

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

SETTLEMENT AGREEMENT AND
RELEASE OF ALL CLAIMS

THIS SETTLEMENT AGREEMENT AND RELEASE OF ALL CLAIMS ("Agreement") entered into effective as of this 12th day of September, 2013, by and between Shipwatch Villas Townhome Owners Association II, Inc. ("Townhomes Association") and Shipwatch Villas Condominium Owners Association, Inc. ("Condominium Association"), sometimes collectively referred to herein as the "Parties" and separately as a "Party."

W I T N E S S E T H:

WHEREAS, the Townhomes Association is a nonprofit corporation organized and existing under the laws of the State of North Carolina as an association for the owners of townhomes in the planned community known as Shipwatch Villas in Onslow County, North Carolina;

WHEREAS, the Condominium Association is a nonprofit corporation organized and existing under the laws of the State of North Carolina as an association for the owners of condominiums in the condominium community known as Shipwatch Villas in Onslow County, North Carolina;

WHEREAS, there previously was recorded a deed in Book 946, at Page 259 in the office of the Register of Deeds of Onslow County by which Neil Realty Company, Inc. conveyed certain tracts of land to the Condominium Association, including two tracts of land described as the "Pool Area" and the "Tennis Area" ("Amenities Deed");

WHEREAS, the tracts of land conveyed by the Amenities Deed were conveyed with two easements which provide separate lanes of access to the Tennis Area described in the Amenities Deed as "EASEMENT I: EASEMENT FROM POOL AREA TO TENNIS COURT AREA" and "EASEMENT II: EASEMENT FROM N.C.S.R. 1568 TO TENNIS COURT AREA" (collectively, the "Easements");

WHEREAS, a pool was constructed on the Pool Area ("Pool") and Tennis Courts were constructed on the "Tennis Area" ("Tennis Courts") (together, the Pool and Tennis Courts are referred to herein as the "Amenities");

WHEREAS, the Parties are named parties to a Declaration of Covenants and Easements ("Declaration") which is recorded in Book 915, at Page 729 of the Onslow County Registry, which Declaration governs the use and management of the Amenities, and provides the members of the Townhomes Association with a right to use the Amenities subject to certain terms and conditions;

WHEREAS, the members of the Condominium Association are also the sole owners of a beach access ramp and walkway ("Beach Access") located on the property owned by the members of the Condominium Association.

WHEREAS, a dispute arose between the Parties concerning the management and use of the Amenities;

WHEREAS, the Townhomes Association filed a Complaint in the Onslow County General Court of Justice, Superior Court Division, and bearing Onslow County Court File No. 09-CVS-5004, on or about November 20, 2009 (the "Lawsuit");

WHEREAS, the Parties agreed to resolve the Lawsuit by entry of a Consent Order, which Consent Order was filed on or about July 12, 2011;

WHEREAS, the Consent Order required that the Parties amend the Amenities Declaration to incorporate certain changes agreed to by the Parties, and the Amendment to the Declaration was recorded at Book 3672, at Page 411, of the Onslow County Registry ("Amended Declaration");

WHEREAS, the Consent Order also required that the Parties enter into a Licensing Agreement concerning the Beach Access and, on or about September 30, 2011, the Condominium Association and the Townhomes Association entered into such Licensing Agreement ("Licensing Agreement"), a copy of which is recorded at Book 3672, at Page 417 of Onslow County Registry;

WHEREAS, pursuant to the Licensing Agreement, the Condominium Association granted to the members of the Townhomes Association and their members guests, certain limited

rights of access to the Beach Access in exchange for certain financial commitments from the Townhomes Associations;

WHEREAS, in order to promote cooperation and unity between their members, the Parties desire to narrow and amend their contractual relationships under the Declaration and Licensing Agreement; and

WHEREAS, the Parties have agreed to amend and restate the Licensing Agreement, to convey the ownership of the Tennis Courts, and to amend and restate the Amended Declaration, all as more particularly set forth below.

NOW, THEREFORE, for and in consideration of the mutual promises, undertakings and considerations as set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually agree as follows:

1. Preamble. The recitals and provisions of the preamble set forth above are incorporated herein by reference as if fully set forth.

2. Conveyance of Tennis Courts. In consideration of the agreements by the Townhomes Association as set forth herein, the Condominium Association agrees to convey the Tennis Area to the Townhomes Association and to terminate the Easements. The Parties expressly agree that the proposed deed ("Deed"), a copy of which is attached hereto as Exhibit A, is the agreed-to form for the conveyance of the Tennis Area. The Parties also expressly agree that the proposed termination of easements ("Termination of Easements"), a copy of which is attached hereto as Exhibit B, is the agreed-to form for the termination of the Easements. The Condominium Association expressly agrees herein to finalize, execute, and deliver the Deed and Termination of Easements to the Townhomes Association within thirty (30) days of the date of the execution of this Agreement. It shall be the sole responsibility of the Townhomes Association to record the Deed and Termination of Easements. The Townhomes Association expressly releases the Condominium Association from any fees or costs associated with the recording of the Deed and Termination of Easements. The Townhomes Association also expressly releases the Condominium Association from any liability whatsoever arising out of the ownership of the Tennis Area, including, but not limited to, any taxes, fees, permit costs, or any

other expense of any kind whatsoever relating to the Tennis Area arising subsequent to the conveyance hereunder.

3. Payments by Condominium Association. In further consideration of the agreements by the Townhomes Association as set forth herein, the Condominium Association agrees to pay to the Townhomes Association the lump sum of FIVE THOUSAND AND NO/100 DOLLARS (\$5,000.00), in certified funds made payable to "Shipwatch Villas Townhome Owners Association II, Inc." within thirty (30) days of the date of the execution of this Agreement. In addition, the Condominium Association agrees to extend a FIVE THOUSAND AND NO/100 DOLLARS (\$5,000.00) credit to the Townhomes Association, with such credit to be applied to the balance owed to the Condominium Association by the Townhomes Association pursuant to the Amended and Restated Declaration for the calendar year 2014.

4. Amendment and Restatement of Declaration. In further consideration for the agreements of the Parties as set forth herein, and in furtherance of the conveyance of the Tennis Area, the Parties agree to amend and restate the Declaration to remove the Tennis Area, and the Tennis Courts as an amenity thereunder. The Parties expressly agree that the proposed Amended and Restated Declaration, a copy of which is attached hereto as Exhibit C, is the agreed-to form of the amendment, which shall be duly voted upon and approved by the respective Boards of Directors, finalized, and executed contemporaneously with the execution of this Agreement. The Parties further expressly agree that the Amended and Restated Declaration will then be recorded by the Parties within thirty (30) days of the date of the execution of this Agreement. The Parties agree to evenly divide the responsibility for any fees or charges associated with the recording of the Amended and Restated Declaration, with the reimbursing party to provide its equal share to the recording party within five (5) days of the date of the recording of the Amended and Restated Declaration.

5. Amendment and Restatement of Licensing Agreement. In further consideration for the agreements herein, the Parties have agreed to amend and restate the Licensing Agreement. The Parties expressly agree that the proposed Amended and Restated Licensing Agreement, a copy of which is attached hereto as Exhibit D, is the agreed to form for this amendment, which shall be duly voted upon and approved by the respective Boards of

Directors, finalized, and executed contemporaneously with the execution of this Agreement. The Parties further expressly agree that the Amended and Restated Licensing Agreement will then be recorded by the Parties within thirty (30) days of the date of the execution of this Agreement. The Parties agree to evenly divide the responsibility for any fees or charges associated with the recording of the Amended and Restated Licensing Agreement, with the reimbursing party to provide its equal share to the recording party within five (5) days of the date of the recording of the Amended and Restated Licensing Agreement.

6. General Release. In further consideration of the agreements of the Parties as set forth herein, each of the Parties, for and on behalf of itself and its successors and assigns, does hereby release, acquit, and forever discharge the other Party, its officers, directors, members, successors, assigns, insurers, attorneys, agents, servants and employees (the "Released Parties"), of and from any and all liabilities, actions, causes of actions, whether arising in equity or at law, claims, demands, damages, costs, attorneys' fees, expenses, compensations and all consequential or incidental damage, now accrued or which may hereafter accrue, on account of any and all rights, claims, or causes of action, known or unknown, that the Parties have, had, or may have against each other, or any of the Released Parties, from the beginning of time up to, through, and including the effective date of this Agreement. It is the intent of the Parties that, excluding the terms and promises of this Agreement, all such claims, whether known or unknown at the time of the execution of this Agreement, be fully released and that this release is to be a full, complete, and final release of any and all rights and claims as of the effective date of this Agreement.

7. No Admission of Liability. It is further understood that this is a compromise of disputed claims and the performance of any actions hereunder is not to be construed as an admission of liability on the part of any of the Parties, or any other persons hereby released, by each of whom liability is expressly denied.

8. Miscellaneous.

a. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained herein, except to the

extent that the Exhibits attached hereto control specifics of the relationship between the Parties. The terms of this Agreement are contractual and not mere recitals.

b. Governing Law. The validity, construction, interpretation, and administration of this Agreement shall be governed by the substantive laws of the State of North Carolina.

c. Assumption of Risk. The Parties expressly waive and assume the risk of any and all claims for damages or other relief which exist as of this date, but of which the Parties do not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect the Parties' decision to execute this Agreement. The Parties further agree that the acceptance of the consideration as agreed to by the Parties shall act as a complete compromise of matters involving disputed issues of law and fact. The Parties assume the risk that the facts or law may be other than each believes.

d. Amendment. It is expressly understood and agreed that the terms of this Agreement may not be amended orally. The terms of this Agreement may not be amended, modified, or waived except by written agreement duly executed by the Parties.

e. Waivers. The failure of a Party to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver by a Party of any breach of any of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any terms and conditions, but the same shall continue and remain in full force and effect as if no forbearance or waiver had occurred. No such waiver shall be enforceable unless in writing and signed by the Party to be charged therewith.

f. Interpretation. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Agreement have the meanings assigned to them in this Agreement, words denoting the singular number include the plural and vice versa, and words importing one gender include the other gender; (ii) the headings in this Agreement are for convenience only and are not to be considered in interpretation; and (iii) the words "herein," "hereof," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular provision.

g. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties' respective successors and assigns. The Parties shall not assign or delegate this Agreement or any of their obligations or rights under this Agreement, except as may be expressly authorized in this Agreement.

h. Severability of Provisions. If, after the date hereof, any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws in effect during the term of this Agreement, such provision shall be fully severable.


i. Multiple Counterparts. This Agreement may be executed in multiple counterparts which, when taken together, shall form the entire Agreement.

j. Knowledge and Execution. All Parties represent and state that they have fully and carefully read this Agreement, and the Parties acknowledge that they have had the advice of counsel and that no promise or representation of any kind, other than as contained herein, has been made by the Parties or the persons hereby released or anyone acting for them; that they have relied upon the advice of their attorneys concerning the legal consequences of this Agreement; that the terms of this Agreement and the compromise settlement that it reflects have been completely read and explained to them by their attorneys; that they know the contents thereof; and that they have signed the same of their own free and voluntary act.

IN WITNESS WHEREOF, the Parties hereto have put their hands and seals, as of the day and year first written above. Each Party signing below affixes his or her seal adjacent to his or her signature. It is the intention of the Parties that this Agreement be executed as a sealed instrument.

[TWO SIGNATURE PAGES FOLLOW]

SHIPWATCH VILLAS TOWNHOME
OWNERS ASSOCIATION II, INC.

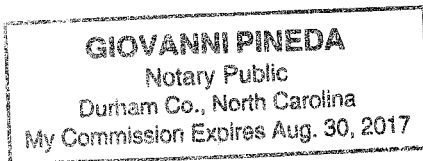
By: 
Douglas Rickert, President

STATE OF NC
COUNTY OF Wake

I, Giovanni Pineda, a Notary Public in and
for said County and State, do hereby certify that Douglas Rickert personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION, II, INC., and that he, as President, being authorized to do so, executed the
foregoing on behalf of the corporation.

Date Sept. 12th 2013
(Official Seal)


Signature of Notary Public



My commission expires: Aug. 30. 2017

SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC.

By: Curtis Coffield
Curtis Coffield, President

STATE OF Ohio
COUNTY OF SUMMIT

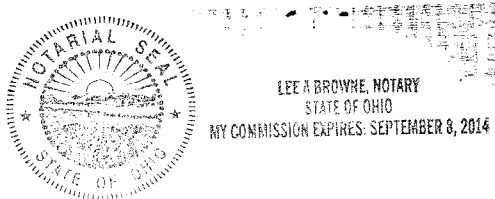
I, LEE A BROWNE, a Notary Public in and
for said County and State, do hereby certify that Curtis Coffield personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC., and that he, as President, being authorized to do so, executed
the foregoing on behalf of the corporation.

Date 9-11-2013

(Official Seal)

Lee Browne
Signature of Notary Public

My commission expires: 9-8-2014



[SIGNATURES END]

SPECIAL WARRANTY DEED

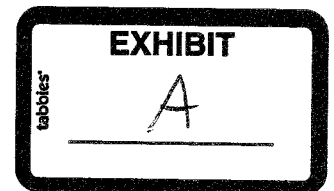
Parcel: 040940

Revenue Stamps: \$0.00

☐ If checked, the property includes the primary residence of at least one of the parties depicted as party of the first part. (N.C. Gen. Stat. § 105-317.2)

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW



THIS SPECIAL WARRANTY DEED, made and entered into this the ____ day of _____, 2013 by and between SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, party of the first part (the address of the party of the first part is: Suite 200 North Shore Village Plaza, Sneads Ferry, NC 28460); and SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC., a North Carolina non-profit corporation, party of the second part (the address of the party of the second part is: Post Office Box 1130, Sneads Ferry, NC 28460).

WITNESSETH:

That the party of the first part in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable considerations paid to the party of the first part by the party of the second part, the receipt and sufficiency of which hereby are acknowledged, has granted, bargained, sold and conveyed and by these presents does grant, bargain, sell and convey

Prepared by Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403), Post Office Box 7068, Wilmington, NC 28406-7068
Please return to: Grantee

No opinion on title is rendered by Ward and Smith, P.A., without a separate written opinion on title from Ward and Smith, P.A.

unto the party of the second part, said party's successors and assigns, the following described property to wit:

All that certain tract or parcel of land lying and being situate in Onslow County, North Carolina, and being more particularly described on Exhibit A attached hereto and incorporated herein by reference.

This conveyance is made subject to easements of record or on the ground, restrictive covenants of record, ad valorem taxes for the current year, which taxes the party of the second part, by accepting this deed, agrees to pay.

TO HAVE AND TO HOLD said property and all privileges and appurtenances thereunto belonging to the party of the second part, said party's successors and assigns, forever.

And the party of the first part covenants that said party has done nothing to affect such title to the aforesaid property as was received by said party and, subject to the matters set forth above, agrees to warrant and defend the title to said property against the lawful claims of all persons claiming by, through or under said party, but no further.

IN TESTIMONY WHEREOF, the party of the first part has caused this instrument to be executed under seal in such form as to be binding, this the day and year first above written.

SHIPWATCH VILLAS CONDOMINIUM OWNERS
ASSOCIATION, INC.

By: _____ (SEAL)
_____, _____ President

STATE OF _____

COUNTY OF _____

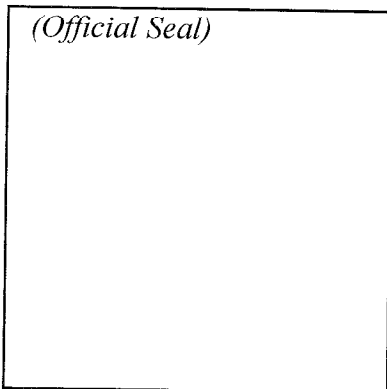
I, _____, a Notary Public in and
for said County and State, do hereby certify that Curtis Coffield personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC., and that he, as President, being authorized to do so, executed
the foregoing on behalf of the corporation.

