses, including attorneys fees, incurred in any such action, all of which may be collected as though an Assessment against an Owner. The Owner who is entitled to exclusive utilization of a Unit at any point in time shall be fully responsible for any utilization of the Unit during such period of assigned utilization, notwithstanding whether or not the Owner is actually occupying said Unit during such time, to the extent that the Occupants thereof at such time have derived the right to utilize such

Unit through the permission of said Owner or his guests. Fines for violation of rules may be assessed and collected to the maximum extent allowed by the Act, and in accordance with the procedures set out therein. The Board shall act as the required adjudicatory panel.

ARTICLE XVIII

BALD HEAD ISLAND ASSOCIATIONS

The Property is subject to the Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded in Deed Book 498, Page 260 et seq., Brunswick County Registry. By virtue of said instrument, all Owners are members of the Bald Head Association, and all Units are assessable by the Bald Head Association. All such assessments, whether regular or special, shall be considered Common Expenses. All votes entitled to be cast by and on behalf of any Owner in any election or meeting conducted by the Bald Head Association shall be cast on behalf of the Owners, by the Association, in a manner determined by the Board. This Declaration shall be considered for all purposes a delegation and assignment of such voting rights to the Association.

Bald Head Island Limited did reserve, in the Protective Covenants for Bald Head Island Stage Two, recorded in Deed Book 1045, Page 0676 et seq., Brunswick County Registry, the right to subject the Property to the provisions of said Protective Covenants. By acceptance of a deed to a Unit, each Owner hereby agrees to consent to the annexation of the Property to the provisions of said Protective Covenants should an election be made by Limited to so annex the Property. If such an election is made, all assessments (whether regular or special) applicable to the Property, and payable to the Bald Head Island Stage Two Association, Inc. shall be considered Common Expenses. The election to so annex the Property, if made, must be made on or before December 31, 2000. Votes shall be cast as set out in the immediately preceding paragraph.

ARTICLE XIX

PROGRAM OF EXCHANGE

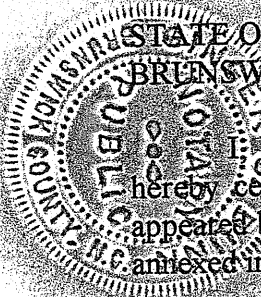
The Association is specifically granted the right, acting by and through its Board, to allow all Owners to become a member of a national or international exchange program, whereby Owners are granted the rights to utilize third party owned properties, in exchange for third parties being granted the right to utilize the property of Owners. No expenses thereof shall be considered Common Expenses. The Board may create a method of allowing Owners to exchange within the Condominium their intervals, but shall not be required to do so. No Owner shall be required to participate in such a plan if adopted.

IN WITNESS WHEREOF, this Declaration has been executed by the duly authorized Manager of Declarant, under seal.

THE HAMMOCKS, LLC

(SEAL)

By: [Signature] (SEAL)
Manager



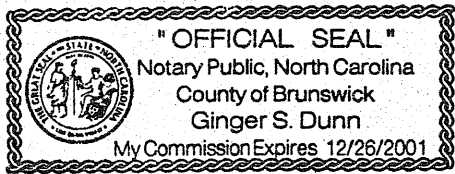
STATE OF NORTH CAROLINA
BRUNSWICK COUNTY ss:

I, Ginger S. Dunn, a Notary Public for said County and State, do hereby certify that Ken Kirkman, Manager for The Hammocks, LLC personally appeared before me this day, and being by me duly sworn, says that he executed the foregoing and annexed instrument for and in behalf of the said The Hammocks, LLC.

WITNESS my hand and official seal, this the 5th day of August, 1998.

[Signature]
Notary Public

My commission expires: 12/26/2001



STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of Ginger S. Dunn

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

This Instrument was filed for Registration on this 6 Day of August, 1998, in the Book and Page shown on the First Page hereof.

[Signature]
ROBERT J. ROBINSON, Register of Deeds

*EXHIBIT A**PROPERTY OWNED BY DECLARANT*

ALL THAT CERTAIN tract or parcel of land situated in the Village of Bald Head Island, Smithville Township, Brunswick County, North Carolina, containing 6.24 acres, more or less, and more particularly shown and described as the "Duke of Albemarle Manorhouses" on a map recorded in the Office of the Register of Deeds for Brunswick County, North Carolina, in Map Book J at Page 181; together with those two tracts or parcels of land containing 16,608.8 square feet and 23,897.3 square feet, adjoining the property now or formerly known as the "Duke of Albemarle Tract," and being more particularly shown and described on a map entitled "Plat of Survey of Common Areas of The Hammocks" made by Thomas W. Morgan, R.L.L., Brunswick Surveying, Inc. and duly recorded in Map Cabinet 19 at Page 332 of the Brunswick County registry.

TOGETHER WITH a non-exclusive right of way and easement from the public roadway known as Earl of Craven to the above described property as more particularly set out in that certain deed recorded in the Office of the Register of Deeds for Brunswick County, North Carolina in Book 1191 at Page 1057.

EXHIBIT B**CALENDAR**

Units 20 and 22 shall be sold so that each of the thirteen (13) Owners of a Co-Ownership Interest shall have the exclusive right of utilization of a designated Unit four (4) weeks per calendar year. One week of utilization shall be assigned in each of four seasons (summer, fall, holiday [winter] and spring). Units 24, 26, 28, 30 and 32, when submitted to this Declaration, shall not allow more than thirteen (13) Owners of Co-Ownership Interests in each of such Units.

The right of occupancy shall commence on a Thursday of each week. The summer season of 1998 will begin on Thursday, the 28th day of May, 1998. Each season will include thirteen (13) consecutive weeks.

The Owner of each Co-Ownership Interest shall be assigned the exclusive use right to four (4) weeks of utilization per year. The Deed of Conveyance of the Co-Ownership Interest in each Unit shall designate a use week, by letter, A through M. Each designated use week will be assigned one week of exclusive utilization each season, to commence and end on the days more fully shown on the Calendar attached hereto, and as described in the Declaration. The use week designation contained in each Deed shall allow utilization for the week designated on the calendar, for each year 1999 through 2010. The use week will, for each of the thirteen (13) weeks, advance one week forward on the calendar each year for thirteen (13) years. At the end of thirteen (13) years, the calendar sequence shall begin anew, and shall continue until termination of the Condominium or other approved amendment to this Declaration.

To the extent there is a fifty-third (53rd) week in any year, due to leap year, the fifty-third (53rd) week will not be assigned to any Owner, but shall be utilized as a maintenance and upkeep week. The Association shall have the absolute right to designate this "extra" week.

In addition, one week each year, designated by the Association, shall be reserved for maintenance and upkeep of each Unit, and the Owner otherwise entitled to occupy the Unit that week shall not be allowed occupancy. In compensation therefore, the Owner denied occupancy shall be relieved of his obligation to pay maintenance fees (dues) for that quarter. Without the consent of an individual Owner, no one Owner shall be required to divest himself of his ownership week for routine maintenance and upkeep more frequently than two (2) times in any thirteen (13) year calendar rotation sequence, commencing in 1999.

If maintenance and repair cannot be completed within one (1) week, the Association may designate additional maintenance and upkeep weeks during any year, denying occupancy of the Unit to an Owner during said week, but, in the absence of an emergency, no such withdrawal of utilization rights shall be exercised by the Association, other than the routine maintenance week, without a minimum sixty (60) days prior notice to the Owner. Any Owner denied utilization because of maintenance or upkeep at the request of the Association, shall not be required to pay maintenance fees (dues) for the quarter in which such occupancy is denied.

Routine maintenance and upkeep weeks will be established annually by the Association, in advance, and Owners will be notified by June 1 of each year as to the week selected for routine maintenance and upkeep the following calendar year.

EXHIBIT B (Continued)

CALENDAR

For 1999, the routine maintenance weeks for the Units shall be as follows, all during the holiday (winter) season:

- Unit 20 - Week C*
- Unit 22 - Week C*
- Unit 24 - Week D*
- Unit 26 - Week D*
- Unit 28 - Week E*
- Unit 30 - Week E*
- Unit 32 - Week E*

EXHIBIT B (Continued)

CALENDAR

Schedule for 1998

Schedule for 1999

Schedule for 2000

CONDITION OF ORIGINAL DOCUMENT

WEEK NUMBER

NUMBER

FALL

WINTER

SPRING

SUMMER

1	01/01/1998	thru	01/08/1998	
2	01/08/1998	thru	01/15/1998	
3	01/15/1998	thru	01/22/1998	
4	01/22/1998	thru	01/29/1998	
5	01/29/1998	thru	02/05/1998	
6	02/05/1998	thru	02/12/1998	
7	02/12/1998	thru	02/19/1998	
8	02/19/1998	thru	02/26/1998	
9	02/26/1998	thru	03/05/1998	
10	03/05/1998	thru	03/12/1998	
11	03/12/1998	thru	03/19/1998	
12	03/19/1998	thru	03/26/1998	
13	03/26/1998	thru	04/02/1998	
14	04/02/1998	thru	04/09/1998	
15	04/09/1998	thru	04/16/1998	
16	04/16/1998	thru	04/23/1998	
17	04/23/1998	thru	04/30/1998	
18	04/30/1998	thru	05/07/1998	
19	05/07/1998	thru	05/14/1998	
20	05/14/1998	thru	05/21/1998	
21	05/21/1998	thru	05/28/1998	
22	05/28/1998	thru	06/04/1998	A
23	06/04/1998	thru	06/11/1998	B
24	06/11/1998	thru	06/18/1998	C
25	06/18/1998	thru	06/25/1998	D
26	06/25/1998	thru	07/02/1998	E
27	07/02/1998	thru	07/09/1998	F
28	07/09/1998	thru	07/16/1998	G
29	07/16/1998	thru	07/23/1998	H
30	07/23/1998	thru	07/30/1998	I
31	07/30/1998	thru	08/06/1998	J
32	08/06/1998	thru	08/13/1998	K
33	08/13/1998	thru	08/20/1998	L
34	08/20/1998	thru	08/27/1998	M
35	08/27/1998	thru	09/03/1998	A
36	09/03/1998	thru	09/10/1998	B
37	09/10/1998	thru	09/17/1998	C
38	09/17/1998	thru	09/24/1998	D
39	09/24/1998	thru	10/01/1998	E
40	10/01/1998	thru	10/08/1998	F
41	10/08/1998	thru	10/15/1998	G
42	10/15/1998	thru	10/22/1998	H
43	10/22/1998	thru	10/29/1998	I
44	10/29/1998	thru	11/05/1998	J
45	11/05/1998	thru	11/12/1998	K
46	11/12/1998	thru	11/19/1998	L
47	11/19/1998	thru	11/26/1998	M
48	11/26/1998	thru	12/03/1998	A
49	12/03/1998	thru	12/10/1998	B
50	12/10/1998	thru	12/17/1998	C
1	12/17/1998	thru	12/24/1998	D
2	12/24/1998	thru	12/31/1998	E