Date: _____

Signature of Notary Public

Notary's printed or typed name

My commission expires: _____



Notary seal or stamp must appear within this box.

Exhibit A

That certain tract or parcel of land lying and being situate in Onslow County, North Carolina and being more particularly described as follows:

Beginning at a point which may be located with reference to a railroad spike at the intersection of the centerline of existing N.C.S.R. 1558 and the northernmost property line of the Joseph W. Taylor properties according to that deed recorded in Book 486 at Page 760 of the Onslow County Registry; as follows:

Proceeding from the point or place of beginning at the northwest corner of a fenced enclosure of a tennis court situated in and surrounded by the common area of Shipwatch Villas Townhomes II, Inc. the following courses and distances:

N 26-41-00 W 10.852 feet to a point in the south right-of-way line of N.C.S.R. 1568; continuing thence N 26-41-00 W 30.0 feet to the centerline of N.C.S.R. 1568; thence according to the centerline data of proposed N.C.S.R. 1566 the following courses and distances:

S 63-19-0 W 284.27 feet;
S 58-44-36 W 148.704 feet;
S 49-32-19 W 164.505 feet;
S 44-30-0 W 609.185 feet;
S 32-45-51 W 579.740 feet;
S 56-43-0 W 202.55 feet, to the said railroad spike.

FROM THE SAID POINT OR PLACE OF BEGINNING so determined and running with the existing fenced enclosure of the tennis court area, the following courses and distances:

N 63-28-30 E 108.33 feet to a corner; S 26-36-49 E 120.034 feet to a corner; thence S 63-17-06 W 107.918 feet to a corner, and thence N 26-48-35 W 120.393 feet to the northwest corner of the said tennis court enclosure, the point or place of beginning.

For further reference, the aforesaid tract is depicted in the Declaration of Covenants and Easements recorded in Book 915 at Page 729 as Parcel E on Exhibit D.

This being the same property described as "PARCEL II (TENNIS AREA)" in that certain deed recorded in Book 946, at Page 259 in the office of the Register of Deeds of Onslow County.

TERMINATION AND WITHDRAWAL OF EASEMENT

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

THIS TERMINATION AND WITHDRAWAL OF EASEMENT ("Termination") is made and entered into this the _____ day of _____, 2013, by SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., a North Carolina nonprofit corporation ("Association").

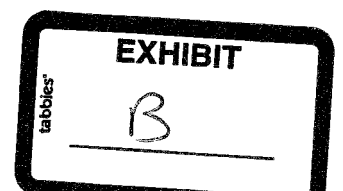
WITNESSETH

WHEREAS, there previously was recorded a deed in Book 946, at Page 259 in the office of the Register of Deeds of Onslow County by which Neil Realty Company, Inc. conveyed certain tracts of land to the Association, including tracts of land described as the "Pool Area" and the "Tennis Area" ("Deed"); and

WHEREAS, the tracts of land conveyed by the Deed were conveyed together with two easements which provide access to the Tennis Area described in the Deed as "EASEMENT I: EASEMENT FROM POOL AREA TO TENNIS COURT AREA" and "EASEMENT II: EASEMENT FROM N.C.S.R. 1568 TO TENNIS COURT AREA" (collectively, the "Easements"); and

WHEREAS, the Association intends to convey the property identified in the Deed as Tennis Area to Shipwatch Villas Townhome Owners Association II, Inc. and will, therefore, no longer have any need for the Easements.

Prepared by Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403), Post Office Box 7068, Wilmington, NC 28406-7068
Please return to Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403), Post Office Box 7068, Wilmington, NC 28406-7068
Attention: Justin M. Lewis



NOW THEREFORE, the Association hereby withdraws, terminates and revokes its interests in the Easements.

IN TESTIMONY WHEREOF, the Association has caused this instrument to be executed in a manner so as to be binding this the day and year first above written.

SHIPWATCH VILLAS CONDOMINIUM OWNERS
ASSOCIATION, INC. (SEAL)

By: _____
Name: _____
Its: _____

STATE OF _____
COUNTY OF _____

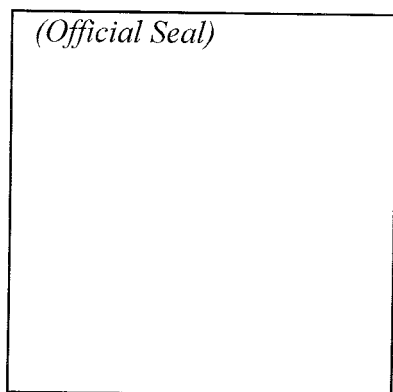
I, _____, a Notary Public in and for said County and State, do hereby certify that Curtis Coffield personally came before me this day and acknowledged that he is President of SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., and that he, as President, being authorized to do so, executed the foregoing on behalf of the corporation.

Date: _____

Signature of Notary Public

Notary's printed or typed name

My commission expires: _____



Notary seal or stamp must appear within this box.

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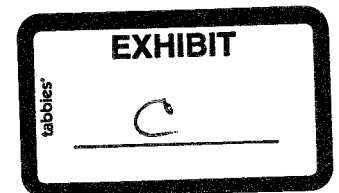
AMENDED AND RESTATED
DECLARATION OF COVENANTS AND EASEMENTS
(WITH RESPECT TO AMENITIES)

BY

SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC.

AND

SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC.



Prepared by: Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403),
Post Office Box 7068, Wilmington, NC 28406-7068
Please return to: Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403),
Post Office Box 7068, Wilmington, NC 28406-7068

[Type text]

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

AMENDED AND RESTATED DECLARATION
OF COVENANTS AND EASEMENTS
(WITH RESPECT TO AMENITIES)

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS AND EASEMENTS (WITH RESPECT TO AMENITIES) ("Declaration") is made this the ____ day of September, 2013, by SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC. ("Condo Association") and SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC. ("Townhome II Association") (Condo Association and Townhome II Association may be referred to herein as "Association" or collectively as "Associations");

WHEREAS, Neil Realty Company Inc., a North Carolina corporation ("Developer"), Condo Association, and Townhome II Association recorded the Declaration of Covenants and Easements (With Respect to Amenities) in Book 915, at Page 729 in the office of the Register of Deeds of Onslow County, as amended in Book 3672, at Page 411 in the office of the Register of Deeds of Onslow County (as amended and supplemented, the "Original Declaration"), encumbering the property described therein; and

WHEREAS, pursuant to Article VI of the Original Declaration, the Original Declaration may be amended by an affirmative vote of a majority of the members of the board of directors of both Condo Association and Townhome II Association; and

WHEREAS, a majority of the members of the board of directors of Condo Association and a majority of the members of the board of directors of Townhome II Association have approved this Declaration to amend and restate the Original Declaration as described herein.

NOW, THEREFORE, Condo Association and Townhome II Association hereby covenant and declare on behalf of themselves and their successors and assigns that the Original Declaration is hereby amended and restated in its entirety. The real estate previously made subject to the Original Declaration from the date this Declaration is recorded in the office of the Register of Deeds of Onslow County shall be held, conveyed, acquired and encumbered subject to the terms and provisions hereof, all of which shall run with the real estate and bind and inure

to the benefit of all current owners and perspective purchasers and parties who have or may acquire any right, title, estate or interest in or to any of such real estate or who have or may acquire any right or occupancy of or interest upon any portion thereof, all subject to the right of the Condo Association and Townhome II Association to amend this Declaration according to its terms.

I. BACKGROUND STATEMENT

Developer built two multiple occupancy resort projects in Onslow County, North Carolina; Shipwatch Villas Condominium (of which Condo Association is the governing association of unit owners) and Shipwatch Villas Townhomes II (of which Townhome II Association is the governing association of townhouse owners). The former is a Condominium created by authority of North Carolina General Statutes 47A and the latter is a common-law townhouse development.

A swimming pool ("Pool") was constructed by Developer for the joint use of owners in the two projects.

II. PURPOSE

The purpose of this Declaration is to make provision for the continuing use and maintenance of the Amenities, as that term is defined herein, for the benefit of Shipwatch Villas Condominium and Townhome II members, their tenants and guests, by:

- a. Establishing management authority and responsibility regarding the Amenities;
- b. Guaranteeing the rights of Townhome II owners, tenants and guests to use the Amenities; and
- c. Providing means for the necessary financial support of the Amenities on a basis which is fair to all the parties.

III. DEFINITIONS

1. Amenities: The swimming pool area as described in Exhibit A attached hereto and incorporated herein by reference, together with all improvements, furniture, fixtures, and equipment associated with the use of the swimming pool.
2. Owners: The holders of fee simple title either to condominium units in Shipwatch Villas Condominium or townhouses in Shipwatch Villas Townhomes II, whether one or more persons, firms or corporations.

3. Guests (Also Denominated "Resident Guest"): A person or persons authorized by an owner to occupy and use a unit or townhouse and in fact occupying the same.

4. Unit: Unless indicated otherwise by context, a condominium unit in Shipwatch Villas Condominium.

5. Townhouse: Unless the context indicates otherwise, a townhouse and appurtenant interest in the common properties in Shipwatch Villas Townhomes II.

6. Contributing Unit: A dwelling unit, whether a condominium unit or a townhouse, for which a certificate of occupancy has been issued and which has either been sold, leased, or otherwise given over to occupancy at any time by third persons by Developer.

7. Governing Documents: In the case of Shipwatch Villas Condominium, the Declaration of Condominium, the By-Laws, and the Articles of Incorporation of the Shipwatch Villas Condominium Owners Association; in the case of Shipwatch Villas Townhomes II, the Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and the By-Laws; and in both instances all amendments thereto.

8. Third Persons: Owners, resident guests or tenants other than those associated with Condo Association or Townhome II Association, to whom privileges to use the Amenities may, but are not required to, be extended.

IV. OPERATIVE PROVISIONS

A. Conveyance of Properties: Condo Association owns the Amenities site, said parcel being described fully in Exhibit A to this Declaration. The Amenities site is held subject to the terms and conditions of this instrument, especially as to the rights of others in the properties.

B. Retained Rights of Developer: Intentionally Deleted.

C. Legal Status of Property: The Amenities conveyed to Shipwatch Villas Condominium is common area of the condominium subject to this Declaration.

D. Persons Who May Use the Amenities: The Amenities are available for the use of owners, their heirs, successors, and assigns, including lessees and authorized resident guests of such owners and tenants; the right to use of the Amenities being appurtenant to the right to occupy condominium units or townhouses, as the case may be.

The use of the Amenities may be extended to third persons by action of a majority of the Board of Directors of Condo Association, but such persons shall acquire no vested rights

to the Amenities other than those conferred from time to time by the Board of Directors of Condo Association, and these rights may be terminated at any time by said Board. The Board of Directors of Condo Association shall establish a reasonable fee for such use by third persons and shall collect the same. All monies so collected shall be placed in a reserve fund which may be used for capital improvements to the Amenities, major replacements of equipment and facilities or expansion of the Amenities. Such funds shall not be incorporated in projections of revenue for the purpose of establishing the unit cost on which assessments to owners shall be based; that is to say, the routine management of the Amenities shall be fully funded by the assessments paid by owners.

In the event that Condo Association should fail to maintain the Amenities in a reasonably usable condition, and upon written notice by Townhome II Association to Condo Association of the failure and of their intent to exercise certain rights under this paragraph, and further, upon failure of Condo Association to remedy the conditions complained of within sixty (60) days of such notice, Townhome II Association may take whatever action is reasonably necessary to render the Amenities usable, and may deduct the reasonable cost of such remedial actions from sums due to the Condo Association under the provisions of paragraph IV-H. of this instrument. If the Condo Association contests any action taken by the Townhomes II Association pursuant to this paragraph, then the Condo Association may, at any time, submit the contested issue to alternative dispute resolution pursuant to the provisions of Article IV.L. of this Declaration. Such submission by the Condo Association shall stay the contested action of the Townhomes II Association until such time as a decision is rendered pursuant to Article IV.L. of this Declaration.

E. Easement for Access: Intentionally Deleted

F. Regulations on Use: The board of directors of Condo Association may adopt such rules and regulations for the use of the Amenities as may be recommended to the Condo Association by the Amenities Committee, as defined herein, or as may be considered necessary or advisable by the board of directors of Condo Association (i) for the health and safety of users of the Amenities and others, or (ii) to enhance the enjoyment of condominium and townhome owners, lessees, and guests. Such rules and regulations may include, but not by way of limitation, the following:

1. Hours of use.
2. Minimum age limits for users, particularly without adult supervision.
3. Safety and health regulations.
4. Limitations on articles taken into pool.
5. Provisions for fines for violations of rules and regulations in the manner and subject to the limitations in North Carolina General Statutes Section 47C-3-107(a).
6. Identification of users.

In any event, the use of the Amenities may be denied to any owner, the lessees and guests of any such owner, or any authorized third persons WHO MAY BE OVER FIFTEEN (15) DAYS LATE IN THE PAYMENT OF ANY DULY AUTHORIZED ASSESSMENT OF EITHER ASSOCIATION FOR THE TIME DURING WHICH AN ARREARAGE EXISTS.

G. Determination of Total Cost: The total cost of operating the Amenities shall include the following:

1. Casualty insurance.
2. Liability insurance.
3. Maintenance: labor, materials, or outside contract costs.
4. Taxes.
5. Reasonable reserves for replacement or major repairs.
6. Lifeguards, if employed.
7. Grounds maintenance, including landscaping.
8. Utilities costs, including power and water.
9. A proportionate allocation of security costs.
10. A reasonable allocation of management and administrative costs, to be determined as that estimated percentage of the total management and administrative expenses which can be properly attributed to the Amenities operations.
11. Any other costs, direct or indirect, which in the opinion of the certified public accountant of Condo Association shall, under generally accepted accounting principles, be allocable to the Amenities.

H. Allocation of Costs: The total cost of operating the Amenities as determined in Subparagraph K herein shall then be divided in two (2) amounts which shall represent the portion of the total costs allocable to Shipwatch Villas Condominiums and Shipwatch Villas Townhomes II respectively. In determining the relative allocation between the two projects, three bedroom units, whether condominium units or townhome units, shall be regarded as benefiting from, and therefore responsible for sharing the cost of, the Amenities in a proportion of 1.3 to 1.0 for two bedroom units. The formula for deriving the subtotals for the condominiums and the townhomes respectively, incorporating the above factor for three bedroom units or townhomes, shall be as follows:

Where:

C_2 is the number of two-bedroom condominiums,

C_3 is the number of three-bedroom condominiums

and

T_2 is the number of two-bedroom townhomes,

T_3 is the number of three-bedroom townhomes

then:

the percentage of total cost allocable to the Condo Association (T_C) shall be:

$$T_C = \frac{[C_2 + (1.3 \times C_3)]}{[C_2 + (1.3 \times C_3)] + [T_2 + (1.3 \times T_3)]} \times 100$$

and the percentage of total cost allocable to the Townhome II Association (T_T) shall be:

$$T_T = \frac{[T_2 + (1.3 \times T_3)]}{[C_2 + (1.3 \times C_3)] + [T_2 + (1.3 \times T_3)]} \times 100$$

to verify the result,

$$T_C + T_T = 100$$

In applying the formula, all condominium units or townhomes, respectively, which are contributing units shall be included in the computation and shall be liable for assessments, whether or not the condominium unit or townhome is subsequently occupied.

1. Shipwatch Villas Condominiums: This total cost for the condominium units shall be a common expense as the same is defined in the North Carolina Condominium Act

and by paragraph 1.G. of the Declaration of Condominiums of Shipwatch Villas Condominiums, as recorded in Book 703, at Page 505, of the Onslow County Registry, and shall be assessed against units accordingly.

2. Shipwatch Villas Townhomes II: The share allocated to Shipwatch Villas Townhomes II (T_T) shall be shared equally among contributing units in the townhomes as provided by the governing documents.

3. Method of Collection and Payment of Assessments: The total costs for Shipwatch Villas Condominiums and Shipwatch Villas Townhomes II as set out above shall be collected from individual owners by each Association in the manner set out in the respective governing documents. The total assessment for condominium owners shall be collected by Shipwatch Villas Condominium Owners Association, Inc. as part of the regular periodic assessment of owners. The total assessment for all townhome owners shall be paid in a periodic lump sum by Townhome II Association to Condo Association, coincident with the period of collection of Townhome owners' assessments, no less frequently than quarterly. The full assessment shall be paid notwithstanding any non-payment or late payment of assessments by individual townhome owners. If any payment by Townhome II Association shall be more than thirty (30) days late rights to the use of the Amenities by all townhome owners may be suspended.

4. Assessments as a Lien: In that these costs become an element of the regular assessments of owners in the two projects, failure to pay the same creates a lien on the interest of the delinquent owner in each instance in the same manner as provided in the Governing Documents.

I. Special Assessments: In addition to regular assessments to meet operating costs as described above, a need for capital expenditures in excess of accumulated reserves, whether for replacement of facilities or for modernizing and upgrading the same, may arise. In such event, the Board of Directors of the Condo Association is empowered to levy a special assessment to defray the cost of the same, and the special assessment shall be collectible as set out in Paragraph IV-H above, and if unpaid, shall be a lien on the respective condominium units or townhomes. Special capital expenditure or replacement assessments shall be permissible only with respect to the swimming pool now existing, and there shall be no authority to assess for

capital improvements expanding the Amenities, or adding additional Amenities, without joint action of both the Associations, in each case as provided in their governing documents.

J. No Waiver of Assessments: No owners may opt out of liability by any attempted waiver of rights to use of the Amenities.

K. Amenities Committee: An advisory committee shall be established by Condo Association and Townhome II Association for the purpose of advising both Associations on matters concerning the operation and maintenance of the Amenities ("Amenities Committee"). The Amenities Committee shall consist of one member from Condo Association appointed by its board of directors, one member from Townhome II Association appointed by its board of directors, and the property managers of each Association, whether one or two persons, as *ex officio* members. The Amenities Committee shall have the following duties: (i) create a proposed budget for the operation of the Amenities and (ii) recommend to the board of directors of Condo Association rules and regulations as the Amenities Committee deems reasonable and necessary to ensure the management, perpetuation and enjoyment of the Amenities by all the owners in Shipwatch Villas Condominium and Shipwatch Villas Townhomes II.

The Amenities Committee shall create the proposed budget based on the actual invoices and receipts from the previous fiscal year relating to the management and maintenance of the Amenities plus reasonable projected future expenses for the repair and/or replacement of the Amenities. In order to assist the Amenities Committee in its preparation of a budget, Condo Association shall maintain accurate records of expenditures relating to the management and maintenance of the Amenities and shall provide such records to the Amenities Committee upon request. The Amenities Committee shall present the proposed budget to the boards of directors of Condo Association and Townhome II Association on or before October 1 of each year for approval by the boards of directors of each Association.

In the event that the boards of directors of the two Associations are unable to reach an agreement on the proposed budget by October 15 of the year in which the budget is proposed by the Amenities Committee, the Associations shall immediately submit the matter to mediation per the terms of Article IV.L. of this Declaration. In the event mediation is unsuccessful in resolving the dispute regarding the budget by November 15 of the year in which the budget is proposed by the Amenities Committee, Condo Association and Townhome II Association shall submit the matter to binding arbitration as described in Article IV.L. of this

Declaration. The arbitration regarding the proposed budget shall be completed and the budget shall be finalized no later than December 15 of the year in which the budget is proposed by the Amenities Committee. The decision made during arbitration and the resulting budget shall be binding on both parties.

L. Alternative Dispute Resolution: If a dispute arises between Condo Association and Townhome II Association over any matters governed by the terms and provisions of the Declaration, Condo Association and Townhome II Association, unless otherwise provided for herein, mutually agree to submit the dispute to mediation prior to institution of any action in law or equity. The Associations shall have the right to designate, or have the Chief Resident Superior Court Judge of Onslow County designate from the potential mediators submitted by each party, a single mediator certified as such by the dispute resolution commission. The Chief Resident Superior Court Judge's selection will be binding on both parties. If a settlement is reached, the agreement shall be reduced to writing and when signed and approved by Condo Association and Townhome II Association shall be binding upon both Associations. Each Association shall bear its own cost of the mediation, including attorneys' fees, and each Association shall share equally all fees and expenses of the mediator and the administrative fees of mediation.

If the Associations fail to resolve their dispute through mediation, the Associations mutually agree to submit all such disputes to binding arbitration. The arbitration panel will consist of three arbitrators. One arbitrator shall be selected by the board of directors of Condo Association, one arbitrator shall be selected by the board of directors of Townhome II Association, and the third arbitrator shall be selected by the arbitrators selected by the Associations. The decision of the majority of the three arbitrators shall be binding upon Condo Association and Townhome II Association. Each Association shall bear its own cost of the arbitration, including attorneys' fees, and each Association shall share equally all fees and expenses of the arbitrators and the administrative fees of arbitration.

V. DURATION

The rights conferred herein on the Associations (and through them on owners) shall run with the land and shall be a burden and a benefit to the present owners, their heirs, successors and assigns.

VI. AMENDMENT

This instrument may be amended by an affirmative vote of a majority of the directors of both Associations and upon the recording of an instrument setting out such amendment(s) in the Onslow County Registry.

IN TESTIMONY WHEREOF, Condo Association and Townhome II Association, acting pursuant to the authority above recited and in accordance with the affirmative vote of the majority of the members of the board of directors of each Association, have caused this Declaration to be executed under seal and in such form as to be legally binding and effective the day and year upon recording this Declaration in the office of the Register of Deeds of Onslow County.

[Signatures to Follow]

SHIPWATCH VILLAS TOWNHOME
OWNERS ASSOCIATION II, INC.

By: _____
Douglas Rickert, President

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public in and
for said County and State, do hereby certify that Douglas Rickert personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION, II, INC., and that he, as President, being authorized to do so, executed the
foregoing on behalf of the corporation.

Date _____

(Official Seal)

Signature of Notary Public

My commission expires: _____

SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC.

By: _____
Curtis Coffield, President

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public in and
for said County and State, do hereby certify that Curtis Coffield personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC., and that he, as President, being authorized to do so, executed
the foregoing on behalf of the corporation.

Date _____

Signature of Notary Public

(Official Seal)

My commission expires: _____

[SIGNATURES END]

EXHIBIT A

LEGAL DESCRIPTION OF POOL AREA

Beginning at a point located within the common area of Shipwatch Villas Townhomes II, Inc., which POINT OF BEGINNING may be located with reference to a railroad spike at the intersection of the center line of existing N.C.S.R. 1568 and the northernmost property line of Joseph W. Taylor according to that deed recorded in Deed Book 486 at Page 760 of the Onslow County Registry by proceeding the following distances from the said point of beginning, with the approximate centerline of an existing boardwalk:

N 32-25-12 W - 31.218 feet,
N 32-08-53 W - 37.875 feet,
V 12-04-10 E - 17.193 feet,
N 12-45-44 E - 18.175 feet,
V 40-25-56 E - 33.253 feet,
V 56-45-08 E - 28.589 feet to a point in an easement; thence N 26-48-34 W 120.968 feet with the said easement to a point; thence N 26-41-00 W 10.852 feet to a point in the south right-of-way line of N.C.S.R. 1568; thence N 63-19-00 E 5.0 feet to a point in said right-of-way line; thence N 26-41-00 W 30.0 feet to the point in the centerline of N.C.S.R. 1568; thence the following courses and distances to the aforesaid railroad spike:

S 63-19-00 W 284.27 feet,
S 58-44-36 W 148.704 feet,
S 49-32-19 W 164.505 feet,
S 44-30-00 W 609.185 feet,
S 32-45-51 W 579.740 feet,
S 56-43-00 W 202.55 feet.

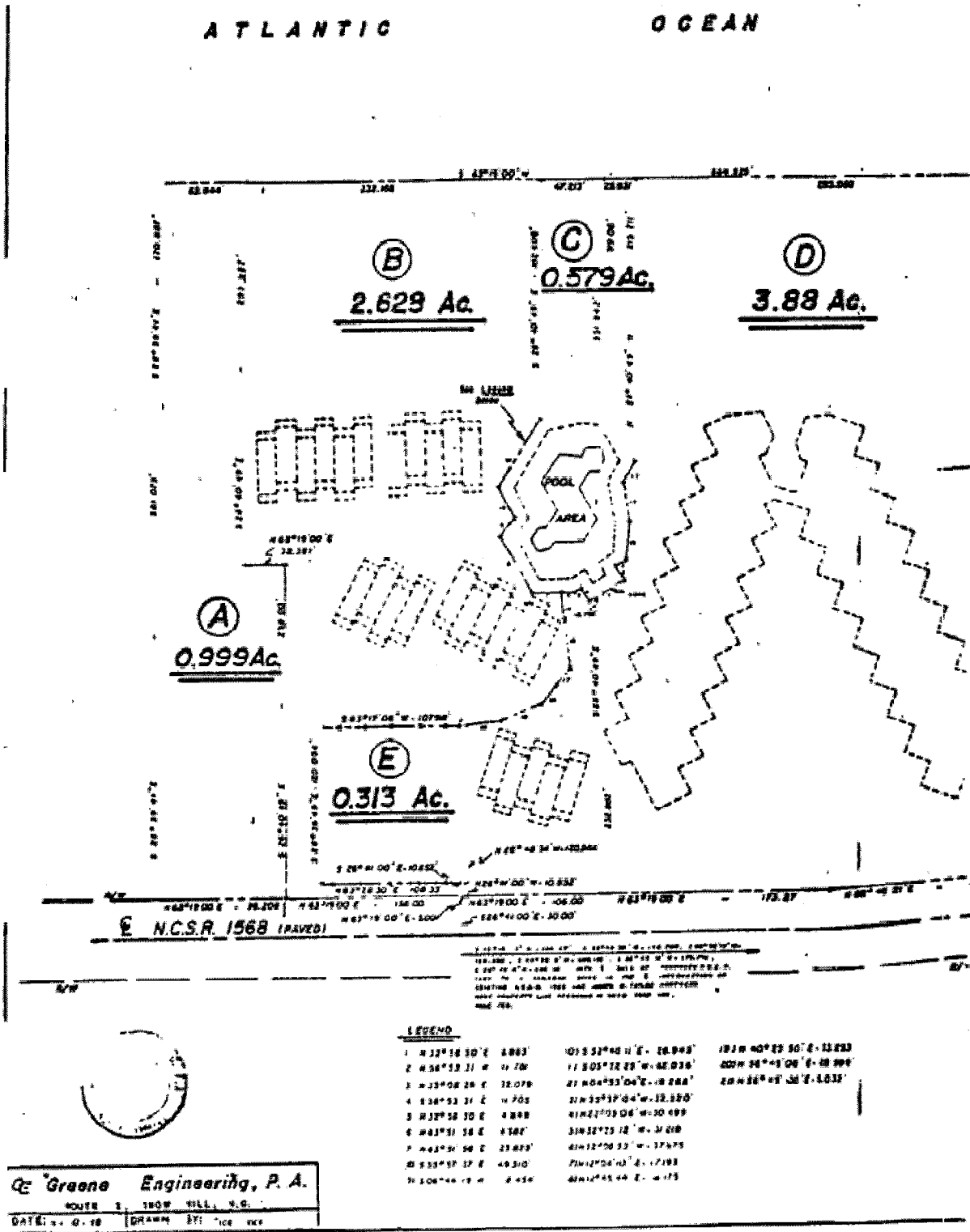
FROM THE SAID POINT OR PLACE OF BEGINNING, with the general perimeter of the swimming pool area the following courses and distances:

N 63-51-56 E - 23.823 feet,
S 55-57-37 E - 49.310 feet,
S 06-44-19 W - 18.454 feet,
S 52-48-11 E - 26.945 feet,
S 05-32-25 W - 62.036 feet,
S 26-40-49 E. 182.409 feet to the ordinary high water mark of the Atlantic Ocean; thence with said ordinary high water mark S 63-19-00 W 73.144 feet; thence N 26-40-49 W 215.711 feet to a point; thence
N 04-53-04 E - 19.268 feet,
N 35-37-04 W - 32.520 feet,
N 22-05-06 W - 30.499 feet,
N 32-56-50 E - 8.883 feet,
N 56-53-31 W - 11.781 feet,
N 33-06-29 E - 32.079 feet,
S 56-53-31 E - 11.705 feet,

**N 32-56-50 E - 4.849 feet,
N 63-51-56 E - 9.582 feet, THE POINT OR PLACE OF BEGINNING.**

For further reference, a plat or survey of the aforesaid area is shown on Exhibit B, infra.

EXHIBIT B



NORTH CAROLINA
ONslow COUNTY

AMENDED AND RESTATED LICENSING AGREEMENT

THIS AMENDED AND RESTATED LICENSING AGREEMENT (the "Agreement") made this the ____ day of September, 2013 by and between SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC. (hereinafter "Condominium Association ") and SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC. (hereinafter "Townhomes Association ") (together sometimes collectively referred to herein as the "Parties").

W I T N E S S E T H:

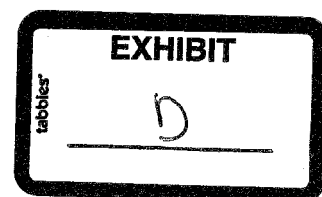
WHEREAS, the Townhomes Association is a nonprofit corporation organized and existing under the laws of the State of North Carolina as an association for the owners of townhomes in the townhome community known as Shipwatch Villas Townhomes in Onslow County, North Carolina;

WHEREAS, the Condominium Association is a nonprofit corporation organized and existing under the laws of the State of North Carolina as an association for the owners of condominiums in the condominium community known as Shipwatch Villas Condominium in Onslow County, North Carolina;

WHEREAS, the members of the Condominium Association are the sole owners of a beach access ramp ("Beach Access") located on property owned by the members of the Condominium Association.

WHEREAS, on or about September 30, 2011, the Condominium Association and the Townhomes Association entered into a Licensing Agreement ("Previous Agreement"), a copy of which is recorded at Book 3672, at Page 417 of the Onslow County Registry;

WHEREAS, pursuant to the Previous Agreement, the Condominium Association granted to the members of the Townhomes Association, and their members and guests, certain rights of access to the Beach Access in exchange for certain financial commitments from the Townhomes Association; and



WHEREAS, the Condominium Association and the Townhomes Association desire to amend and restate the obligations set forth in the Previous Agreement, with the intention that this Agreement replace the Previous Agreement in its entirety.