1	12/31/1998	thru	01/07/1999	F
2	01/07/1999	thru	01/14/1999	G
3	01/14/1999	thru	01/21/1999	H
4	01/21/1999	thru	01/28/1999	I
5	01/28/1999	thru	02/04/1999	J
6	02/04/1999	thru	02/11/1999	K
7	02/11/1999	thru	02/18/1999	L
8	02/18/1999	thru	02/25/1999	M
9	02/25/1999	thru	03/04/1999	A
10	03/04/1999	thru	03/11/1999	B
11	03/11/1999	thru	03/18/1999	C
12	03/18/1999	thru	03/25/1999	D
13	03/25/1999	thru	04/01/1999	E
14	04/01/1999	thru	04/08/1999	F
15	04/08/1999	thru	04/15/1999	G
16	04/15/1999	thru	04/22/1999	H
17	04/22/1999	thru	04/29/1999	I
18	04/29/1999	thru	05/06/1999	J
19	05/06/1999	thru	05/13/1999	K
20	05/13/1999	thru	05/20/1999	L
21	05/20/1999	thru	05/27/1999	M
22	05/27/1999	thru	06/03/1999	M
23	06/03/1999	thru	06/10/1999	A
24	06/10/1999	thru	06/17/1999	B
25	06/17/1999	thru	06/24/1999	C
26	06/24/1999	thru	07/01/1999	D
27	07/01/1999	thru	07/08/1999	E
28	07/08/1999	thru	07/15/1999	F
29	07/15/1999	thru	07/22/1999	G
30	07/22/1999	thru	07/29/1999	H
31	07/29/1999	thru	08/05/1999	I
32	08/05/1999	thru	08/12/1999	J
33	08/12/1999	thru	08/19/1999	K
34	08/19/1999	thru	08/26/1999	L
35	08/26/1999	thru	09/02/1999	M
36	09/02/1999	thru	09/09/1999	A
37	09/09/1999	thru	09/16/1999	B
38	09/16/1999	thru	09/23/1999	C
39	09/23/1999	thru	09/30/1999	D
40	09/30/1999	thru	10/07/1999	E
41	10/07/1999	thru	10/14/1999	F
42	10/14/1999	thru	10/21/1999	G
43	10/21/1999	thru	10/28/1999	H
44	10/28/1999	thru	11/04/1999	I
45	11/04/1999	thru	11/11/1999	J
46	11/11/1999	thru	11/18/1999	K
47	11/18/1999	thru	11/25/1999	L
48	11/25/1999	thru	12/02/1999	M
49	12/02/1999	thru	12/09/1999	A
50	12/09/1999	thru	12/16/1999	B
51	12/16/1999	thru	12/23/1999	C
52	12/23/1999	thru	12/30/1999	D

1	12/30/1999	thru	01/06/2000	E
2	01/06/2000	thru	01/13/2000	F
3	01/13/2000	thru	01/20/2000	G
4	01/20/2000	thru	01/27/2000	H
5	01/27/2000	thru	02/03/2000	I
6	02/03/2000	thru	02/10/2000	J
7	02/10/2000	thru	02/17/2000	K
8	02/17/2000	thru	02/24/2000	L
9	02/24/2000	thru	03/02/2000	M
10	03/02/2000	thru	03/09/2000	A
11	03/09/2000	thru	03/16/2000	B
12	03/16/2000	thru	03/23/2000	C
13	03/23/2000	thru	03/30/2000	D
14	03/30/2000	thru	04/06/2000	E
15	04/06/2000	thru	04/13/2000	F
16	04/13/2000	thru	04/20/2000	G
17	04/20/2000	thru	04/27/2000	H
18	04/27/2000	thru	05/04/2000	I
19	05/04/2000	thru	05/11/2000	J
20	05/11/2000	thru	05/18/2000	K
21	05/18/2000	thru	05/25/2000	L
22	05/25/2000	thru	06/01/2000	L
23	06/01/2000	thru	06/08/2000	M
24	06/08/2000	thru	06/15/2000	A
25	06/15/2000	thru	06/22/2000	B
26	06/22/2000	thru	06/29/2000	C
27	06/29/2000	thru	07/06/2000	D
28	07/06/2000	thru	07/13/2000	E
29	07/13/2000	thru	07/20/2000	F
30	07/20/2000	thru	07/27/2000	G
31	07/27/2000	thru	08/03/2000	H
32	08/03/2000	thru	08/10/2000	I
33	08/10/2000	thru	08/17/2000	J
34	08/17/2000	thru	08/24/2000	K
35	08/24/2000	thru	08/31/2000	L
36	08/31/2000	thru	09/07/2000	M
37	09/07/2000	thru	09/14/2000	A
38	09/14/2000	thru	09/21/2000	B
39	09/21/2000	thru	09/28/2000	C
40	09/28/2000	thru	10/05/2000	D
41	10/05/2000	thru	10/12/2000	E
42	10/12/2000	thru	10/19/2000	F
43	10/19/2000	thru	10/26/2000	G
44	10/26/2000	thru	11/02/2000	H
45	11/02/2000	thru	11/09/2000	I
46	11/09/2000	thru	11/16/2000	J
47	11/16/2000	thru	11/23/2000	K
48	11/23/2000	thru	11/30/2000	L
49	11/30/2000	thru	12/07/2000	M
50	12/07/2000	thru	12/14/2000	A
51	12/14/2000	thru	12/21/2000	B
52	12/21/2000	thru	12/28/2000	C

POSITION

EXHIBIT B (Continued)