NOW, THEREFORE, for and in consideration of the mutual promises, undertakings and consideration as set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually agree as follows:

1. Preamble Incorporation. The recitals and provisions of the preamble set forth above are incorporated herein by reference as if fully set forth.
2. Beach Access License. Subject to the receipt of the annual obligations of the Townhomes Association as set forth herein, the Condominium Association grants to the members of the Townhomes Association, and their tenants and guests ("Licensees"), the right to utilize pedestrian access to, over, and across the Beach Access and the walkway connecting the Beach Access to the adjacent pool. The Licensees, pursuant to this license, shall only be allowed to access the Beach Access through the adjacent pool and connecting walkway, and this Agreement shall not be construed in any way to grant permission of any kind to the Licensees to enter upon or use any other property owned by the Condominium Association or its members. Furthermore, the Licensees shall only be allowed to access the Beach Access during the specific days and hours that the adjacent pool is open for regular use, with such days and hours to be determined by the Condominium Association in accordance with its rulemaking authority under the Declaration of Covenants and Easements (With Respect to Amenities), as may be amended from time to time, and being recorded in Book 915, at Page 729 of the Onslow County Registry.
3. Annual Obligations of Townhomes Association. In consideration for the usage rights granted pursuant to Paragraph 2 above, the Townhomes Association shall pay to the Condominium Association an annual licensing fee ("Licensing Fee") of One Hundred and No/100 Dollars (\$100.00). In addition, the Townhomes Association shall pay to the Condominium Association forty percent (40%) of any actual documented expenses ("Maintenance Reimbursement"), excluding utilities, necessary for the planned or unplanned maintenance or repair of the Beach Access. The Licensing Fee shall be waived for the years

2014, 2015, 2016, and 2017, with the first payment of the Licensing Fee to be due on January 1, 2018, in accordance with the payment deadlines set forth in Paragraph 6 below.

4. Delivery of Documentation. The Condominium Association agrees to deliver to the Townhomes Association, on or before November 1 of the relevant year, any documentation, including invoices or receipts, of the actual maintenance or repair expenses incurred in the preceding year concerning the Beach Access.

5. Disputes Regarding Documentation. In the event that the Townhomes Association disputes an item or charge in the documentation delivered by the Condominium Association pursuant to Paragraph 4 above, and such dispute cannot be resolved among the parties, the Townhomes Association shall, as its sole remedy, submit the dispute to alternative dispute resolution as set forth in Article IV.L., of the Declaration of Covenants and Easements (With Respect to Amenities), as may be amended from time to time, and being recorded in Book 915, at Page 729 of the Onslow County Registry.

6. Annual Payment Deadline. With the specific exceptions concerning the Licensing Fee as set forth in Paragraph 3 above, the Townhomes Association agrees to pay the Licensing Fee and Maintenance Reimbursement on or before January 1 of the relevant year. The payment of these obligations shall be a condition precedent to the annual renewal as defined hereinbelow.

7. Automatic Annual Renewal. This Agreement, and the usage rights and permissions granted herein, shall automatically renew for a one-year period upon the timely payment of the annual obligations of the Townhomes Association as more particularly defined in hereinabove.

8. Termination. The Townhomes Association reserves the right to terminate this Agreement upon written notice to the Condominium Association, such notice to be received no earlier than December 1 of the relevant year. In the event of termination under this provision, the Townhomes Association shall be responsible for the prorated amount of any Maintenance Reimbursement. This proration shall be measured from January 1 of the relevant year up and through the date of the receipt of the written notice of termination.

9. Miscellaneous.

a. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained herein. The terms of this Agreement are contractual and not mere recitals.

b. Breach. The Parties acknowledge that in the event a party breaches, or threatens to breach, this Agreement or its terms, the non-breaching party shall be entitled to the rights set forth herein, including termination of the usage rights granted hereunder, or of specific performance and/or both temporary and permanent injunctions or other equitable relief in addition to monetary damages.

c. Governing Law. The validity, construction, interpretation, and administration of this Agreement shall be governed by the substantive laws of the State of North Carolina.

d. Authority. The representative of the corporate entities executing this Agreement hereby represents and warrants that he or she is authorized to enter into this Agreement and that any appropriate corporate or other resolution or authorization allowing such person to so execute this Agreement has been duly passed and obtained, and that this Agreement shall be the legal, valid, and binding obligation of such party.

e. Amendment. It is expressly understood and agreed that the terms of this Agreement may not be amended orally. The terms of this Agreement may not be amended, modified, or waived except by written agreement duly executed by the Parties.

f. Waivers. The failure of a Party to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver by a Party of any breach of any of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any terms and conditions, but the same shall continue and remain in full force and effect as if no forbearance or waiver had occurred. No such waiver shall be enforceable unless in writing and signed by the Party to be charged therewith.

g. Interpretation. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Agreement have the meanings assigned to them in this Agreement, words denoting the

singular number include the plural and vice versa, and words importing one gender include the other gender; (ii) the headings in this Agreement are for convenience only and are not to be considered in interpretation; and (iii) the words "herein," "hereof," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular provision.

h. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties' respective successors and assigns, subject to the conditions and obligations set forth herein. The Parties shall not assign or delegate this Agreement or any of their obligations or rights under this Agreement, except as may be expressly authorized in this Agreement.

i. Severability of Provisions. If, after the date hereof, any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws in effect during the term of this Agreement, such provision shall be fully severable.

j. Multiple Counterparts. This Agreement may be executed in multiple counterparts which, when taken together, shall form the entire Agreement.

k. Knowledge and Execution. All Parties represent and state that they have fully and carefully read this Agreement, and the Parties acknowledge that they have had the advice of counsel and that no promise or representation of any kind, other than as contained herein, has been made by the Parties or the persons hereby released or anyone acting for them; that they have relied upon the advice of their attorneys concerning the legal consequences of this Agreement; that the terms of this Agreement have been completely read and explained to them by their attorneys; that they know the contents thereof; and that they have signed the same of their own free and voluntary act.

IN WITNESS WHEREOF, the Parties hereto have put their hands and seals, as of the day and year first written above. Each Party signing below affixes his or her seal adjacent to his or her signature. It is the intention of the Parties that this Agreement be executed as a sealed instrument.

[TWO SIGNATURE PAGES FOLLOW]

SHIPWATCH VILLAS TOWNHOME
OWNERS ASSOCIATION II, INC.

By: _____
Douglas Rickert, President

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public in and
for said County and State, do hereby certify that Douglas Rickert personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION, II, INC., and that he, as President, being authorized to do so, executed the
foregoing on behalf of the corporation.

Date _____
(Official Seal)

Signature of Notary Public

My commission expires: _____

SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC.

By: _____
Curtis Coffield, President

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public in and
for said County and State, do hereby certify that Curtis Coffield personally came before me this
day and acknowledged that he is President of SHIPWATCH VILLAS CONDOMINIUM
OWNERS ASSOCIATION, INC., and that he, as President, being authorized to do so, executed
the foregoing on behalf of the corporation.

Date _____
(Official Seal)

Signature of Notary Public

My commission expires: _____

[SIGNATURES END]

Doc ID: 009327850006 Type: CFP
Recorded: 10/31/2011 at 02:33:19 PM
Fee Amt: \$26.00 Page 1 of 6
Onslow County, NC
Rebecca L. Pollard Reg. of Deeds
BK 3672 PG 411-416

AMENDMENT TO DECLARATION OF COVENANTS AND EASEMENTS
(WITH RESPECT TO AMENITIES)

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

THIS AMENDMENT TO DECLARATION OF COVENANTS AND EASEMENTS (WITH RESPECT TO AMENITIES) (the "Amendment") is made this 30th day of September, 2011, by and between SHIPWATCH VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC. ("Condo Association") and SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC. ("Townhome II Association") (both hereinafter referred to individually as "Association" or collectively as "Associations").

WHEREAS, Neil Realty Company, Inc., Condo Association, and Townhome II Association caused to be recorded the Declaration of Covenants and Easements (With Respect to Amenities) in Book 915, at Page 729 in the office of the Register of Deeds of Onslow County, North Carolina (as amended and supplemented, the "Declaration"); and

WHEREAS, pursuant to Article VI of the Declaration, the Declaration may be amended by an affirmative vote of a majority of the members of the board of directors of both Condo Association and Townhome II Association; and

WHEREAS, a majority of the members of the board of directors of Condo Association and a majority of the members of the board of directors of Townhome II Association have approved this Amendment; and

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

Prepared by Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403), Post Office Box 7068, Wilmington, NC 28406-7068
Please return to Ward and Smith, P.A., 127 Racine Drive, University Corporate Center (28403), Post Office Box 7068, Wilmington, NC 28406-7068
Attention: Justin M. Lewis

NOW, THEREFORE, Condo Association and Townhome II Association, acting pursuant to the provisions of Article VI of the Declaration, do hereby amend the Declaration as follows:

1. Article IV.D. of the Declaration is hereby amended by deleting the second sentence of the third paragraph in its entirety and inserting the following in lieu thereof:

If the Condo Association contests any action taken by the Townhomes II Association pursuant to this paragraph, then the Condo Association may, at any time, submit the contested issue to alternative dispute resolution pursuant to the provisions of Article IV.L. of this Declaration. Such submission by the Condo Association shall stay the contested action of the Townhomes II Association until such time as a decision is rendered pursuant to Article IV.L. of this Declaration.

2. Article IV.F. of the Declaration is hereby amended by deleting the first sentence in its entirety and inserting the following in lieu thereof:

The board of directors of Condo Association may adopt such rules and regulations for the use of the Amenities as may be recommended to the Condo Association by the Amenities Committee, as defined herein, or as may be considered necessary or advisable by the board of directors of Condo Association (i) for the health and safety of users of the Amenities and others, or (ii) to enhance the enjoyment of condominium and townhome owners, lessees, and guests.

3. Article IV.G. of the Declaration is amended by deleting the second paragraph in its entirety.

4. Article IV.H. of the Declaration is amended by deleting the words "Subparagraph G above" from the first sentence of Article IV.H. and inserting in lieu thereof: "Subparagraph K herein."

5. Article IV.K. of the Declaration is deleted in its entirety and the following is inserted in lieu thereof:

K. Amenities Committee: An advisory committee shall be established by Condo Association and Townhome II Association for the purpose of advising both Associations on matters concerning the operation and maintenance of the Amenities ("Amenities Committee"). The Amenities Committee shall consist of one member from Condo Association appointed by its board of

directors, one member from Townhome II Association appointed by its board of directors, and the property managers of each Association, whether one or two persons, as *ex officio* members. The Amenities Committee shall have the following duties:
(i) create a proposed budget for the operation of the Amenities and
(ii) recommend to the board of directors of Condo Association rules and regulations as the Amenities Committee deems reasonable and necessary to ensure the management, perpetuation and enjoyment of the Amenities by all the owners in Shipwatch Villas Condominium and Shipwatch Villas Townhomes II.

The Amenities Committee shall create the proposed budget based on the actual invoices and receipts from the previous fiscal year relating to the management and maintenance of the Amenities plus reasonable projected future expenses for the repair and/or replacement of the Amenities. In order to assist the Amenities Committee in its preparation of a budget, Condo Association shall maintain accurate records of expenditures relating to the management and maintenance of the Amenities and shall provide such records to the Amenities Committee upon request. The Amenities Committee shall present the proposed budget to the boards of directors of Condo Association and Townhome II Association on or before October 1 of each year for approval by the boards of directors of each Association.

In the event that the boards of directors of the two Associations are unable to reach an agreement on the proposed budget by October 15 of the year in which the budget is proposed by the Amenities Committee, the Associations shall immediately submit the matter to mediation per the terms of Article IV.L. of this Declaration. In the event mediation is unsuccessful in resolving the dispute regarding the budget by November 15 of the year in which the budget is proposed by the Amenities Committee, Condo Association and Townhome II Association shall submit the matter to binding arbitration as described in Article IV.L. of this Declaration. The arbitration regarding the proposed budget shall be completed and the budget shall be finalized no later than December 15 of the year in which the budget is proposed by the Amenities Committee. The decision made during arbitration and the resulting budget shall be binding on both parties.

6. Article IV is hereby amended by adding the following section:

L. Alternative Dispute Resolution: If a dispute arises between Condo Association and Townhome II Association over any matters governed by the terms and provisions of the Declaration, Condo Association and Townhome II Association, unless otherwise

provided for herein, mutually agree to submit the dispute to mediation prior to institution of any action in law or equity. The Associations shall have the right to designate, or have the Chief Resident Superior Court Judge of Onslow County designate from the potential mediators submitted by each party, a single mediator certified as such by the dispute resolution commission. The Chief Resident Superior Court Judge's selection will be binding on both parties. If a settlement is reached, the agreement shall be reduced to writing and when signed and approved by Condo Association and Townhome II Association shall be binding upon both Associations. Each Association shall bear its own cost of the mediation, including attorneys' fees, and each Association shall share equally all fees and expenses of the mediator and the administrative fees of mediation.

If the Associations fail to resolve their dispute through mediation, the Associations mutually agree to submit all such disputes to binding arbitration. The arbitration panel will consist of three arbitrators. One arbitrator shall be selected by the board of directors of Condo Association, one arbitrator shall be selected by the board of directors of Townhome II Association, and the third arbitrator shall be selected by the arbitrators selected by the Associations. The decision of the majority of the three arbitrators shall be binding upon Condo Association and Townhome II Association. Each Association shall bear its own cost of the arbitration, including attorneys' fees, and each Association shall share equally all fees and expenses of the arbitrators and the administrative fees of arbitration.

7. Except as expressly provided in the paragraphs above, the terms and provisions of the Declaration shall continue in full force and effect according to the terms of the same as modified hereby. In the event of any conflict between the terms and provisions of this Amendment and the Declaration, the terms and provisions of this Amendment shall control.

IN TESTIMONY WHEREOF, Condo Association and Townhome II Association, acting pursuant to the authority above recited and in accordance with the affirmative vote of the majority of the members of the board of directors of each Association, have caused this Amendment to be executed under seal and in such form as to be legally binding and effective the day and year upon recording this Amendment in the office of the Register of Deeds of Onslow County.

SHIPWATCH VILLAS CONDOMINIUM OWNERS
ASSOCIATION, INC. (SEAL)

By: *Kevin Sanford* (SEAL)
President

STATE OF NORTH CAROLINA
COUNTY OF Ongler

I certify that the following person personally appeared before me this day, acknowledging to me that he or she signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: Kevin Sanford, President

Date: 9/30/11

Donna Speight Sawyer
Signature of Notary Public

Donna Speight Sawyer
Notary's printed or typed name

My commission expires: May 15, 2015



Notary seal or stamp must appear within this box.

SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION II, INC. (SEAL)

By: *Phil McKinley* (SEAL)
_____. President

STATE OF NORTH CAROLINA
COUNTY OF Ontonagon

I certify that the following person personally appeared before me this day, acknowledging to me
that he or she signed the foregoing document for the purpose(s) stated therein, in the capacity
indicated therein: *Phil McKinley, President*

Date: 9/30/11

Donna Speight Sawyer
Signature of Notary Public

Donna Speight Sawyer
Notary's printed or typed name

My commission expires: May 15, 2015



Notary seal or stamp must appear within this box.

091294-00001
ND: 4811-7711-4378, v. 2

DECLARATION OF COVENANTS AND EASEMENTS
(WITH RESPECT TO AMENITIES)

SHIPWATCH VILLAS CONDOMINIUM OWNERS' ASSOCIATION, INC.
and
SHIPWATCH VILLAS TOWNHOME OWNERS' ASSOCIATION, II, INC.

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PREPARED BY DARDEN, COYNE, BRUCE & HARRIS, P.A.