CALENDAR

Schedule for 2001

Schedule for 2002

Schedule for 2003

CONDITION OF ORIGINAL DOCUMENT

HOLIDAY
SPRING
FALL
HOLIDAY

1: 12/28/2000 thru 01/04/2001 D	1: 12/27/2001 thru 01/03/2002 C	1: 01/02/2003 thru 01/09/2003 B
2: 01/04/2001 thru 01/11/2001 E	2: 01/03/2002 thru 01/10/2002 D	2: 01/09/2003 thru 01/16/2003 C
3: 01/11/2001 thru 01/18/2001 F	3: 01/10/2002 thru 01/17/2002 E	3: 01/16/2003 thru 01/23/2003 D
4: 01/18/2001 thru 01/25/2001 G	4: 01/17/2002 thru 01/24/2002 F	4: 01/23/2003 thru 01/30/2003 E
5: 01/25/2001 thru 02/01/2001 H	5: 01/24/2002 thru 01/31/2002 G	5: 01/30/2003 thru 02/06/2003 F
6: 02/01/2001 thru 02/08/2001 I	6: 01/31/2002 thru 02/07/2002 H	6: 02/06/2003 thru 02/13/2003 G
7: 02/08/2001 thru 02/15/2001 J	7: 02/07/2002 thru 02/14/2002 I	7: 02/13/2003 thru 02/20/2003 H
8: 02/15/2001 thru 02/22/2001 K	8: 02/14/2002 thru 02/21/2002 J	8: 02/20/2003 thru 02/27/2003 I
9: 02/22/2001 thru 03/01/2001 L	9: 02/21/2002 thru 02/28/2002	9: 02/27/2003 thru 03/06/2003 J
10: 03/01/2001 thru 03/08/2001 M	9: 02/28/2002 thru 03/07/2002 K	10: 03/06/2003 thru 03/13/2003 K
11: 03/08/2001 thru 03/15/2001 A	10: 03/07/2002 thru 03/14/2002 L	11: 03/13/2003 thru 03/20/2003 L
12: 03/15/2001 thru 03/22/2001 B	11: 03/14/2002 thru 03/21/2002 M	12: 03/20/2003 thru 03/27/2003 M
13: 03/22/2001 thru 03/29/2001 C	12: 03/21/2002 thru 03/28/2002 A	13: 03/27/2003 thru 04/03/2003 A
14: 03/29/2001 thru 04/05/2001 D	13: 03/28/2002 thru 04/04/2002 B	14: 04/03/2003 thru 04/10/2003 B
15: 04/05/2001 thru 04/12/2001 E	14: 04/04/2002 thru 04/11/2002 C	15: 04/10/2003 thru 04/17/2003 C
16: 04/12/2001 thru 04/19/2001 F	15: 04/11/2002 thru 04/18/2002 D	16: 04/17/2003 thru 04/24/2003 D
17: 04/19/2001 thru 04/26/2001 G	16: 04/18/2002 thru 04/25/2002 E	17: 04/24/2003 thru 05/01/2003 E
18: 04/26/2001 thru 05/03/2001 H	17: 04/25/2002 thru 05/02/2002 F	18: 05/01/2003 thru 05/08/2003 F
19: 05/03/2001 thru 05/10/2001 I	18: 05/02/2002 thru 05/09/2002 G	19: 05/08/2003 thru 05/15/2003 G
20: 05/10/2001 thru 05/17/2001 J	19: 05/09/2002 thru 05/16/2002 H	20: 05/15/2003 thru 05/22/2003 H
21: 05/17/2001 thru 05/24/2001 K	20: 05/16/2002 thru 05/23/2002 I	21: 05/22/2003 thru 05/29/2003 I
22: 05/24/2001 thru 05/31/2001 K	21: 05/23/2002 thru 05/30/2002 J	22: 05/29/2003 thru 06/05/2003 I
23: 05/31/2001 thru 06/07/2001 L	22: 05/30/2002 thru 06/06/2002 J	23: 06/05/2003 thru 06/12/2003 J
24: 06/07/2001 thru 06/14/2001 M	23: 06/06/2002 thru 06/13/2002 K	24: 06/12/2003 thru 06/19/2003 K
25: 06/14/2001 thru 06/21/2001 A	24: 06/13/2002 thru 06/20/2002 L	25: 06/19/2003 thru 06/26/2003 L
26: 06/21/2001 thru 06/28/2001 B	25: 06/20/2002 thru 06/27/2002 M	26: 06/26/2003 thru 07/03/2003 M
27: 06/28/2001 thru 07/05/2001 C	26: 06/27/2002 thru 07/04/2002 A	27: 07/03/2003 thru 07/10/2003 A
28: 07/05/2001 thru 07/12/2001 D	27: 07/04/2002 thru 07/11/2002 B	28: 07/10/2003 thru 07/17/2003 B
29: 07/12/2001 thru 07/19/2001 E	28: 07/11/2002 thru 07/18/2002 C	29: 07/17/2003 thru 07/24/2003 C
30: 07/19/2001 thru 07/26/2001 F	29: 07/18/2002 thru 07/25/2002 D	30: 07/24/2003 thru 07/31/2003 D
31: 07/26/2001 thru 08/02/2001 G	30: 07/25/2002 thru 08/01/2002 E	31: 07/31/2003 thru 08/07/2003 E
32: 08/02/2001 thru 08/09/2001 H	31: 08/01/2002 thru 08/08/2002 F	32: 08/07/2003 thru 08/14/2003 F
33: 08/09/2001 thru 08/16/2001 I	32: 08/08/2002 thru 08/15/2002 G	33: 08/14/2003 thru 08/21/2003 G
34: 08/16/2001 thru 08/23/2001 J	33: 08/15/2002 thru 08/22/2002 H	34: 08/21/2003 thru 08/28/2003 H
35: 08/23/2001 thru 08/30/2001 K	34: 08/22/2002 thru 08/29/2002 I	35: 08/28/2003 thru 09/04/2003 I
36: 08/30/2001 thru 09/06/2001 L	35: 08/29/2002 thru 09/05/2002 J	36: 09/04/2003 thru 09/11/2003 J
37: 09/06/2001 thru 09/13/2001 M	36: 09/05/2002 thru 09/12/2002 K	37: 09/11/2003 thru 09/18/2003 K
38: 09/13/2001 thru 09/20/2001 A	37: 09/12/2002 thru 09/19/2002 L	38: 09/18/2003 thru 09/25/2003 L
39: 09/20/2001 thru 09/27/2001 B	38: 09/19/2002 thru 09/26/2002 M	39: 09/25/2003 thru 10/02/2003 M
40: 09/27/2001 thru 10/04/2001 C	39: 09/26/2002 thru 10/03/2002 A	40: 10/02/2003 thru 10/09/2003 A
41: 10/04/2001 thru 10/11/2001 D	40: 10/03/2002 thru 10/10/2002 B	41: 10/09/2003 thru 10/16/2003 B
42: 10/11/2001 thru 10/18/2001 E	41: 10/10/2002 thru 10/17/2002 C	42: 10/16/2003 thru 10/23/2003 C
43: 10/18/2001 thru 10/25/2001 F	42: 10/17/2002 thru 10/24/2002 D	43: 10/23/2003 thru 10/30/2003 D
44: 10/25/2001 thru 11/01/2001 G	43: 10/24/2002 thru 10/31/2002 E	44: 10/30/2003 thru 11/06/2003 E
45: 11/01/2001 thru 11/08/2001 H	44: 10/31/2002 thru 11/07/2002 F	45: 11/06/2003 thru 11/13/2003 F
46: 11/08/2001 thru 11/15/2001 I	45: 11/07/2002 thru 11/14/2002 G	46: 11/13/2003 thru 11/20/2003 G
47: 11/15/2001 thru 11/22/2001 J	46: 11/14/2002 thru 11/21/2002 H	47: 11/20/2003 thru 11/27/2003 H
48: 11/22/2001 thru 11/29/2001 K	47: 11/21/2002 thru 11/28/2002 I	48: 11/27/2003 thru 12/04/2003 I
49: 11/29/2001 thru 12/06/2001 L	48: 11/28/2002 thru 12/05/2002 J	49: 12/04/2003 thru 12/11/2003 J
50: 12/06/2001 thru 12/13/2001 M	49: 12/05/2002 thru 12/12/2002 K	50: 12/11/2003 thru 12/18/2003 K
51: 12/13/2001 thru 12/20/2001 A	50: 12/12/2002 thru 12/19/2002 L	51: 12/18/2003 thru 12/25/2003 L
52: 12/20/2001 thru 12/27/2001 B	51: 12/19/2002 thru 12/26/2002 M	52: 12/25/2003 thru 01/01/2004 M
	52: 12/26/2002 thru 01/02/2003 A	

EXHIBIT B (Continued)

CALENDAR

Schedule for 2004

Schedule for 2005

Schedule for 2006

1: 01/01/2004 thru 01/08/2004 A	1: 12/30/2004 thru 01/06/2005 M	1: 12/29/2005 thru 01/05/2006 L
2: 01/08/2004 thru 01/15/2004 B	2: 01/06/2005 thru 01/13/2005 A	2: 01/05/2006 thru 01/12/2006 M
3: 01/15/2004 thru 01/22/2004 C	3: 01/13/2005 thru 01/20/2005 B	3: 01/12/2006 thru 01/19/2006 A
4: 01/22/2004 thru 01/29/2004 D	4: 01/20/2005 thru 01/27/2005 C	4: 01/19/2006 thru 01/26/2006 B
5: 01/29/2004 thru 02/05/2004 E	5: 01/27/2005 thru 02/03/2005 D	5: 01/26/2006 thru 02/02/2006 C
6: 02/05/2004 thru 02/12/2004 F	6: 02/03/2005 thru 02/10/2005 E	6: 02/02/2006 thru 02/09/2006 D
7: 02/12/2004 thru 02/19/2004 G	7: 02/10/2005 thru 02/17/2005 F	7: 02/09/2006 thru 02/16/2006 E
8: 02/19/2004 thru 02/26/2004 H	8: 02/17/2005 thru 02/24/2005 G	8: 02/16/2006 thru 02/23/2006 F
9: 02/26/2004 thru 03/04/2004 I	9: 02/24/2005 thru 03/03/2005 H	9: 02/23/2006 thru 03/02/2006 G
10: 03/04/2004 thru 03/11/2004 J	10: 03/03/2005 thru 03/10/2005 I	10: 03/02/2006 thru 03/09/2006 H
11: 03/11/2004 thru 03/18/2004 K	11: 03/10/2005 thru 03/17/2005 J	11: 03/09/2006 thru 03/16/2006 I
12: 03/18/2004 thru 03/25/2004 L	12: 03/17/2005 thru 03/24/2005 K	12: 03/16/2006 thru 03/23/2006 J
13: 03/25/2004 thru 04/01/2004 M	13: 03/24/2005 thru 03/31/2005 L	13: 03/23/2006 thru 03/30/2006 K
14: 04/01/2004 thru 04/08/2004 A	14: 03/31/2005 thru 04/07/2005 M	14: 03/30/2006 thru 04/06/2006 L
15: 04/08/2004 thru 04/15/2004 B	15: 04/07/2005 thru 04/14/2005 A	15: 04/06/2006 thru 04/13/2006 M
16: 04/15/2004 thru 04/22/2004 C	16: 04/14/2005 thru 04/21/2005 B	16: 04/13/2006 thru 04/20/2006 A
17: 04/22/2004 thru 04/29/2004 D	17: 04/21/2005 thru 04/28/2005 C	17: 04/20/2006 thru 04/27/2006 B
18: 04/29/2004 thru 05/06/2004 E	18: 04/28/2005 thru 05/05/2005 D	18: 04/27/2006 thru 05/04/2006 C
19: 05/06/2004 thru 05/13/2004 F	19: 05/05/2005 thru 05/12/2005 E	19: 05/04/2006 thru 05/11/2006 D
20: 05/13/2004 thru 05/20/2004 G	20: 05/12/2005 thru 05/19/2005 F	20: 05/11/2006 thru 05/18/2006 E
21: 05/20/2004 thru 05/27/2004 H	21: 05/19/2005 thru 05/26/2005 G	21: 05/18/2006 thru 05/25/2006 F
22: 05/27/2004 thru 06/03/2004 I	22: 05/26/2005 thru 06/02/2005 G	22: 05/25/2006 thru 06/01/2006 F
23: 06/03/2004 thru 06/10/2004 I	23: 06/02/2005 thru 06/09/2005 H	23: 06/01/2006 thru 06/08/2006 G
24: 06/10/2004 thru 06/17/2004 J	24: 06/09/2005 thru 06/16/2005 I	24: 06/08/2006 thru 06/15/2006 H
25: 06/17/2004 thru 06/24/2004 K	25: 06/16/2005 thru 06/23/2005 J	25: 06/15/2006 thru 06/22/2006 I
26: 06/24/2004 thru 07/01/2004 L	26: 06/23/2005 thru 06/30/2005 K	26: 06/22/2006 thru 06/29/2006 J
27: 07/01/2004 thru 07/08/2004 M	27: 06/30/2005 thru 07/07/2005 L	27: 06/29/2006 thru 07/06/2006 K
28: 07/08/2004 thru 07/15/2004 A	28: 07/07/2005 thru 07/14/2005 M	28: 07/06/2006 thru 07/13/2006 L
29: 07/15/2004 thru 07/22/2004 B	29: 07/14/2005 thru 07/21/2005 A	29: 07/13/2006 thru 07/20/2006 M
30: 07/22/2004 thru 07/29/2004 C	30: 07/21/2005 thru 07/28/2005 B	30: 07/20/2006 thru 07/27/2006 A
31: 07/29/2004 thru 08/05/2004 D	31: 07/28/2005 thru 08/04/2005 C	31: 07/27/2006 thru 08/03/2006 B
32: 08/05/2004 thru 08/12/2004 E	32: 08/04/2005 thru 08/11/2005 D	32: 08/03/2006 thru 08/10/2006 C
33: 08/12/2004 thru 08/19/2004 F	33: 08/11/2005 thru 08/18/2005 E	33: 08/10/2006 thru 08/17/2006 D
34: 08/19/2004 thru 08/26/2004 G	34: 08/18/2005 thru 08/25/2005 F	34: 08/17/2006 thru 08/24/2006 E
35: 08/26/2004 thru 09/02/2004 H	35: 08/25/2005 thru 09/01/2005 G	35: 08/24/2006 thru 08/31/2006 F
36: 09/02/2004 thru 09/09/2004 I	36: 09/01/2005 thru 09/08/2005 H	36: 08/31/2006 thru 09/07/2006 G
37: 09/09/2004 thru 09/16/2004 J	37: 09/08/2005 thru 09/15/2005 I	37: 09/07/2006 thru 09/14/2006 H
38: 09/16/2004 thru 09/23/2004 K	38: 09/15/2005 thru 09/22/2005 J	38: 09/14/2006 thru 09/21/2006 I
39: 09/23/2004 thru 09/30/2004 L	39: 09/22/2005 thru 09/29/2005 K	39: 09/21/2006 thru 09/28/2006 J
40: 09/30/2004 thru 10/07/2004 M	40: 09/29/2005 thru 10/06/2005 L	40: 09/28/2006 thru 10/05/2006 K
41: 10/07/2004 thru 10/14/2004 A	41: 10/06/2005 thru 10/13/2005 M	41: 10/05/2006 thru 10/12/2006 L
42: 10/14/2004 thru 10/21/2004 B	42: 10/13/2005 thru 10/20/2005 A	42: 10/12/2006 thru 10/19/2006 M
43: 10/21/2004 thru 10/28/2004 C	43: 10/20/2005 thru 10/27/2005 B	43: 10/19/2006 thru 10/26/2006 A
44: 10/28/2004 thru 11/04/2004 D	44: 10/27/2005 thru 11/03/2005 C	44: 10/26/2006 thru 11/02/2006 B
45: 11/04/2004 thru 11/11/2004 E	45: 11/03/2005 thru 11/10/2005 D	45: 11/02/2006 thru 11/09/2006 C
46: 11/11/2004 thru 11/18/2004 F	46: 11/10/2005 thru 11/17/2005 E	46: 11/09/2006 thru 11/16/2006 D
47: 11/18/2004 thru 11/25/2004 G	47: 11/17/2005 thru 11/24/2005 F	47: 11/16/2006 thru 11/23/2006 E
48: 11/25/2004 thru 12/02/2004 H	48: 11/24/2005 thru 12/01/2005 G	48: 11/23/2006 thru 11/30/2006 F
49: 12/02/2004 thru 12/09/2004 I	49: 12/01/2005 thru 12/08/2005 H	49: 11/30/2006 thru 12/07/2006 G
50: 12/09/2004 thru 12/16/2004 J	50: 12/08/2005 thru 12/15/2005 I	50: 12/07/2006 thru 12/14/2006 H
51: 12/16/2004 thru 12/23/2004 K	51: 12/15/2005 thru 12/22/2005 J	51: 12/14/2006 thru 12/21/2006 I
52: 12/23/2004 thru 12/30/2004 L	52: 12/22/2005 thru 12/29/2005 K	52: 12/21/2006 thru 12/28/2006 J