STATE OF NORTH CAROLINA

BOOK 915 PAGE 730

COUNTY OF ONSLOW

DECLARATION OF
COVENANTS AND EASEMENTS
(WITH RESPECT TO AMENITIES)

This Declaration made this the 16th day of February, 1989, by and between NEIL REALTY COMPANY, INC. ("Developer"); SHIPWATCH VILLAS CONDOMINIUM OWNERS' ASSOCIATION, INC. ("Condo Association"); and SHIPWATCH VILLAS TOWNHOME OWNERS' ASSOCIATION II, INC. ("Townhome II Association");

I. BACKGROUND STATEMENT

Developer is the builder of two multiple occupancy resort projects in Onslow County, North Carolina: Shipwatch Villas Condominium (of which Condo Association is the governing association of unit owners) and Shipwatch Villas Townhomes II (of which Townhome II Association is the governing association of townhouse owners). The former is a Condominium created by authority of North Carolina General Statutes 47A and the latter is a common-law townhouse development.

Two amenities were constructed by Developer for the joint use of owners in the two projects: a swimming pool and tennis courts. At the time of execution of this Agreement, Developer is the record owner of the parcels of real property upon which these amenities are built.

II. PURPOSE

The purpose of this Declaration is to make provision for the continuing use and maintenance of these amenities for the benefit of Shipwatch Villas Condominium and Townhome II members, their tenants and guests, by:

- a. Conveying fee simple title to the amenities to Shipwatch Villas Condominium, together with management authority and responsibility;
- b. Relieving Developer of financial responsibility (with certain exceptions) for the maintenance of the amenities;
- c. Guaranteeing the rights of Townhome II owners, tenants and guests to use the amenities; and
- d. Providing means for the necessary financial support of the amenities on a basis which is fair to all the parties.

III. DEFINITIONS

1. Amenities: The pool and tennis court areas as described in Exhibits A and B, together with all improvements, furniture, fixtures, and equipment associated with the use of the pool and tennis courts.
2. Owners: The holders of fee simple title either to condominium units in Shipwatch Villas Condominium or townhouses in Shipwatch Villas Townhomes II, whether one or more persons, firms or corporations.

3. Guests (Also Denominated "Resident Guest"): -A person or persons authorized by an owner to occupy and use a unit or townhouse and in fact occupying the same.

4. Unit: Unless indicated otherwise by context, a condominium unit in Shipwatch Villas Condominium.

5. Townhouse: Unless the context indicates otherwise, a townhouse and appurtenant interest in the common properties in Shipwatch Villas Townhomes II, including additional Townhomes, if any, added as permitted by paragraph IV-B. below.

6. Contributing Unit: A dwelling unit, whether a condominium unit or a townhouse, for which a certificate of occupancy has been issued and which has either been sold, leased, or otherwise given over to occupancy at any time by third persons by Developer.

7. Governing Documents: In the case of Shipwatch Villas Condominium, the Declaration of Condominium, the By-Laws, and the Articles of Incorporation of the Shipwatch Villas Condominium Owners' Association; in the case of Shipwatch Villas Townhomes II, the Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and the By-Laws; and in both instances all amendments thereto.

8. Third Persons: Owners, resident guests or tenants other than those associated with Condo Association or Townhome II Association, to whom privileges to use the amenities may, but are not required, to be extended.

IV. OPERATIVE PROVISIONS

A. Conveyance of Properties: Immediately preceding the recording of this instrument there shall be recorded, in the Onslow County Registry, a deed from Developer to Condo Association conveying marketable fee simple title to the two amenity sites, these two parcels being described fully in Exhibit A (the Pool area) and Exhibit B (the Tennis area) to this Declaration. The Deed shall recite that the conveyance is subject to the terms and conditions of this instrument, especially as to the rights of others in the properties; and that this instrument is incorporated by reference in the Deed.

B. Retained Rights of Developer: The Developer may (but is not obligated to) build up to, but not to exceed, twenty-six (26) additional Townhome units on property northeast of the Townhomes II property. This property is described in Exhibit C hereto. The owners hereby consent to the use of these amenities by such additional Townhome owners, on the same terms and conditions as are applicable to Townhome II owners. This reserved right may be implemented by Developer by recording an amendment to this Declaration reciting the legal descriptions of the added Townhomes and a statement that such additional Townhomes are subject to the provisions of this Declaration. The rights conferred on Developer by this paragraph shall expire, if not sooner exercised, ten (10) years from the date of this instrument. To qualify for use of the amenities, such additional Townhomes shall be reasonably comparable in size, character of design and quality of construction to those Townhouses now constituting Shipwatch Villas Townhomes II. Any additional Townhomes shall be liable for assessment as set out in H.3. below.

C. Legal Status of Property: The property conveyed to Shipwatch Villas Condominium is intended to become common area of the condominium, subject to this Declaration. The governing body and membership of the Condominium shall take such action as may be recommended by counsel including amendment of the Condominium documents to implement this provision.

D. Persons Who May Use the Amenities: The amenities as described herein are available for the use of owners, their heirs, successors, and assigns, including lessees and authorized resident guests of such owners and tenants; the right to use of the amenities being appurtenant to the right to occupy condominium units or townhouses, as the case may be. In addition, Developer may extend the right to use the amenities to those same classifications of persons (owners, lessees and resident guests) who may be created upon construction and sale of additional townhomes as set out and as limited in subparagraph B. above.

The use of the amenities may be extended to third persons by action of a majority of the Board of Directors of Condo Association, but such persons shall acquire no vested rights to the amenities other than those conferred from time to time by the Board of Directors of Condo Association, and these rights may be terminated at any time by said Board. The Board of Directors of Condo Association shall establish a reasonable fee for such use by third persons and shall collect the same. All monies so collected shall be placed in a reserve fund which may be used for capital improvements to the amenities, major replacements of equipment and facilities, or expansion of the amenities. Such funds shall not be incorporated in projections of revenue for the purpose of establishing the unit cost on which assessments to owners shall be based; that is to say, the routine management of the amenities shall be fully funded by the assessments paid by owners.

In the event that Condo Association should fail to maintain the amenities in a reasonably usable condition, and upon written notice by Townhome II Association to Condo Association of the failure and of their intent to exercise certain rights under this paragraph, and further, upon failure of Condo Association to remedy the conditions complained of within sixty (60) days of such notice, Townhome II Association may take whatever action is reasonably necessary to render the amenities usable, and may deduct the reasonable cost of such remedial actions from sums due to the Condo Association under the provisions of paragraph IV-H. of this instrument. If Condo Association contests such action by Townhomes II Association, all issues so raised shall be submitted to arbitration under the rules of the American Arbitration Association. Such arbitrations shall be the sole remedy of the parties and shall be binding upon them.

E. Easement for Access. The common area of Shipwatch Villas Condominium is not contiguous to the tennis court area as described in Exhibit B to this instrument. A walkway has been provided by which condominium unit owners and their tenants and guests may have access to the tennis court. Concurrently with the recording of this instrument, Developer shall, with the joinder of Townhome II Association, record a perpetual, non-exclusive easement which shall be appurtenant to the common area of Shipwatch Villas Condominium, for the limited purpose of access to and from the tennis court area. This easement shall be described as being eight (8') feet in width and having a centerline as shown on the plat which is appended to this instrument as Exhibit D. In addition, Developer shall provide an alternate easement for access to the tennis court from the public road, also being eight (8') feet in width as shown on Exhibit D.

F. Regulations on Use: The Board of Directors of Condo Association shall

adopt such rules and regulations for the use of the amenities as may be considered necessary for the health and safety of users of the amenities and others, and to enhance the enjoyment of condominium and townhome owners, lessees, and guests. Such rules and regulations may include, but not by way of limitation, the following:

1. Hours of use.
2. Minimum age limits for users, particularly without adult supervision.
3. Safety and health regulations.
4. Limitations on articles taken into pool.
5. Schedules for tennis court use.
6. Provisions for fines for violations of rules and regulations in the manner and subject to the limitations in North Carolina General Statutes Section 47C-3-107(a).
7. Identification of users.

In any event, the use of the amenities may be denied to any owner, the lessees and guests of any such owner, or any authorized third persons WHO MAY BE OVER FIFTEEN (15) DAYS LATE IN THE PAYMENT OF ANY DULY AUTHORIZED ASSESSMENT OF EITHER OWNERS' ASSOCIATION, FOR THE TIME DURING WHICH AN ARREARAGE EXISTS.

G. Determination of Total Cost: The total cost of operating the amenities shall include the following:

1. Casualty insurance.
2. Liability insurance.
3. Maintenance: labor, materials, or outside contract costs.
4. Taxes.
5. Reasonable reserves for replacement or major repairs.
6. Lifeguards, if employed.
7. Grounds maintenance, including landscaping.
8. Utilities cost, including power and water.
9. A proportionate allocation of security costs.
10. A reasonable allocation of management and administrative costs, to be determined as that estimated percentage of the total management and administrative expenses which can be properly attributed to the amenities operations.
11. Any other costs, direct or indirect, which in the opinion

of the certified public accountant of Condo Association shall, under generally accepted accounting principles, be allocable to the amenities.

The Condo Association is responsible for setting the total cost basis on which the assessments shall be based. The total cost basis shall be determined at the time that the Board of Directors of the Condo Association establishes its annual budget prior to the end of each fiscal year. The amount so determined shall form the basis for assessments for the succeeding year, unless amended, and shall then be collectible in accordance with paragraph H.3 below. The determination shall be reviewed subsequently by the certified public accountant who is employed by Condo Association to perform its annual audit. At the time of the audit and based on his or her examination of the actual expenses of the preceding year as well as his or her experience in budgeting and forecasting, the accountant may suggest that the Board of Directors revise the total cost basis and the assessments accordingly. The resulting budget may be challenged by Townhome II Association, in which case the two associations may arrive at a revised total cost budget by agreement of their respective Boards of Directors. Should agreement not be attainable, Townhome II Association may employ, at its expense, a certified public accountant who may examine the same historic accounting records and shall confer with the accountant for Condo Association. Any budget which is then approved by both of said accountants shall be binding on both associations. If the accountants for the two associations are unable to reach agreement, they shall be directed to select a third certified public accountant, not affiliated with the other two, and a budget agreed to by two of the three accountants shall be binding and shall form the basis for calculating the unit cost for the ensuing year. The reasonable fees of the third certified public accountant, in the event that it is necessary to designate one, shall be shared equally between the two associations.

H. Allocation of Costs: The total cost of operating the amenities as determined in Subparagraph G. above shall then be divided into two (2) amounts which shall represent the portion of the total costs allocable to Shipwatch Villas Condominiums and Shipwatch Villas Townhomes II respectively. In determining the relative allocation between the two projects, three bedroom units, whether condominium units or townhome units, shall be regarded as benefiting from, and therefore responsible for sharing the cost of, the amenities in a proportion of 1.3 to 1.0 for two bedroom units. The formula for deriving the subtotals for the condominiums and the townhomes respectively, incorporating the above factor for three bedroom units or townhomes, shall be as follows:

Where:

C_2 is the number of two-bedroom condominiums,

C_3 is the number of three-bedroom condominiums

and

T_2 is the number of two-bedroom townhomes,

T_3 is the number of three-bedroom townhomes

then:

the percentage of total cost allocable to the Condo Association (T_c) shall be:

$$T_c = \frac{[C_2 + (1.3 \times C_3)]}{[C_2 + (1.3 \times C_3)] + [T_2 + (1.3 \times T_3)]} \times 100$$

and the percentage of total cost allocable to the Townhome Association shall be:

$$T_T = \frac{[T_2 + (1.3 \times T_3)]}{[C_2 + (1.3 \times C_3)] + [T_2 + (1.3 \times T_3)]} \times 100$$

to verify the result,

$$T_c + T_T = 100$$

In applying the formula, all condominium units or townhomes, respectively, which are contributing units shall be included in the computation and shall be liable for assessments, whether or not the condominium unit or townhome is subsequently occupied.

1. Shipwatch Villas Condominiums: This total cost for the condominium units shall be a common expense as the same is defined in the North Carolina Condominium Act and by paragraph 1.G. of the Declaration of Condominium of Shipwatch Villas Condominiums, as recorded in Book 703 at Page 505, of the Onslow County Registry, and shall be assessed against units accordingly.

2. Shipwatch Villas Townhomes II: The share allocated to Shipwatch Villas Townhomes II (T_T) shall be shared equally among contributing units in the townhomes, as provided by the governing documents. For the purposes of this section, any townhomes added by Developer as allowed in paragraph 2. of this instrument shall become contributing units when sold or leased by Developer, whether or not they are subsequently occupied. The incremental factor (1.3) shall be used in the case of any three bedroom units which are added.

3. Method of Collection and Payment of Assessments: The total costs for Shipwatch Villas Condominiums and Shipwatch Villas Townhomes II as set out above shall be collected from individual owners by each owners' association in the manner set out in the respective governing documents. The total assessment for condominium owners shall be collected by Shipwatch Villas Condominium Owners' Association, Inc. as part of the regular periodic assessment of owners. The total assessment for all townhome owners shall be paid in a periodic lump sum by Townhome II Association to Condo Association, coincident with the period of collection of Townhome owners' assessments, no less frequently than quarterly. The full assessment shall be paid notwithstanding any non-payment or late payment of assessments by individual townhome owners. If any payment by Townhome II Association shall be more than thirty (30) days late rights to the use of the amenities by all townhome owners may be suspended.

4. Assessments as a Lien: In that these costs become an element of

the regular assessments of owners in the two projects, failure to pay the same creates a lien on the interest of the delinquent owner in each instance in the same manner as provided in the Governing Documents.

I. Special Assessments: In addition to regular assessments to meet operating costs as described above, a need for capital expenditures in excess of accumulated reserves, whether for replacement of facilities or for modernizing and up-grading the same, may arise. In such event, the Board of Directors of the Condo Association is empowered to levy a special assessment to defray the cost of the same, and the special assessment shall be collectible as set out in Paragraph IV - G above, and if unpaid, shall be a lien on the respective condominium units or townhomes. Special capital expenditure or replacement assessments shall be permissible only with respect to the swimming pool and tennis court now existing, and there shall be no authority to assess for capital improvements expanding the amenities, or adding additional amenities, without joint action of both the Associations, in each case as provided in their governing documents.

J. No Waiver of Assessments: No owners may opt out of liability by any attempted waiver of rights to use of the amenities.

K. Amenities Committee: An advisory committee, named the "Amenities Committee", may be established for the purpose of advising the Associations in matters concerning the operation and maintenance of the amenities. Such committee shall consist of one owner from each Association, appointed from time to time by the respective Boards of Directors, and serving at the pleasure of the Boards, plus the property manager(s) of the two Associations, whether one or two persons, as ex officio member(s).

V. DURATION

The rights conferred herein on the owners' associations (and through them on owners) shall run with the land and shall be a burden and a benefit to the present owners, their heirs, successors and assigns.

VI. AMENDMENT

This instrument may be amended by an affirmative vote of a majority of the directors of both associations, and upon the recording of an instrument setting out such amendment(s) in the Onslow County Registry.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed in their corporate names by their duly authorized officers and their seals to be hereunto affixed by authority of their Boards of Directors, the day and year first above written.

NEIL REALTY COMPANY, INC.

BY: 

ATTEST:


Asst. Sec.



SHIPWATCH VILLAS CONDOMINIUM
OWNERS' ASSOCIATION, INC.

BY: Brian W. W. W.

ATTEST:

Jim Wilder

SHIPWATCH VILLAS TOWNHOME OWNERS'
ASSOCIATION II, INC.

BY: R. D. D.

ATTEST:

Josephine S. S.

STATE OF NORTH CAROLINA
COUNTY OF Mecklenburg

I, a Notary Public of the aforesaid County and State, do hereby certify that Josephine S. S. personally appeared before me this day and acknowledged that he/she is the Assistant Secretary of NEIL REALTY COMPANY, INC., a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by himself/herself as its Assistant Secretary.

WITNESS my hand and official stamp or seal, this the 28 day of Feb, 1989.



My Commission Expires:

March 6, 1991

Jean D. D.
NOTARY PUBLIC

STATE OF NORTH CAROLINA
COUNTY OF Onslow

I, a Notary Public of the aforesaid County and State, do hereby certify that Kim Wilder personally appeared before me this day and acknowledged that he/she is the Assistant Secretary of SHIPWATCH VILLAS CONDOMINIUM OWNERS' ASSOCIATION, INC., a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by himself/herself as its Assistant Secretary.

WITNESS my hand and official stamp or seal, this the 16th day of February, 1989 (1989)

Shirley Tobin
NOTARY PUBLIC



My Commission Expires:

Sept. 17, 1990

STATE OF NORTH CAROLINA
COUNTY OF Onslow

I, a Notary Public of the aforesaid County and State, do hereby certify that Josephine Smith personally appeared before me this day and acknowledged that he/she is the Assistant Secretary of SHIPWATCH VILLAS TOWNHOME OWNERS' ASSOCIATION II, INC., a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by himself/herself as its Assistant Secretary.

WITNESS my hand and official stamp or seal, this the 28 day of Feb, 1989.

Jean O. Hines
NOTARY PUBLIC

My Commission Expires:

March 6, 1994

NORTH CAROLINA, ONSLOW COUNTY
The foregoing certificate(s) of

Jean O. Hines & Shirley Tobin

Notary(ies) Public is (are) certified to be correct. This instrument was presented for registration and recorded in this office in Book 915 Page 729 This 29th day of March, 1989 A.D. at 3:40 o'clock P. M. -----
Michael A. Howard By -----
Register of Deeds, Onslow County

Register of Deeds

EXHIBIT A

LEGAL DESCRIPTION OF POOL AREA

Beginning at a point located within the common area of Shipwatch Villas Townhomes II, Inc., which POINT OF BEGINNING may be located with reference to a railroad spike at the intersection of the center line of existing N.C.S.R. 1568 and the northernmost property line of Joseph W. Taylor according to that deed recorded in Deed Book 486 at Page 760 of the Onslow County Registry by proceeding the following distances from the said point of beginning, with the approximate centerline of an existing boardwalk:

N 32-25-12 W - 31.218 feet,
N 32-08-53 W - 37.875 feet,
N 12-04-10 E - 17.193 feet,
N 12-45-44 E - 18.175 feet,
N 40-25-56 E - 33.253 feet,
N 56-45-08 E - 28.589 feet to a point in an easement; thence N 26-48-34 W 120.968 feet with the said easement to a point; thence N 26-41-00 W 10.852 feet to a point in the south right-of-way line of N.C.S.R. 1568; thence N 63-19-00 E 5.0 feet to a point in said right-of-way line; thence N 26-41-00 W 30.0 feet to the point in the centerline of N.C.S.R. 1568; thence the following courses and distances to the aforesaid railroad spike:

S 63-19-00 W 284.27 feet,
S 58-44-36 W 148.704 feet,
S 49-32-19 W 164.505 feet,
S 44-30-00 W 609.185 feet,
S 32-45-51 W 579.740 feet,
S 56-43-00 W 202.55 feet.

FROM THE SAID POINT OR PLACE OF BEGINNING, with the general perimeter of the swimming pool area the following courses and distances:

N 63-51-56 E - 23.823 feet,
S 55-57-37 E - 49.310 feet,
S 06-44-19 W - 18.454 feet,
S 52-48-11 E - 26.945 feet,
S 05-32-25 W - 62.036 feet,
S 26-40-49 E. 182.409 feet to the ordinary high water mark of the Atlantic Ocean; thence with said ordinary high water mark S 63-19-00 W 73.144 feet; thence N 26-40-49 W 215.711 feet to a point; thence
N 04-53-04 E - 19.268 feet,
N 35-37-04 W - 32.520 feet,
N 22-05-06 W - 30.499 feet,
N 32-56-50 E - 8.883 feet,
N 56-53-31 W - 11.781 feet,
N 33-06-29 E - 32.079 feet,
S 56-53-31 E - 11.705 feet,

EXHIBIT A (cont.)
PAGE 2

N 32-56-50 E - 4.849 feet,
N 63-51-56 E - 9.582 feet, THE POINT OR PLACE OF BEGINNING.

For further reference, a plat or survey of the aforesaid area is shown on Exhibit D, infra.

shipwatc.exh
r/4

EXHIBIT B

LEGAL DESCRIPTION OF TENNIS AREA

Beginning at a point which may be located with reference to a railroad spike at the intersection of the centerline of existing N.C.S.R. 1558 and the northernmost property line of the Joseph W. Taylor properties according to that deed recorded in Book 486 at Page 760 of the Onslow County Registry; as follows:

Proceeding from the point or place of beginning at the northwest corner of a fenced enclosure of a tennis court situated in and surrounded by the common area of Shipwatch Villas Townhomes II, Inc. the following courses and distances:

N 26-41-00 W 10.852 feet to a point in the south right-of-way line of N.C.S.R. 1568; continuing thence N 26-41-00 W 30.0 feet to the centerline of N.C.S.R. 1568; thence according to the centerline data of proposed N.C.S.R. 1566 the following courses and distances:

S 63-19-0 W 284.27 feet;
S 58-44-36 W 148.704 feet;
S 49-32-19 W 164.505 feet;
S 44-30-0 W 609.185 feet;
S 32-45-51 W 579.740 feet;
S 56-43-0 W 202.55 feet, to the said railroad spike.

FROM THE SAID POINT OR PLACE OF BEGINNING so determined and running with the existing fenced enclosure of the tennis court area, the following courses and distances:

N 63-28.30 E 108.33 feet to a corner; S 26-36-49 E 120.034 feet to a corner; thence S 63-17-06 W 107.918 feet to a corner, and thence N 26-48-35 W 120.393 feet to the northwest corner of the said tennis court enclosure, the point or place of beginning.

For further reference, a plat or survey of the aforesaid area is shown on Exhibit D, infra.

R/3ExhibitB

EXHIBIT C

LEGAL DESCRIPTION OF FUTURE TOWNHOME DEVELOPMENT AREA

Beginning at a point in the south right-of-way line of N.C.S.R. 1568, which point is also the northernmost corner of the common area of Shipwatch Villas Townhomes II, Inc.; said point or place of beginning also being located the following courses and distances from a railroad spike at the intersection of the centerline of N.C.S.R. 1568 and the Joseph W. Taylor northernmost property line according to that deed recorded in Book 486 at Page 760 of the Onslow County Registry:

From the said railroad spike with the centerline data for a proposed N.C.S.R. 1566 the following courses and distances:

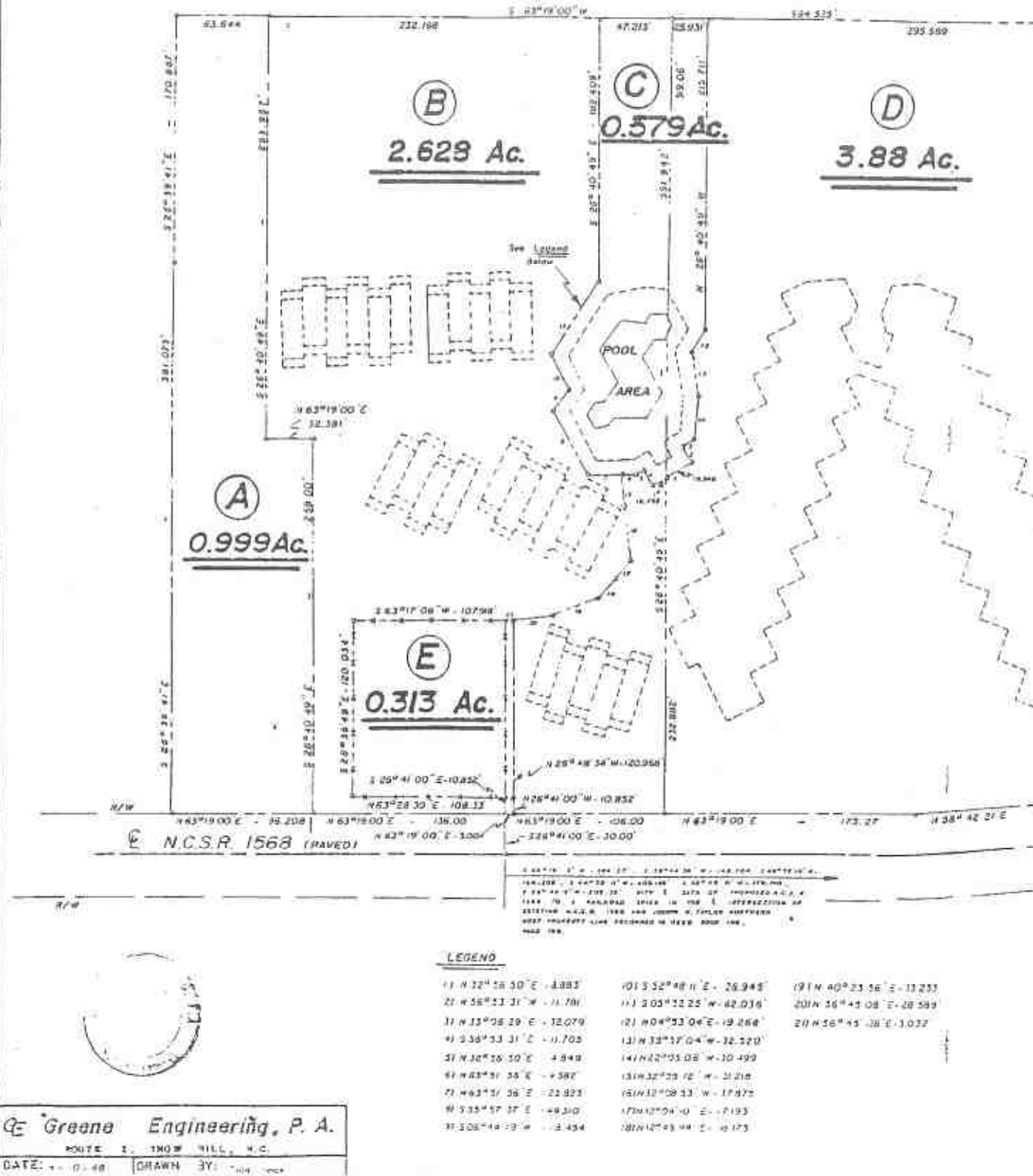
N 56-43-0 E 202.55 feet;
 N 32-45-51 E 579.740 feet;
 N 44-30-0 E 609.185 feet;
 N 49-32-19 E 164.505 feet;
 N 58-44-36 E 148.704 feet, and
 N 63-19-0 E 284.27 feet to a point in the centerline of existing N.C.S.R. 1568; thence
 S 26-41-00 E 30.0 feet to the south right-of-way line of the said S.R. 1568; thence with the said south right-of-way line N 63-19-00 E 136.00 feet to a point, the point or place of beginning; from the said point or place of beginning S 26-40-49 E with the east boundary line of the Shipwatch Villas Townhomes II common area 258.04 feet to a point; continuing thence with the Shipwatch Villas Townhomes II east line N 63-19-00 E 32.381 feet and thence S 26-40-49 E an approximate distance of 293.957 feet to a point in the ordinary highwater mark of the Atlantic Ocean; running thence with the said ordinary highwater mark N 63-19-11 E 63.644 feet to a point; thence N 26-39-41 W an approximate distance of 551.96 feet to a point in the south right-of-way line of N.C.S.R. 1568; thence with the said north right-of-way line S 63-19-00 W 96.208 feet to an iron pipe, the point or place of beginning.

For further reference, a plat or survey of the aforesaid area is shown on Exhibit D, infra.

a:exhibitc.R/3

ATLANTIC

OCEAN



Rob



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Recorded: 12/11/2013 at 02:45:21 PM
Fee Amt: \$26.00 Page 1 of 12
Onslow County, NC
Rebecca L. Pollard Reg. of Deeds

BK **4092** PG **541-552**

**AMENDMENT TO BY-LAWS OF
SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION II, INC.**

(Originally recorded in Book 1482, Page 609, Onslow County Registry)

Return to:

Robert W. Detwiler, Attorney at Law
327 New Bridge Street
Jacksonville, N.C. 28540

AMENDMENT TO
BY-LAWS OF
SHIPWATCH VILLAS TOWNHOME OWNERS
ASSOCIATION II, INC.

This Amendment to the By-Laws of Shipwatch Villas Townhome Owners Association II, Inc. ("Association") is effective on the date of execution of this document by the officers of this Corporation.

WHEREAS, the By-Laws of this Corporation dated August 17, 1998 were recorded in Book 1482, Page 609 by the Onslow County Registry; and

WHEREAS, the membership of the Association has amended the By-Laws from time to time; and

WHEREAS, the membership of the Association has approved the following By-Laws to govern the Association in lieu of the By-Laws recorded on August 17, 1998, as may have been amended from time to time.

NOW THEREFORE, the By-Laws dated August 17, 1998, and any and all amendments thereto, shall be of no further force and effect and in lieu thereof the following By-Laws shall govern the Association.

ARTICLE I
OFFICES

Section 1. **Principal Office.** The principal office of the Association shall be located at 1928 New River Inlet Road, North Topsail Beach, North Carolina.

Section 2. **Registered Office.** The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 3. **Other Offices.** The Association may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may require from time to time.

ARTICLE II
MEMBERSHIP AND VOTING RIGHTS

Section 1. **Eligibility for Membership.** Every person or entity who is an "owner" of any "lot" in the "Properties" – as those terms are defined and described in a certain Restated and Amendment to the Declaration of Covenants, Conditions and Restrictions, dated August 17, 1998 and recorded in Book 1482, Page 597 in the office of the Register of Deeds of Onslow County ("Declaration") or in any subsequent Declaration filed with the Onslow County Register of Deeds, shall be a member of this Association, subject to the rights of the provisions of these By-Laws and the Articles of Incorporation. It is specifically understood that no person or entity that has an interest in any lot or in the Properties solely as security for the performance of an obligation shall be entitled to membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot subject to assessment by the Association as provided in the Declaration as it may be amended, from time to time.

Section 2. **Voting Rights.** All owners, as defined in the Declaration, shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot. If only one of the multiple owners of a lot is present at a meeting of the Association, the owner who is present is entitled to cast the vote allocated to that lot. If more than one of the multiple owners are present, the vote may be cast only in accordance with the agreement of a majority in interest of the multiple owners. Majority agreement is conclusively presumed if any one of the multiple owners casts the vote allocated to that lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the lot. If an agreement of a majority in interest cannot be reached, then the vote allocated to that lot shall be considered to have abstained from

casting a vote.

Section 3. **Delegation of Use.** The right and privilege, subject to these By-Laws, Articles of Incorporation of this Association, and the Rules and Regulations promulgated, from time to time, by the Board of Directors of this Association to use and enjoy the property and facilities of the Association, shall belong to every member of the Association and to each "single family" who shall from time to time be entitled to the benefits of a member or who occupy a lot in the Properties. Any member may delegate his right to enjoyment of the Association's property and facilities to the members of his family, his tenants, or contract purchasers who reside on his lot. For purpose of these By-Laws, "single family" shall mean a group of one or more persons each related by blood, marriage or legal adoption, or a group of one or more persons not so related, together with their domestic servants, if any, who maintain a common household.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. **Regular Meetings.** The annual meetings of the members of the Association shall be held on the 3rd Saturday of October, if not a legal holiday, and if a legal holiday, then on the next succeeding Saturday.

Section 2. **Special Meetings.** Special meetings of the members may be called at any time by the President, majority of the Board of Directors, or by unit owners having ten percent (10%) of the votes in the Association.