EXHIBIT B (Continued)

CALENDAR

Schedule for 2007

Schedule for 2008

Schedule for 2009

1: 12/28/2006 thru 01/04/2007 K
 2: 01/04/2007 thru 01/11/2007 L
 3: 01/11/2007 thru 01/18/2007 M
 4: 01/18/2007 thru 01/25/2007 A
 5: 01/25/2007 thru 02/01/2007 B
 6: 02/01/2007 thru 02/08/2007 C
 7: 02/08/2007 thru 02/15/2007 D
 8: 02/15/2007 thru 02/22/2007 E
 9: 02/22/2007 thru 03/01/2007 F
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 12: 03/15/2007 thru 03/22/2007 I
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 14: 03/29/2007 thru 04/05/2007 K
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 16: 04/12/2007 thru 04/19/2007 M
 17: 04/19/2007 thru 04/26/2007 A
 18: 04/26/2007 thru 05/03/2007 B
 19: 05/03/2007 thru 05/10/2007 C
 20: 05/10/2007 thru 05/17/2007 D
 21: 05/17/2007 thru 05/24/2007 E
 22: 05/24/2007 thru 05/31/2007 F
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CONDITION OF ORIGINAL DOCUMENT

EXHIBIT B (Continued)

CALENDAR

Schedule for 2010

Schedule for 2011

Schedule for 2012

CONDITION OF ORIGINAL DOCUMENT

SUNDAY

FRIDAY

SUMMER

WEDNESDAY

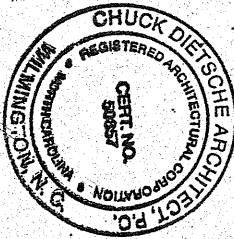
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7: 02/11/2010 thru 02/18/2010 A	7: 02/10/2011 thru 02/17/2011 M	7: 02/09/2012 thru 02/16/2012 L
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18: 04/29/2010 thru 05/06/2010 L	18: 04/28/2011 thru 05/05/2011 K	17: 04/26/2012 thru 05/03/2012 I
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35: 08/26/2010 thru 09/02/2010 C	35: 08/25/2011 thru 09/01/2011 A	34: 08/23/2012 thru 08/30/2012 L
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37: 09/09/2010 thru 09/16/2010 E	37: 09/08/2011 thru 09/15/2011 C	36: 09/06/2012 thru 09/13/2012 A
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39: 09/23/2010 thru 09/30/2010 G	39: 09/22/2011 thru 09/29/2011 E	38: 09/20/2012 thru 09/27/2012 C
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41: 10/07/2010 thru 10/14/2010 I	41: 10/06/2011 thru 10/13/2011 G	40: 10/04/2012 thru 10/11/2012 E
42: 10/14/2010 thru 10/21/2010 J	42: 10/13/2011 thru 10/20/2011 H	41: 10/11/2012 thru 10/18/2012 F
43: 10/21/2010 thru 10/28/2010 K	43: 10/20/2011 thru 10/27/2011 I	42: 10/18/2012 thru 10/25/2012 G
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52: 12/23/2010 thru 12/30/2010 G	52: 12/22/2011 thru 12/29/2011 E	51: 12/20/2012 thru 12/27/2012 C
		52: 12/27/2012 thru 01/03/2013 D

EXHIBIT C

FLOOR PLANS

See map book 7 pages 345 & 356 ^{Through} .

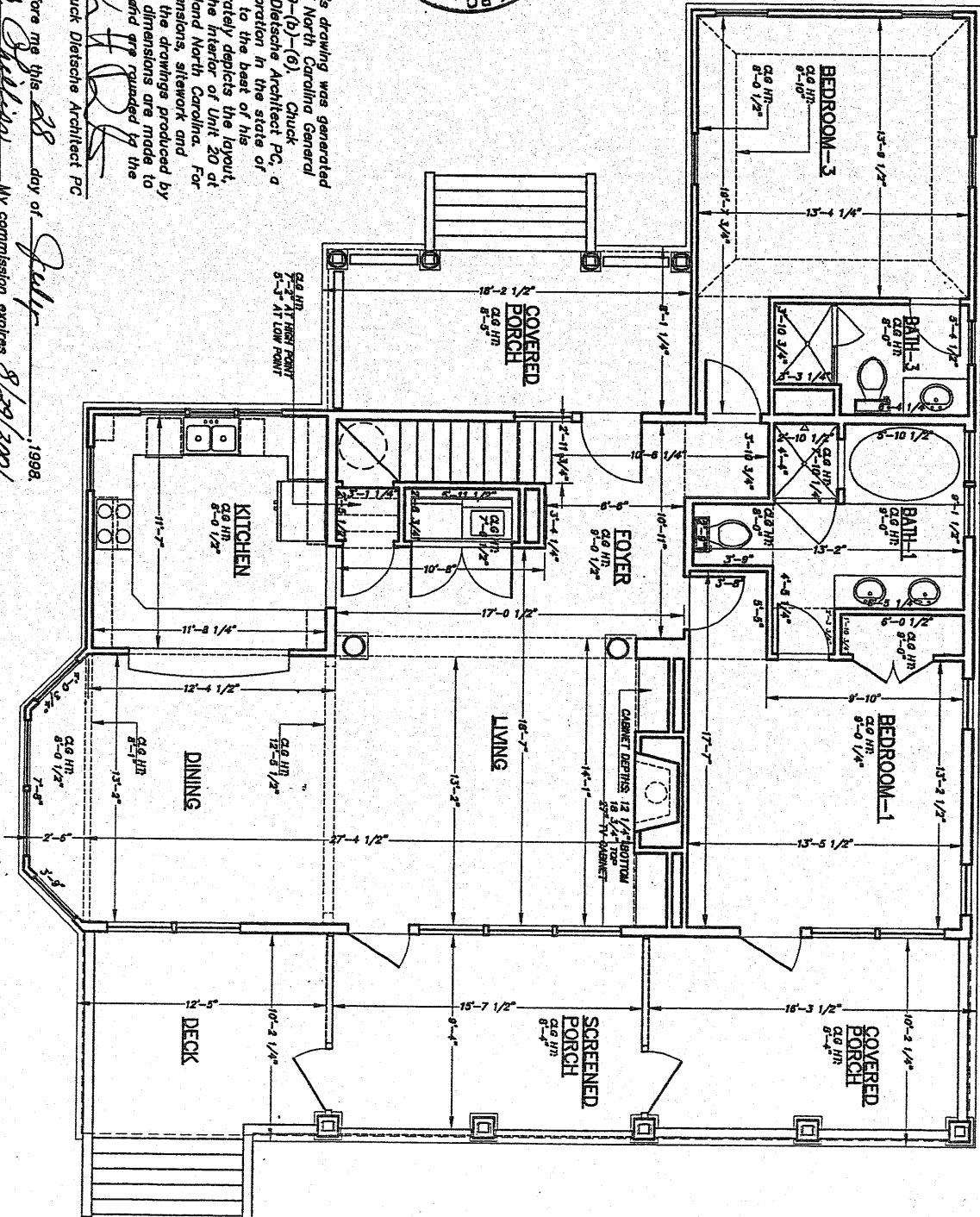


Architect's Certification—This drawing was generated to meet the requirements of North Carolina General Statutes Chapter 47C-2-109-(b)-(9). Chuck Dietsche, principal of Chuck Dietsche Architect PC, a registered Architectural Corporation in the state of North Carolina, certifies that to the best of his knowledge this drawing accurately depicts the layout, location and dimensions of the interior of Unit 20 of the Hammocks, Bald Head Island North Carolina. For floor elevations, exterior dimensions, sitework and building locations please see the drawings produced by Brunswick Surveying Inc. All dimensions are made to the face of finished surfaces and are rounded to the nearest 1/4".

Chuck Dietsche, Principal, Chuck Dietsche Architect PC

Sworn to and subscribed before me this 28 day of July, 1998.
 Notary Public: *[Signature]* My commission expires 8/29/2001.

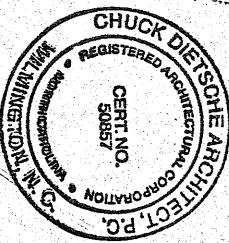
EXHIBIT C



1	First Floor Plan	July 27th 1998
2	Certification Plan	
3	Chuck Dietsche Architect PC	
4	Architecture Planning Development	

The Hammocks
 BALD HEAD ISLAND, N.C.

Unit Number
20



Architect's Certification—This drawing was generated to meet the requirements of North Carolina General Statutes Chapter 47C-2-109-(b)-(6). Chuck Dietsche, principal of Chuck Dietsche Architect PC, a registered Architectural Corporation in the state of North Carolina, certifies that to the best of his knowledge this drawing accurately depicts the layout, location and dimensions of the interior of Unit 20 at the Hammocks, Bald Head Island North Carolina. For floor elevations, exterior dimensions, stairwork and building locations please see the drawings produced by Brunswick Surveying Inc. All dimensions are made to the face of finished surfaces and are rounded to the nearest 1/4".

Chuck Dietsche, Principal, Chuck Dietsche Architect PC

Sworn to and Subscribed before me this 28 day of July, 1998.
 Notary Public Debra A. Hill My commission expires 8/29/2001

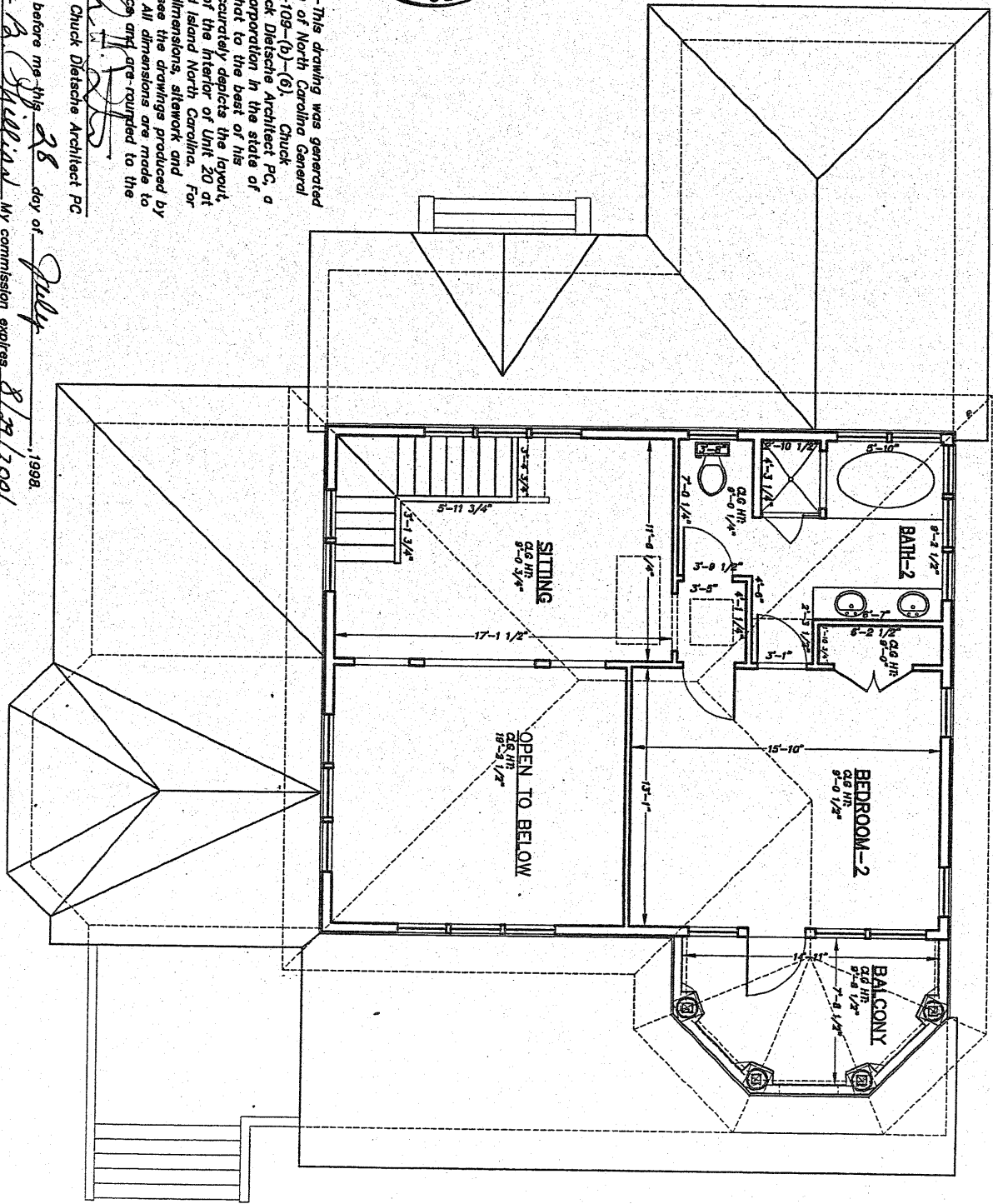


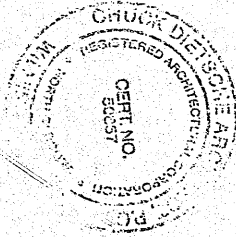
EXHIBIT C

2 of 2
 Second Floor Plan
 Certification Plan
 Chuck Dietsche Architect PC
 Architecture Planning Development

July 27th 1998

The Hammocks
 BALD HEAD ISLAND, N.C.

Unit Number
20



Architect's Certification—This drawing was generated to meet the requirements of North Carolina General Statutes Chapter 47C-2-109-(b)-(6). Chuck Dietsche, principal of Chuck Dietsche Architect PC, a registered Architectural Corporation in the state of North Carolina, certifies that to the best of his knowledge this drawing accurately depicts the layout, location and dimensions of the interior of Unit 22 at the Hammocks, Bald Head Island North Carolina. For floor elevations, exterior dimensions, sitework and building locations please see the drawings produced by Brunswick Surveying Inc. All dimensions are made to the face of finished surface and are rounded to the nearest 1/4".

Chuck Dietsche, Principal, Chuck Dietsche Architect PC

Sworn to and Subscribed before me this 28 day of July, 1998.
 Notary Public Deputy A. Sullivan My commission expires 8/22/2001.

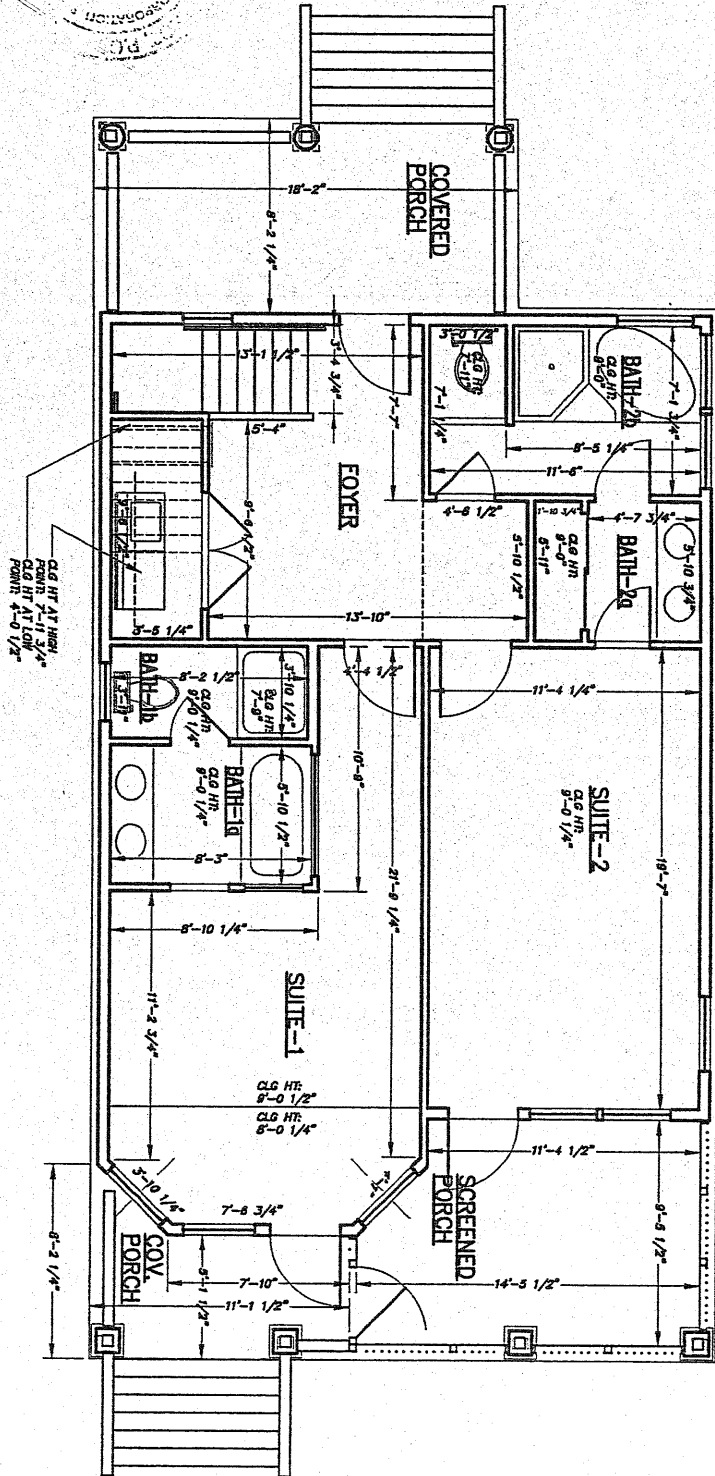
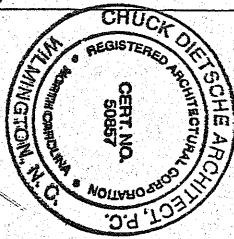