Section 3. **Substitute Annual Meeting.** If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 2 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. **Notice of Meetings.** Not less than ten (10) nor more than sixty (60) days before the date fixed for a meeting of the members, written notice of such meeting shall be given by or at the direction of the Secretary or by any other person or persons required or permitted by these By-Laws to give such notice. The notice shall be given by personal delivery, electronically, or by United States Mail to each member of the Association. If mailed, the notice shall be addressed to the members of the Association at their respective addresses as the same appear on the records of the Association. If notice is issued electronically, the electronic notice shall be sent to the members of the Association at their electronic addresses as the same appear on the records of the Association, which notice shall include the right of the member to request a copy by United States Mail service. The notice of any meeting shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove a director or officer. Notice of the time and place of any meeting of members may be waived in writing either before or after the holding of such meeting, by any member, which writing shall be filed with or entered upon the records of the meeting. The attendance by any member at any such meeting, without protest prior to or at the commencement of the meeting, shall be deemed a waiver of lack of proper notice by such member of such meeting. Provided, however, in the case of an annual or substituted annual meeting, the notice of meeting need not specifically state the business to be transacted, unless it is a matter, other than election of directors, on which the vote of members is expressly required by applicable provisions of North Carolina law. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting in which the adjournment is taken.

Section 5. **Quorum.** The presence at a meeting of members entitled to cast, or of proxies entitled to cast, one-third (1/3) of the vote of the membership shall constitute a quorum

for any action except as otherwise provided in the Declaration, the Articles of Incorporation, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum, as aforesaid, shall be present or represented, so long as said adjournment is for less than thirty (30) days. The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of members to leave less than a quorum. In the absence of a quorum in the opening of any meeting of members, such meeting may be adjourned from time to time by a vote of the majority of the members present in person or by proxy. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 6. **Proxies.** At all meetings of members, any member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. If a lot is owned by more than one person, each owner of the lot may vote or register protest to the casting of votes by the other owners of the lot through a duly executed proxy. A lot owner may not revoke a proxy given except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot or interest therein. A proxy is not valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies a shorter term or limits its use to a particular meeting, which meeting shall occur within the eleven (11) months time period.

Section 7. **Voting by Members.** Voting on all matters except election of directors shall be by voice vote or a show of hands unless one tenth (1/10) of the voting members represented at the meeting shall, prior to the voting on any matter, demand a written ballot vote on that particular matter.

Section 8. **Informal Action by Members.** Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept as part of the corporate records.

Section 9. **Lists.** At least ten (10) days before each meeting of members, the Secretary of the Association shall prepare an alphabetical list of the members entitled to vote at such meeting or any adjournment thereof, with the address of each such member, which list shall be kept on file at the registered office of the Association for a period of ten (10) days prior to such meeting, and shall be subject to inspection by any member at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any member during the entire meeting.

ARTICLE IV **BOARD OF DIRECTORS**

Section 1. **Board of Directors.** The business and affairs of the Association shall be managed by its Board of Directors.

Section 2. **Number and Qualifications.** The Board shall consist of five persons. All persons nominated or elected to the Board shall be an owner or owner's spouse, officer or agent of an association or other legal entity owning a lot, or a partner in a partnership owning a lot.

Section 3. **Election of Board and Vacancies.** Board members shall be elected at the annual meeting of members of the Association or at a special meeting called for such purpose. At meetings of members of the Association at which Board members are to be elected, only persons nominated as candidates in accordance with the provisions of Section 16 of this Article IV shall be eligible for election as a Board member. The candidates receiving the greatest number of votes shall be elected. In the event of the occurrence of any vacancy or vacancies on the Board, however caused (including failure to elect member(s) at the annual meeting of members of the Association), the remaining Board members, though less than the total authorized number of

Board members, shall, by vote of a majority of their number, fill any such vacancy(ies) for the unexpired term(s). The Association shall publish the names and addresses of all board members of the Association within thirty (30) days of their election.

Section 4. **Term of Office and Resignations.** Each Board member shall hold office for a period of two (2) years or until his successor is elected, or until his earlier resignation, removal from office, or death. Any Board member may resign at any time by oral statement to that effect made at a meeting of the Board or in a writing to that effect delivered to the Secretary of the Association, such resignation to take effect immediately or at such other time as the resigning Board member may specify. Members of the Board shall serve without compensation. On odd numbered years, three (3) directors shall be elected. On even numbered years, two (2) directors shall be elected.

Section 5. **Organizational Meeting of Board.** Immediately after each annual meeting of members of the Association, the newly elected Board members and those Board members whose terms hold over shall hold an organizational meeting for the purpose of electing officers and transacting any other business. Notice of such meetings need not be given.

Section 6. **Regular Meetings.** Regular meetings of the Board of Directors may be held at such times and places as shall be determined by a majority of the Board and provided by resolution, but at least four meetings shall be held during each fiscal year. Board members may participate in the meetings through telephone or electronic conferencing. Regular meetings may be held without notice.

Section 7. **Special Meetings.** Special meetings of the Board of Directors shall be held at any time upon call by the President or any two (2) Board members. Notice of the time and place of meeting shall be given to each Board member either by personal delivery or by mail, telegram, e-mail, or telephone at least two (2) days before the meeting. The notice need not specify the purpose of the meeting. Unless otherwise indicated in the notice, any business may be transacted at any special meeting. Attendance of a Board member at any such meeting, without protest prior to or at the commencement of the meeting for lack of proper notice, shall be deemed to waiver notice for such meeting. Notice may be waived in writing either before or after the holding of such meeting, by any Board member upon the records of the meeting.

Section 8. **Membership Attendance at Board Meetings.** The Board meetings, both regular and special, shall provide members an opportunity to attend a portion of the meeting and to speak to the Board about their issues or concerns. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

Section 9. **Quorum: Adjournment.** A quorum of the Board of Directors shall consist of a majority of the Board members then in office. A majority of the Board members present at a meeting duly held, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned for lack of a quorum or without completing the business scheduled to come before the meeting, notice of the time and place to which such meeting is adjourned need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting. The quorum requirement at the next meeting shall be one-half of the quorum requirements applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. At each meeting of the Board at which a quorum is present, all questions and business shall be determined by a majority vote of those present, except as may be otherwise expressly provided in the Declaration, Articles of Incorporation or these By-Laws.

Section 10. **Presumption of Assent.** A director who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the

Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right of dissent shall not apply to a director who voted in favor of such action.

Section 11. **Informal Action by Directors.** Action taken by the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 12. **Committee of the Board.** The Board, by resolution adopted by a majority of the number of directors fixed by these By-Laws, may designate three (3) or more directors to constitute an Executive Committee and other committees, each of which, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Association. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or him by law.

Section 13. **Powers and Duties.**

A. Except as otherwise provided by law, the Declaration, Articles of Incorporation, or these By-Laws, all power and authority of the Association shall be exercised by the Board of Directors. In carrying out the purposes of protecting and preserving the Properties and subject to the limitations prescribed by law, the Declaration, Articles of Incorporation, or these By-Laws, the Board, for and on behalf of the Association, may:

1. Purchase or otherwise acquire, lease, hold, use, sell, exchange, transfer, and dispose of property of any description or any interest therein;
2. Make contracts;
3. Effect insurance;
4. Borrow money, and issue, sell and pledge notes, bonds, and other evidences of indebtedness of the Association;
5. Levy assessments against owners;
6. Employ lawyers and accountants to perform such legal and accounting services as the Board may authorize;
7. Foreclose the claim of lien against a lot; and
8. Do all things permitted by law and exercise all power and authority within the purposes stated in these By-Laws, the Declaration or Articles of Incorporation or incidental thereto.

B. In addition to the foregoing, the Board of Directors shall have the following specific duties and powers:

1. Duties: It shall be the duty of the Board of Directors to:
 - a. Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote;
 - b. Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;
 - c. As more fully provided in the Declaration or these By-Laws, to:
 - i. Establish the annual assessment period and fix the amount of the annual assessment against each member at least thirty (30) days in advance of each annual assessment period;
 - ii. Foreclose the lien against any lot or property of a member for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same; and
 - iii. Send written notice of any change in assessments to every owner

subject thereto at least thirty (30) days in advance of implementation of the change.

- d. Issue, or cause an appropriate officer to issue, upon demand by any person, and upon payment of a reasonable fee for such services, a certificate setting forth whether or not any assessment has been paid. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
 - e. Procure and maintain adequate liability and hazard insurance on the Properties, as more fully described in the Declaration;
 - f. Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate and as is required by the Declaration or these By-Laws; and
 - g. Cause the Shipwatch Villas Townhomes II properties to be maintained.
2. Powers: The Board of Directors shall have the power to:
- a. Adopt and publish rules and regulations governing the use of the facilities of the Association, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
 - b. Suspend the voting rights and right to use of the recreational facilities of the member during any period in which such member shall be in default in the payment of any assessment levied by the Association;
 - c. Suspend voting rights and right to use of the recreational facilities after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;
 - d. Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation or the Declaration;
 - e. Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent for three (3) consecutive regular meetings of the Board of Directors; and
 - f. Employ a manager, an independent contractor, or such other employee as it shall deem necessary, and to prescribe their duties.
- C. The Board of Directors shall employ for the Association a Management Agent at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties set forth in these By-Laws. A copy of all such agreements shall be available to every member upon request. Any and all Management Agreements entered into by the Board shall provide that the Management Agreement may be cancelled prior to the expiration thereof, with or without cause, upon thirty (30) days notice. Except as herein provided, no such Management Agreement shall be cancelled prior to the effecting by the Board of Directors of a new Management Agreement, which new Management Agreement will become effective immediately upon the cancellation of the then existing Management Agreement; provided, however, that this restriction shall not prevent the Association from immediately canceling any Management Agreement for cause and undertaking temporary self-management. It shall be the duty of the Board of Directors to effect a new Management Agreement upon the expiration or cancellation of any existing Management Agreement unless self-management is undertaken as herein provided. Any and all Management Agreements shall be made with a responsible party or parties having experience adequate for the management of a project of this size and type, and shall run

for a reasonable period of time, renewable by consent of the Board of Directors and the Managing Agent. The Board of Directors may undertake self-management upon the affirmative vote of 75% of the members of the Association and upon the approval of the holders of 75% of the institutional mortgages upon the lots in the Properties. The Association shall not employ any new Management Agent without thirty (30) days prior written notice to the holders of all first institutional mortgages on the lots. Said Management Agent, subject to the supervision by the Board of Directors, shall provide for the following:

1. Care, upkeep and surveillance of the Properties and the Common Area as defined in the Declaration, and provision of "exterior maintenance" on the townhome structures as described in the Declaration, all in a manner consistent with law and the provisions of these By-Laws, the Articles of Incorporation and the Declaration;
2. Collection of assessments and carrying charges from the members and for the assertion or enforcement of liens therefore in a manner consistent with law and the provisions of these By-Laws, the Articles of Incorporation, and the Declaration;
3. Designation, hiring and dismissal of the personnel necessary for the good working order of Shipwatch Villas Townhomes II, for the proper care of the common area, to provide "exterior maintenance" as described in the Declaration and to provide services for the Properties in a manner consistent with law and the provisions of these By-Laws, the Articles of Incorporation, and the Declaration.

Section 14. **Removal of Members of the Board.** At any regular or special meeting of members of the Association duly called, at which a quorum shall be present, any one or more of the Board members may be removed, with or without cause, by a majority vote of all persons present and entitled to vote at any meeting of the members. Successor(s) to such Board member(s) so removed shall then and there be elected to fill the vacancy or vacancies so created. Any Board member whose removal has been proposed by the members of the Association shall be given an opportunity to be heard at such meeting. Board members do not, for the purposes of this Section 14, have the protection of statutory cumulative voting provisions.

Section 15. **Fidelity Bonds.** The Board shall require that all officers and employees of the Association who shall handle or be responsible for Association funds shall furnish adequate fidelity bonds. The premiums for such bonds shall be paid by the Association.

Section 16. **Nominations.** Nomination for election to the Board of Directors shall be made by a Nominating Chairperson. Nominations may also be made from the floor at the annual meeting. The Nominating Chairperson shall be a member of the Board of Directors and shall be appointed by the Board of Directors at the annual Organizational Meeting of the Board, serving until the close of the next annual meeting. The appointment shall be announced to the members within thirty (30) days from the date of the annual Organizational Meeting of the Board. The Nominating Chairperson shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All nominations may be made from among members only. In no event shall a lot be represented on the Board by more than one lot owner.

Section 17. **Election.** Election to the Board of Directors shall be by secret written ballot. At such election, the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. In the event the number of nominations to the Board of Directors equals the

number of vacancies, a unanimous ballot shall be cast upon proper motion and without written ballot.

ARTICLE V

OFFICERS

Section 1. **Election and Designation of Officers.** The Board of Directors shall elect a President and a Vice President, each of whom shall be a member of the Board. The Board shall appoint a Secretary and a Treasurer who may or may not be members of the Board but who shall be members of the Association. The Association shall publish the names and addresses of all officers of the Association within thirty (30) days of their election or appointment.

Section 2. **Term of Officer: Vacancies.** The officers of the Association shall hold office until the next organizational meeting of the Board and until their successors are elected, except in cases of resignation, removal from office or death. The Board may remove any officer at any time with or without cause by a majority vote of the board members then in office. Any vacancy in any office may be filled by the Board.

Section 3. **President.** The President shall be the chief executive officer of the Association. He/she shall preside at all meetings of members of the Association and shall preside at all meetings of the Board. Subject to directions of the Board, the President shall have general executive supervision over the business and affairs of the Association. He/she may execute all authorized deeds, contracts and other obligations of the Association and shall have such other authority and shall perform such other duties as may be determined by the Board or otherwise be provided for in the Declaration, the Articles of Incorporation, and these By-Laws.

Section 4. **Vice President.** The Vice President shall perform the duties of the President whenever the President is unable to act and shall have such other authority and perform such other duties as may be determined by the Board.

Section 5. **Secretary.** The Secretary shall keep the minutes of the meeting of the members of the Association and of the Board. He/she shall keep such books as may be required by the Board, shall give notices of meetings to members of the Association and to the Board as required by law, the Declaration, the Articles of Incorporation or these By-Laws, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors or otherwise be provided for in the Declaration, the Articles of Incorporation or these By-Laws.

Section 6. **Treasurer.** The Treasurer shall receive and have in charge all money, bills, notes, and similar property belonging to the Association, and shall do with the same as may be directed by the Board of Directors. He/she shall keep accurate financial accounts and hold the same open for the inspection and examination of the Board of Directors and shall have such authority and shall perform such other duties as are determined by the Board of Directors.

Section 7. **Other Officers.** The Assistant Secretaries and Assistant Treasurers, if any, and any other officers whom the Board may appoint shall respectively have such authority and perform such duties as may be determined by the Board.

Section 8. **Delegation of Authority and Duties.** The Board is authorized to delegate the authority and duties of any officer to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein. The office of Treasurer may be held by any other officer of the Association, except that the President shall not also hold the office of Treasurer.

ARTICLE VI

FINANCES OF CORPORATION

Section 1. **Preparation of Budget.** Within thirty (30) days prior to the annual meeting of the membership, the Board shall provide to all the unit owners a summary of the budget. Notice of the annual membership meeting shall include notice to consider ratification of the budget. The budget is ratified unless at the annual membership meeting a majority of all the unit

owners in the Association, or any larger vote specified in the declaration, rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the unit owners shall be continued until such time as the unit owners ratify a subsequent budget proposed by the Board. On or before January 1st of the ensuing year and the first of each and every month of said year, each owner shall be obligated to pay the Association as it may direct one-twelfth (1/12) of the assessment made pursuant to this Section. On or before the date of each annual membership meeting, the Board shall supply to all owners an itemized accounting of all Association expenses for the preceding calendar year actually incurred and paid together with a tabulation of the amounts collected, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be added to reserves or credited ratably to the next monthly installments due from owners under the current year's estimate, until exhausted, at the sole direction of the Board of Directors. Any net shortage shall be added to the installments due in the succeeding six months after rendering the account.