EXHIBIT C

1 of 2	First Floor Plan	July 27th, 1998	<h1>The Hammocks</h1> <p>BALD HEAD ISLAND, N.C.</p>	Unit Number <h1>22</h1>
	Certification Plan Chuck Dietsche Architect PC Architecture Planning Development			



Architect's Certification—This drawing was generated to meet the requirements of North Carolina General Statutes Chapter 47C-2-109-(b)-(6). Chuck Dietsche, principal of Chuck Dietsche Architect PC, a registered Architectural Corporation in the state of North Carolina, certifies that to the best of his knowledge this drawing accurately depicts the layout, location and dimensions of the interior of Unit 22 at the Hammocks, Bald Head Island North Carolina. For floor elevations, exterior dimensions, sitework and building locations please see the drawings produced by Brunswick Surveying Inc. All dimensions are made to the face of finished surfaces and are rounded to the nearest 1/4".

Chuck Dietsche, Principal, Chuck Dietsche Architect PC

Sworn to and subscribed before me this 28 day of July, 1998.
 Notary Public: *Gregory A. Phillips* My commission expires 8/29/2001.

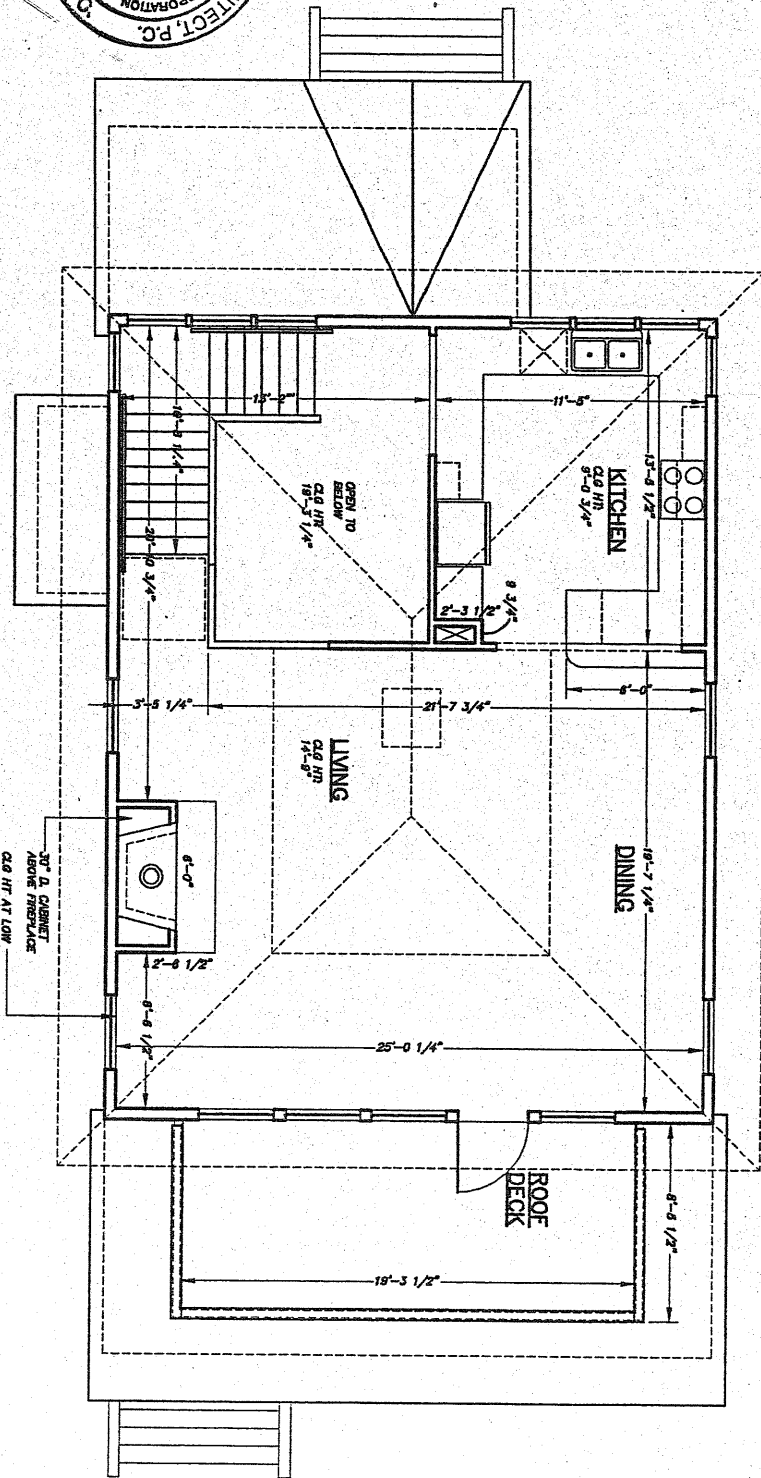


EXHIBIT C

2 of 2
 Second Floor Plan
 Certification Plan
 Chuck Dietsche Architect PC
 Architecture Planning Development

July 27th 1998

The Hammocks

BALD HEAD ISLAND, N.C.

Unit Number
 22

*EXHIBIT D*CONDOMINIUM PROPERTY

ALL THAT CERTAIN tract or parcel of land situated in the Village of Bald Head Island, Smithville Township, Brunswick County, North Carolina, containing 0.96 acre, more or less, and being more particularly shown and described as "Phase One, The Hammocks" on a plat of survey prepared by Thomas W. Morgan, R.L.S., Brunswick Surveying, Inc. and duly recorded in Map Cabinet 7 at Page _____ in the Office of the Register of Deeds for Brunswick County, North Carolina.

* 345 through 350

TOGETHER WITH a non-exclusive right of way and easement from the public roadway known as Earl of Craven to the said property over and along that certain easement as more particularly described in that certain deed recorded in the Office of the Register of Deeds for Brunswick County, North Carolina in Book 1191 at Page 1057.

*EXHIBIT E*ALLOCATED INTERESTSUndivided Interest

Unit 20 - 2,774 square feet (2,092 heated, 562 enclosed, 120 uncovered) = 55.15%. To the extent Co-Ownership Interests are conveyed in the Unit, the percentage of Co-Ownership Interest conveyed in the single Unit shall be multiplied by the undivided interest assigned herein to that Unit to determine the undivided interest conveyed to said Owner. Therefore, if 13 Co-Ownership Interests are conveyed, each will be divided 1/13 of 55.15% of the common areas.

Unit 22 - 2,258 square feet (1,732 heated, 339 enclosed, 187 uncovered) = 44.85%. To the extent Co-Ownership Interests are conveyed in the Unit, the percentage of Co-Ownership Interest conveyed in the single Unit shall be multiplied by the undivided interest assigned herein to that Unit to determine the undivided interest conveyed to said Owner. Therefore, if 13 Co-Ownership Interests are conveyed, each will be divided 1/13 of 44.85% of the common areas.

Common Expense Liability

Unit 20 - T-3 dues are "X" + "X" times 20% if no Crofter utilization is purchased, plus \$465 per year for 1999, if Crofter use is purchased, for each of the thirteen undivided interests.

Unit 22 - R-2 dues are "X" if no Crofter utilization is purchased, plus \$465 per year for 1999, if Crofter use is purchased, for each of the thirteen undivided interests.

VoteUnit 20

One (1)

The Owner of a Co-Ownership Interest shall be assigned the percentage of said vote which is the ratio of the number of undivided interests in said Unit to 1. Therefore, if 13 Co-Ownership Interests are conveyed, each Owner shall have 1/13 of one vote, each fractional vote allowed to be cast independently.

Unit 22

One (1)

The Owner of a Co-Ownership Interest shall be assigned the percentage of said vote which is the ratio of the number of undivided interests in said Unit to 1. Therefore, if 13 Co-Ownership Interests are conveyed, each Owner shall have 1/13 of one vote, each fractional vote allowed to be cast independently.

EXHIBIT FPROPERTY ENCUMBRANCES

1. The property is subject to ad valorem real estate taxes assessed by the Village of Bald Head Island and by Brunswick County, North Carolina for 1998 and subsequent years.
2. This property may be affected by blanket easements granted to Carolina Power and Light Company recorded in Book 749, Page 376; Book 442, Page 199; and Book 474, Page 487 and Assignment of Easement recorded in Book 462, Page 174, Brunswick County Registry.
3. This property may be subject to blanket easements granted to Bald Head Island Utility Company recorded in Book 701, Page 206; and Book 706, Page 775, Brunswick County Registry.
4. This property may be subject to blanket easement to Southern Bell Telephone and Telegraph Company recorded in Book 702, Page 87, Brunswick County Registry.
5. Amended and Restated Declaration of Covenants, Conditions and Restrictions for Bald Head Island as recorded in the Brunswick County Registry of Deeds in Deed Book 498 at Page 260.
6. Easements, restrictions and conditions shown on plats of survey recorded in Map Book J at Page 181; in Map Cabinet 18, Page 364; and in Map Cabinet 19 at Page 332.
7. Interests or claims not disclosed by the real estate records of Brunswick County, including unrecorded mechanic's or materialmen's liens and unrecorded leases.
8. Any local, county, state or federal government law or regulation regarding zoning, subdivision, occupancy, use, construction or development of the property.
9. Any state highway, public utility or U.S. Government Intrastate Waterway which may apply to the property, if any.
10. The subject property is located on a barrier island with no guarantee of continued public access available from the mainland shores.
11. (To be released at closing) Deed of Trust from The Hammocks, LLC, to Robert B. McConnell, Trustee, dated December 23, 1997 and recorded in the records of the Register of Deeds for Brunswick County, North Carolina in Book 1191 at Page 1061, given to secure the payment of a certain note or notes in the aggregate principal amount of \$3,000,000.00.

EXHIBIT G
MANAGEMENT AGREEMENT

This Management Agreement, dated for purposes of reference only this 10th day of January, 1998, by and between The Hammocks, LLC, a North Carolina Limited Liability Company, with its principal place of business being located in Brunswick County, North Carolina ("Developer") and Bald Head Island Property Management, Inc., a North Carolina corporation with its principal place of business being located in Brunswick County, North Carolina ("Manager").

RECITALS

WHEREAS, Developer is developing a residential subdivision located on Bald Head Island, Brunswick County, North Carolina, named The Hammocks; and

WHEREAS, The Hammocks is to be constructed in phases, and will consist of a series of single-family residential homes, one or more of which will be offered as timeshares, and all of which will be made subject to the North Carolina Condominium Act; and

WHEREAS, Developer is creating a nonprofit homeowners association to be named The Hammocks Association, Inc. ("Association"), to administer the affairs, and supervise the maintenance of, The Hammocks; and

WHEREAS, Manager is an experienced property management company, desirous of providing administrative and property management services by and on behalf of the Association and its members; and

WHEREAS, Developer, for itself and the Association, wishes to contract with Manager for such services to be provided by Manager.

THEREFORE, in consideration of the mutual promises and covenants set out herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Services. Developer hereby contracts with Manager, and Manager accepts the responsibilities requested of it by Developer, whereby Manager is and shall be engaged as the manager of The Hammocks, located on Bald Head Island, North Carolina.
2. Term. The initial term of this Agreement shall commence, as to compensation to be paid to Manager, upon the transfer of title from Developer to a third party of a home (or an interest in a home) in The Hammocks, although pre-engagement services, as

more fully set out herein, shall be provided by Manager prior to such date. This Agreement, unless earlier terminated, shall expire at 11:59 p.m. on December 31, 2006. ***THIS AGREEMENT MAY BE TERMINATED WITHOUT CAUSE BY THE ASSOCIATION AT SUCH TIME AS THE MEMBERS OF THE BOARD OF DIRECTORS OF THE ASSOCIATION ARE ELECTED BY ITS MEMBERSHIP, EXCLUSIVE OF DEVELOPER, AS SET OUT IN NORTH CAROLINA GENERAL STATUTE 47C-3-103. A MINIMUM NINETY (90) DAYS WRITTEN NOTICE, GIVEN BY THE ASSOCIATION TO MANAGER, SHALL BE REQUIRED IN ORDER FOR THE ASSOCIATION TO TERMINATE THIS AGREEMENT IN ACCORDANCE WITH THIS PARAGRAPH.***

3. Assignment. Developer hereby agrees and is obligated to assign this Management Agreement to the Association upon formation of the Association, and upon such assignment, the Association shall be considered for all purposes the contracting party, assuming all responsibilities of Developer herein as to the Manager, including, without limitation, the obligation to make all required payments of fees and reimbursement of expenses required of Developer hereunder.
4. Duties of Manager. Manager shall provide complete management services relating to the administration of The Hammocks, on behalf of the Association and its members, to include, without limitation, the following:
 - A. Maintain the financial books and records of the Association;
 - B. Prepare draft budgets for consideration by the Association;
 - C. Collect and deposit all dues and special assessments collected by the Association;
 - D. Provide the necessary or required financial reporting to the Association and its membership, and pay all accounts payable of the Association;
 - E. Supervise the employment (at Association expense) of third parties to provide the necessary, routine and extraordinary maintenance of all common areas, and maintenance of all improvements, the responsibility of which is assigned to the Association (both interior and exterior);
 - F. Supervise and administer all contracts of the Association with third parties for the performance of services to, or on behalf of, the Association;
 - G. Organize and assist in the conduct of all meetings of the Board of Directors and membership of the Association, as requested by said Board of Directors;

- H. Make recommendations and suggestions to the Board of Directors of the Association for adoption of rules and regulations, and for improvements, alterations, repairs or replacement to common area elements within The Hammocks;
 - I. Maintain a complete roll of all members, including names and addresses;
 - J. Provide notices of meetings of the Board of Directors and of the membership of the Association as requested by said Board of Directors;
 - K. Negotiate, procure and administer all insurance policies required or desired to be maintained by the Association, and to assist in processing of any claim;
 - L. Respond to inquiries relating to The Hammocks by owners and their guests, and, where possible, appropriately respond to such inquiries and requests;
 - M. Provide during reasonable business hours, check-in/check-out services for owners and their guests, both as to homes and Crofters;
 - N. Maintain master keys for all units and Crofters, and coordinate entry into such units and Crofters as necessary for purposes of repair, maintenance, inspection or emergency services (all under the direction and supervision, or under authority given, by the Board of Directors of the Association from time to time); and
 - O. Provide such other services as are necessary to ensure the smooth operation of the Association from day-to-day, and to ensure that the financial affairs of the Association are maintained on a sound basis, in accordance with generally accepted accounting and bookkeeping procedures.
5. Compensation. As compensation for performing services required of it herein, Manager shall be paid a sum equal to 5% of annual Association expenses, not to exceed \$24,000 per year. The fee shall be due and payable monthly. The fee as to each home constructed shall become due and payable, initially, as of the first day of the month in which any interest in said home is conveyed to a third party, or the month in which actual occupancy of a home is commenced, whichever first occurs.

It is expressly understood that Manager is not to bear the cost of any third party services provided, including, without limitation, the cost of any landscape contractor, certified public accountant, lawyer or other maintenance or repair or service provider employed by the Association or by Manager on behalf of the Association. All such

costs, whether invoiced to the Manager or directly to the Association, shall be paid by the Association.

It is further understood that, except as specifically set out herein, Manager is to bear no expense for materials provided to the Association, including, without limitation, the cost of any replacement assets, such as light bulbs, doors, windows, screens or other personalty, nor is Manager to bear any utility or other related charge, or any cost for provision of fertilizer, pine straw or other landscaping materials, all of which are to be a cost and expense to the Association in addition to the compensation required to be paid to Manager herein.

6. Reimbursement of Expenses. In addition to the compensation to be paid as set out in the preceding Paragraph 5, Manager shall be entitled to reimbursement, upon proper verification of expense, for all out of pocket expenses incurred by it in performing its required services to the Association, including, without limitation, long distance telephone expenses, postage expenses, and transportation expenses incurred for the benefit of the Association (but no reimbursement for any on-Island transportation expenses will be provided). Notwithstanding this provision, Manager shall bear all costs of its own personnel, and shall further bear all its own internal administrative supply expenses, including stationary and basic telephone service charges.
7. Authority. Manager is authorized to incur expense or to enter into contracts, consistent with any budget of the Association approved by the Association in accordance with its governing documents. Any non-emergency expense incurred beyond that approved in the budget shall require prior approval of the Board of Directors of the Association, except in the event of an emergency, in which event Manager may incur such expenses as may be reasonably necessary to respond appropriately to protect property, personnel or to ensure the continued operation of the Association. All such emergency expenses shall be reported to the Board of Directors as soon as practicable after such expenditure is authorized or incurred.
8. Communication. The Board of Directors of the Association shall designate one (1) or more officers or agents of the Association to provide primary communication with Manager in regard to the various responsibilities assigned to Manager herein. Such designated and authorized officers or agents shall, to the extent practicable, be the only representatives of the Association to interact with Manager in regard to the duties and responsibilities assigned to said officer or agent. It is expressly agreed and understood by the parties hereto that Manager is to accept instructions and expend funds only when given by the Board of Directors or said designated officers and/or agents.
9. Liability. Manager shall be liable to the Association only in the event of its grossly negligent or intentional actions. Manager specifically indemnifies the Association and

its members from any loss or damage caused by such grossly negligent or intentional actions. The Association hereby indemnifies and holds harmless Manager and its officers, directors, employees and agents from and against any claim against any of such parties, including, but not limited to, damage to person or property, relating in any way to the actions or non-actions of Manager, except for the grossly negligent or intentional actions of Manager. All indemnities specifically include all costs and expenses arising from or related to any such claim, including reasonable attorneys fees incurred.

10. Assignment. Except as specifically permitted by this Agreement, this Agreement is not assignable.
11. Termination. This Agreement may be terminated by the Association, once this Agreement is assigned to the Association, for cause. Cause shall mean the failure of Manager to perform the duties and obligations required of it reasonably. Should the Association believe such duties and obligations have not been reasonably fulfilled, the Association shall give to Manager written notice, specifying the failures complained of. Manager shall have thirty (30) days to either cure such deficiency, or begin a process of curing such deficiency if such cannot reasonably be cured within thirty (30) days, or alternatively shall give notice of disagreement as to the reasonableness of the request given by the Association. If notice of disagreement is given, the duties and responsibilities of Manager shall be arbitrated in accordance with the rules of the American Arbitration Association, each party bearing its own costs of arbitration. The decision of said arbitrator shall be binding on the parties hereto. Said award may include specifically a determination that the failure or refusal of Manager to perform the duties requested of it by the Association was unreasonable, and that, therefore, this Management Agreement may be terminated by the Association.
12. Complete Agreement. This Management Agreement represents the complete understanding and agreement of the parties regarding the management of The Hammocks. Any amendment hereto must be in writing, executed by a duly authorized representative of all parties hereto.
13. Rules and Regulations. Subject to procedures adopted by the Board of Directors of the Association, and any notification thereof so requested by the Board of Directors, Manager may exercise any rights reserved to the Association upon failure of any member of the Association (or any guest or invitee of any member) to abide by the rules and regulations of the Association. However, except as specifically authorized herein, no legal action may be instituted on behalf of the Association by the Manager without the prior consent given by the Board of Directors of the Association. The Association, however, specifically delegates all rights to collect unpaid assessments to Manager, and no approval of the Board of Directors shall be required prior to institution of any collection procedure, including litigation or filing of lien, against any

defaulting owner (or his property within The Hammocks) following non-payment, although notice of all such actions shall be promptly given to the Board of Directors of the Association by Manager.

- 14. Notices. Any notices required to be given hereunder shall be sent by Certified Mail, Return Receipt Requested, addressed as follows:

To the Association:

To the current address of the President of the Association from time-to-time.

To the Manager:

Bald Head Island Property Management, Inc.
Attention: Principal Property Manager
P O Box 3069
Bald Head Island, NC 28461

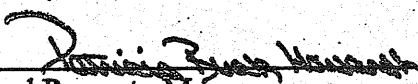
To The Hammocks, LLC:

Bald Head Island Management, Inc.
c/o President
P O Box 3069
Bald Head Island, NC 28461

- 15. Pre-Engagement Services. Manager shall assist in establishing budgets, rules, procedures and systems, including accounting systems, prior to formal commencement of this Agreement as set out in Paragraph 2.

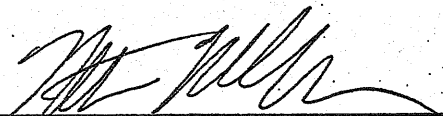
BALD HEAD ISLAND PROPERTY MANAGEMENT, INC.

(SEAL)

By:  (SEAL)
Principal Property Manager

THE HAMMOCKS, LLC

(SEAL)

By:  (SEAL)
Manager

**AMENDMENT TO
MANAGEMENT AGREEMENT**

THIS AMENDMENT TO MANAGEMENT AGREEMENT ("Amendment"), is made and entered into as of the 1st day of January, 1999, by and between **THE HAMMOCKS ASSOCIATION, INC.** ("Association"), a North Carolina nonprofit corporation, and **BALD HEAD ISLAND PROPERTY MANAGEMENT, INC.** ("Manager"), a North Carolina corporation;

WITNESSETH:

WHEREAS, Manager and the Association, as assignee of The Hammocks, LLC, have heretofore entered into a Management Agreement ("Agreement") dated January 10, 1998, for the provision of administrative and property management services by Manager to the residential development known as "The Hammocks", located on Bald Head Island, North Carolina; and,

WHEREAS, the Association has requested that Manager employ a person generally referred to as an interval ownership coordinator, to devote full time and attention to the business of the Association and its members, and Manager has agreed to do so; and,

WHEREAS, Manager and the Association wish to enter into this Amendment to amend, supplement, and clarify those provisions of the Agreement pertaining to Manager's compensation, particularly with regard to employment of an interval ownership coordinator, in the manner and to the extent hereinafter set forth;

NOW THEREFORE, for and in consideration of the promises, covenants and agreements contained herein, and the mutual benefits to be derived therefrom, Manager and the Association hereby agree that the second paragraph of Article 5 of the Agreement, which Article is entitled "Compensation", shall be amended to read as follows, to wit:

"It is expressly understood that Manager is not to bear the cost of any third party services provided, including, without limitation, the cost of any landscape contractor, certified public accountant, lawyer or other maintenance or repair or service provider employed by the Association or by Manager on behalf of the Association. All such costs, whether invoiced to the Manager or directly to the Association, shall be paid by the Association. Notwithstanding anything contained herein to the contrary, it is further understood that Manager is to hire and pay, on behalf of the Association, the wages and benefits of an interval ownership coordinator, and Manager shall be entitled to

reimbursement of such wage and benefits costs, upon proper verification to the Association.”

Except as specifically amended as hereinbefore set forth, the terms and conditions of the Management Agreement dated January 10, 1998, remain unchanged, in full force and effect, and are hereby ratified by the parties.

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this Amendment, all effective as of the day and year first above written.

**THE HAMMOCKS ASSOCIATION, INC.,
(ASSOCIATION)**

By: Joyce C. Felton
Its: Vice - President



**BALD HEAD ISLAND PROPERTY MANAGEMENT, INC.,
(MANAGER)**

By: [Signature]
Its: V. Pres.

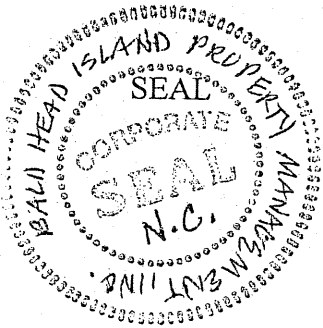


EXHIBIT H

COMMON PROPERTY (Personal Property)

UNIT CATEGORY R2

2 Bedrooms - Sleeps 6

3 bedrooms with headboards

3 nightstands

2 dressers

2 bedroom chairs

1 sofa

3 living room chairs

2 lamp tables

1 cocktail table

1 dining room table

6 dining room chairs

3 bar stools

1 hutch

Refrigerator

Stove

Microwave

30" TV

VCR

Surround sound

5 disc CD player

2 CD/Radio Alarm Clock

1 wireless headset

2 - 20" TV/VCR

1 Six passenger golf cart

Patio Furniture: 4 rockers
 2 side tables
 1 table / 6 chairs

Pictures

Rugs

Silk plants

5 lamps

Accessories

Wooden blinds in all bedrooms

EXHIBIT H (Continued)UNIT CATEGORY R33 Bedrooms - Sleeps 8

4 beds with headboards

5 nightstands

3 dressers

3 bedroom chairs

1 sofa

3 living room chairs

2 lamp tables

1 cocktail table

1 dining room table

8 dining room chairs

2 bar stools

1 hutch

Refrigerator

Stove

Microwave

30" TV

VCR

Surround sound

5 disc CD player

3 CD/Radio Alarm clock

1 wireless headset

3 - 20" TV/VCR

1 Six passenger golf cart

Patio Furniture: 4 Rockers
 2 side tables
 1 table / 6 chairs

Pictures

Rugs

Silk plants

5 lamps

Accessories

Wooden blinds in all bedrooms

EXHIBIT H (Continued)UNIT CATEGORY T33 Bedrooms - Sleeps 6

3 beds with headboards
 6 nightstands
 3 dressers
 3 bedroom chairs
 1 sofa
 3 living room chairs
 1 chair in a half
 2 lamp tables
 1 cocktail table
 1 dining room table
 6 dining room chairs
 3 bar stools
 1 hutch
 Refrigerator
 Stove
 Microwave
 30" TV
 VCR
 Surround sound
 5 disc CD player
 3 CD/Radio Alarm clock
 1 wireless headset
 2 - 20" TV/VCR
 1 Six passenger golf cart
 Patio Furniture: 4 Rockers
 2 side tables
 1 table / 6 chairs

 Pictures
 Rugs
 Silk plants
 5 lamps
 Accessories
 Wooden blinds in all bedrooms

EXHIBIT IRECREATION AMENITIES

1. Clubhouse. A Clubhouse will be constructed by the Developer, and conveyed to the Association. It will consist of the following:
 - A. A lobby containing approximately 200 gross square feet.
 - B. A living area containing approximately 250 gross square feet.
 - C. A concierge area containing approximately 160 gross square feet.
 - D. A billiard room containing approximately 380 gross square feet.
 - E. A library containing approximately 120 gross square feet.

2. Athletic Building. An athletic building will be constructed by the Developer, and conveyed to the Association. It will consist of the following:
 - A. A men's and women's locker room each containing approximately 190 gross square feet, each including a small shower area, and approximately six day lockers, as well as toilet and sink facilities.
 - B. An exercise room containing approximately 300 gross square feet.
 - C. An equipment room containing approximately 400 gross square feet.

3. Courtyard. The Clubhouse and athletic building will form a small courtyard. The courtyard will be used for outside public gatherings and including the following amenities:
 - A. A swimming pool approximately 16' x 36' in size, with surrounding deck.
 - B. A hot tub.
 - C. A lounge area.
 - D. A sauna.

4. Outdoor Amenities
 - A. Children's play area.
 - B. Bocce ball court.
 - C. Putting (golf) surface.
 - D. Grilling area with picnic tables.

EXHIBIT J

BK 1240 PG 1039

Crofter Utilization

The Owner of each Condominium Unit will be given the choice of purchasing the right of utilization of an undesignated Crofter for seven (7) days of exclusive use per year. On a first come/first serve basis, those seven (7) utilization days may be reserved up to 365 days in advance. The Owner shall have no additional entitlement to Crofter utilization; however, if there is unreserved availability in a Crofter (referred to as "Sea Time") an Owner may, no more than thirty (30) days in advance, request a right-of-occupancy for additional time, at the sole discretion of the Association. Generally, Sea Time will be made available on a first come/first serve basis, but equitable adjustments can be made by the Association to promote balanced use of the Crofters. The particular Crofter to be assigned will be at the discretion of the Association.

Each Owner entitled to utilization of a Crofter will be entitled to a minimum of one (1) weekend stay and one (1) weekday stay. A weekend is defined as Thursday, Friday and Saturday nights, while a weekday is any other night. The weekend and weekday stay may or may not be consecutive.

Annual reservations will be taken by fax, phone or mail beginning December 1st of each year at 9:00 a.m., for the following calendar year. Reservations requested by mail, and received prior to December 1, will be held until December 1, and will be treated as being received on December 1. Postmarks will be irrelevant, so that mail reservations received prior to December 1 will be arbitrarily and randomly selected to determine priority. Mail reservations received prior to December 1 will be honored before phone and fax reservations received prior to or on December 1. After 9:00 a.m. December 1, priorities will be based upon time and date received. This date may be altered by the Board upon sixty (60) days advance notice to all Owners.

Owners entitled to Crofter utilization may cancel confirmed reservations, but will be credited with utilization against guaranteed minimum times unless another Owner makes utilization of the canceled reservation, as part of the seven (7) day guaranteed minimum for that Owner. Should another Owner so utilize the canceled reserved time, the time so utilized will not be credited against the minimum available time charged to the canceling Owner.

The Association will charge a cleaning fee upon each utilization, which may be changed from time-to-time. No rental or other fee will be charged, other than dues charged to each Owner entitled to Crofter utilization. If no Owner use is reserved for Sea Time, the Association may rent said time to any Owner, but no such reservation will be accepted more than seven (7) days in advance of occupancy as to any Owner not purchasing Crofter utilization rights. Rental rates shall be determined by the Board.