Section 2. **Reserve for Contingencies and Replacements.** The Association shall build up and maintain a reasonable reserve for contingencies and replacements. Extraordinary expenditures not originally included in the annual estimated cash requirement shall be charged first against such reserve. If said estimated cash requirement proves inadequate for any reason, including nonpayment of any owner's assessment, the deficiency shall be assessed to the owners as provided in the Declaration. The Association shall serve notice of such further assessment on all owners by a statement in writing giving the amount and reasons therefore, and such further assessments shall be payable with the next regular monthly payment becoming due to the Association not less than ten (10) days after delivery or mailing of such notice of further assessment. All owners shall be obligated to pay the adjusted monthly amount.

Section 3. **Failure to Prepare Annual Budget.** The failure or delay of the Board of Directors to prepare or deliver to the owners the annual or adjusted estimated cash requirements shall not constitute a waiver or a release in any manner of such owner's obligation to pay the maintenance costs and necessary reserves as herein provided whenever the same shall be determined. In the absence of any annual or adjusted estimated cash requirements, the owner shall continue to pay the monthly maintenance charge at the existing monthly rate established for the previous period until the monthly maintenance payment which is due shall have been mailed or delivered to the owner.

Section 4. **Books and Records.** The Association shall keep financial records sufficiently detailed to enable the Association to comply with state law. All financial and other records, including records of meetings of the Association and Board, shall be made reasonably available for examination by any lot owner and the lot owner's authorized agents. The Association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. The Association shall make an annual income and expense statement and balance sheet available to all lot owners at no charge and within seventy-five (75) days after the close of the fiscal year to which the information relates. A more extensive compilation, review, or audit of the Association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the Board or by the affirmative vote of a majority of the lot owners present and voting in person or by proxy at any annual meeting or any special meeting duly called for that purpose. Books of accounting shall be open for inspection by an owner or his representative duly authorized in writing, and by any holder of a first mortgage or first deed of trust at such reasonable time(s) during normal business hours as may be requested by such owner or holder of security interest. The Association, upon written request, shall furnish to a lot owner or the lot owner's authorized agents a statement setting forth the amount of unpaid assessments and other charges against a lot. The statement shall be furnished within ten (10) business days after receipt of the request and is binding on the Association, Board, and every lot owner. No financial payments, including payments made in the form of goods and services, may be made to

any officer or member of the Board or to a business, business associate, or relative of an officer or member of the Board, except in payments for services or expenses paid on behalf of the Association which are approved in advance by the Board.

Section 5. **Status of Funds Collected from Association.** All funds collected hereunder shall be held and expended solely for the purposes designated herein and in the Declaration and Articles of Incorporation, and (except for such special assessments as may be levied against less than all of the owners and for such adjustments as may be required to reflect delinquent or prepaid assessment) shall be deemed to be held for the use, benefit and account of all the owners in accordance with the provisions of the Declaration.

Section 6. **Annual Audit.** The books of the Association shall be audited once a year by the Board and such audit shall be completed prior to each annual meeting. In addition, an audit by a certified public accountant shall be made at least once during each fiscal year.

ARTICLE VII

INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

Each director and officer of the Association, and each former director and former officer of the Association, shall be indemnified by the Association against the costs and expenses reasonably incurred by him/her in connection with the defense of any pending or threatened action, suit or proceeding, criminal or civil, to which he/she is or may be made a party by reason of his/her being or having been such director or officer of the Association (whether or not he/she is a director or officer at the time of incurring such costs and expenses), except with respect to matters as to which he/she shall be adjudged in such action, suit or proceeding to be liable as such director or officer. In case of the settlement of any action, suit, or proceeding to which any director or officer of the Association, or any former director or officer of the Association, is made a party or which may be threatened to be brought against him/her by reason of his/her being or having been a director or officer of the Association, he/she shall be indemnified by the Association against the costs and expenses (including the cost of settlement) reasonably incurred by him/her in connection with such action, suit, or proceeding (whether or not he/she is a director or officer at the time of incurring such costs and expenses, if (a) the Association is advised by independent counsel, that in such counsel's opinion, such director or officer did not misconduct himself/herself or was not negligent in the performance of his/her duty as such director or officer with respect to the matters covered by such action, suit, or proceeding, and the cost to the Association of indemnifying such director or officer (and all other directors and officers, if any, entitled to indemnification hereunder in such case) if such action, suit or proceedings were carried to a final adjudication in their favor could reasonably be expected to exceed the amount of costs and expenses to be reimbursed to such directors and officers as a result of such settlement, or (b) disinterested Association members entitled to exercise a majority of the voting power shall, by vote at any annual or special meeting of the Association, approve such settlement and the reimbursement to such director or officer of such costs and expenses. The phrase "disinterested members" shall mean all members of the Association other than: (1) any director or officer of the Association who at the time is or may be entitled to indemnification pursuant to the foregoing provisions; (2) any Association or organization of which any such director or officer owns of record or beneficially ten percent (10%) or more of any class of voting securities; (3) any firm of which such director or officer is a partner; and (4) any spouse, child, parent, brother, or sister of any such director or officer. The foregoing rights of indemnification shall inure to the benefit of the heirs and legal representatives of each such director or officer, and shall not be exclusive of other rights to which any director or officer may be entitled as a matter of law or under the Declaration, any vote of the Association members, or any agreement. The Board shall purchase and maintain Director's and Officers' Liability Insurance as it shall deem appropriate, and premiums for such insurance policies shall be deemed for all purposes proper expenses of the Association.

ARTICLE VIII
AMENDMENT

These By-Laws may be amended, at a regular or special meeting of the members with a quorum being present, by a vote of two-thirds (2/3) of the members present in person or by proxy, and provided further that no such amendment shall conflict with the Articles of Incorporation or the Declaration.

ARTICLE IX
CONFLICT

In the event of any conflict between these By-Laws and the Articles of Incorporation or the Declaration, the Articles of Incorporation or Declaration, as the case may be, shall control.

ARTICLE X
CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "SHIPWATCH VILLAS TOWNHOME OWNERS ASSOCIATION II, INC.", "Seal", "1985", "North Carolina".

ARTICLE XI
FISCAL YEAR

The fiscal year of the Association shall begin on January 1 and end on December 31 of every calendar year. The directors have the authority to change the fiscal year from time to time.

ARTICLE XII
DEFINITIONS

The terms used in these By-Laws and any amendment hereto (except as otherwise expressly stated or unless the context otherwise requires) shall have the meanings set forth in the Declaration.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be signed in the Association's name by its duly authorized officers and its seal affixed by authority of the Board of Directors, this 19 day of October, 2013.

SHIPWATCH VILLAS TOWNHOME OWNERS

ASSOCIATION II, INC.

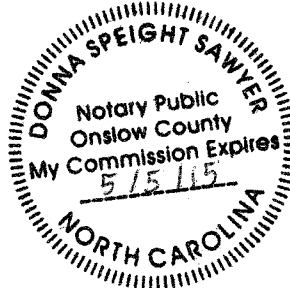
By: [Signature], President

ATTEST:

Carol Ann Robb, Secretary
STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

I, Donna Speight Sawyer a Notary Public in foresaid County and State, do hereby certify that Douglas Rickert personally appeared before me this date and acknowledged that he/she is the President of Shipwatch Villas Townhome Owners Association II, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation the foregoing instrument was signed by its President Douglas Rickert, sealed with its corporate seal, and attested by its Secretary Carol Robb.
Witness my hand and official seal this 21 day of October, 2013.

Donna Speight Sawyer Notary Public
My Commission expires: May 15, 2015



AUGUST 17, 1998

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

RESTATED AND AMENDMENT TO THE
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SHIPWATCH VILLAS TOWNHOME OWNERS' ASSOCIATION II

THIS DECLARATION, made this the 17th day of August 1998 by
SHIPWATCH VILLAS TOWNHOME OWNERS' ASSOCIATION II, a
Homeowners Association organized under the laws of the State of
North Carolina, hereinafter referred to as "DECLARANT", and

being the owners of the lots shown and delineated on that Plat entitled
"Shipwatch Villas Townhome Owners Association II, hereinafter
referred to as "Owners", and all current and prospective owners of lots
in Shipwatch Villas Townhome Owners' Association II;

WITNESSETH

WHEREAS, Declarant and Owners are the owners of certain property
located at North Topsail Beach, County of Onslow, the State of North
Carolina, which is more particularly described as follows:

Being all of that parcel or tract of land shown on a plat
recorded in Map Book 23, Page 165, Onslow County
Registry.

WHEREAS, the property is currently subject to certain restrictive
and protective covenants recorded in Book 772, at Page
592, in the Onslow County Registry; and

WHEREAS, Declarant and owners have agreed to amend said
covenants and execute this Declaration for the purpose of restating
and amending said covenants in their entirety;

NOW THEREFORE, Declarant and Owners hereby declare that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title of interest in the described property or any part thereof, their heirs, successors and assigns. and shall inure to the benefit of each owner thereof. Further, these covenants shall replace in its entirety the restrictions, assessments and covenants recorded in Book 772, page 592, Onslow County Registry.

ARTICLE I

DEFINITIONS

SECTION 1. "Association" shall mean and refer to Shipwatch Villas Townhome Owners Association II, its successors and assigns.

SECTION 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract seller, but excluding those having such interest merely as security for performance of an obligation.

SECTION 3. "Properties shall mean and refer to that certain real Property herein before described, and such additions thereto as hereafter may be brought within the jurisdiction of the Association.

SECTION 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the owners. The Common Area to be owned by the Association at the time of the conveyance of the first lot is described as follows:

ALL THAT AREA SHOWN ON SAID PLAT OTHER THAN THOSE AREAS SHOWN AS NUMBERED UNITS OR AREAS RESERVED BY DEVELOPER.

COMMON AREA SHALL ALSO INCLUDE THOSE CERTAIN AMENITIES SHOWN ON THE PLAT ENTITLED _____, CURRENTLY BEING USED WITH THE CONSENT OF THE OWNERS OF SAID DEVELOPMENT. SHOULD SUCH CONSENT BE WITHDRAWN, THEN SUCH AMENITIES SHALL THEREAFTER BE EXCLUDED FROM THIS DEFINITION.

SECTION 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

SECTION 6. "Declarant" shall mean and refer to Shipwatch Townhomes II, its successors and assigns.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. Owner's Easement of Enjoyment. Every owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area, including costs or other charges charged by _____ for the use of amenities;
- (b) the right of the Association to limit the number of guests of owners and tenants.
- (c) the right of the Association to suspend the voting rights and right to use the recreational facilities by an Owner for any period during which any assessment against his/her Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;
- (d) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of members agreeing to such dedication or transfer has been recorded.
- (e) the right of Individual Owners, their guests and tenants to the exclusive use of parking spaces provided in this article.
- (f) The right of the Association to impose regulations for the use and enjoyment of the Common Area and improvements thereon, which regulations may further restrict the use of the Common Area.

SECTION 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common

Area and facilities to the members of his family, his tenants or contract purchasers who reside on the property.

SECTION 3. Parking Rights. Ownership of each Lot shall entitle the Owner or Owners thereof to the use of land under their unit as parking spaces. The Association may, but is not obligated to provide additional parking spaces.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Every Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

SECTION 2. The Association shall have one class of voting membership.

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessment.

The declarant, for each Lot owned with the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

- (a) annual assessments or charges, and
- (b) special assessments for capital improvements or uninsured losses, such assessments to be established and collected as hereinafter provided.

Payments are due the first day of each month and are considered late if not received by the last day of the month. A late fee of twenty-five dollars (\$25.00) will be assessed for any payment not received in the office by the last day of the month. If the payment plus the late fee has not been received within sixty (60) days, the delinquent account(s) will be forwarded to the Association attorney for collection and a five (5) day letter demanding payment will be sent to the owner. If the owner fails to respond to the five day letter, a lien may be filed against the property. After ninety (90) days from the due date, water will be

shut off to the unit and foreclosure proceedings may begin. The personal obligation for delinquent assessments shall not pass to an owner's successors in title unless expressly assumed by them.

SECTION 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and general welfare of the property and its Owners; to provide for insurance protection, payment of uninsured losses, ad valorem taxes, and the maintenance of the Common Area, including the exterior of the homes, in accordance with ARTICLE VI, situated upon the Properties.

SECTION 3. Maximum Annual Assessments. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$800.00 per lot.

- (a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased not more than 10% above the previous annual assessment by a vote of two-thirds (2/3) of the members who are voting in person or by proxy, at a meeting duly called for this purpose. The Board of Directors may fix the annual assessment to an amount not in excess of the maximum.

SECTION 4. Special Assessments for Capital Improvements or Uninsured Losses. In addition, to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, re-construction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto or for recurring repairs specified in ARTICLE 6. Exterior Maintenance, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members who are voting in person or by proxy at a meeting duly called for this purpose. However, all sums due for uninsured losses to the property shall be paid by the Association through a special assessment, if needed, without the assent or vote of members.

SECTION 5. Notice and Quorum for Any Action Authorized Under Section 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 and 4 shall be sent to all members not less than ten (10) days nor more than Sixty (60) days in advance of the meeting.

SECTION 6. Rate of Assessment. Annual and special assessments shall be fixed at a uniform rate for all properties.

SECTION 7. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the property. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors who shall have the authority to require the assessments to be paid in pro-rata monthly, quarterly, or semi-annual installments. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid.

SECTION 8. Effect of Nonpayment of Assessments. Remedies of the Association. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of his Lot.

ARTICLE V

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected, or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, heights, material, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural control committee composed of three or more representatives appointed by the Board. In the event said Board or its designated Committee fails to approve or disapprove such design and location within forty-five (45) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VI

EXTERIOR MAINTENANCE

In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: painting of buildings and trim as required on a recurring basis, replacement roof shingles as required on a recurring basis, one time repair of damage to properties determined to be a result of either engineering or structural deficiencies associated with the initial construction, trees, shrubs, grass, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces, windows, window frames, door, door frames or door fixtures.

In the event that the need for maintenance or repair of a Lot or the improvements thereon is caused through the willful or negligent act of the Owner, his family, guest or invitees, or is caused by fire, lightning, windstorm, hail, flood, explosion, riot, riot attending a strike, civil commotion, air crafts, vehicles and smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage Insurance Policies, the cost of such maintenance or repairs, not covered by any Insurance policy which may be protecting improvements on the property, shall be added to and become a part of the assessment to which such Lot is subject and shall become a lien on said Lot(s).

ARTICLE VII

PARTY WALL COVENANT

SECTION 1. Party Wall. The lots shall have a dividing wall which shall be a party wall for said real estate.

SECTION 2. Detraction from Party Wall. No person shall have the right to add to or detract from the party wall in any manner whatsoever, it being the Intention that the party wall shall at all times remain in the same position as when erected.

SECTION 3. Repair of the Party Wall. If it shall be necessary to repair the party wall, the expense of rebuilding the same shall be the then owners of the land in equal proportions affected by said party wall and whenever the party wall or any portion thereof shall be rebuilt, it shall be erected on the same place or line that now stands and shall be the same size as when originally erected.

SECTION 4. Fire or other Casualty to the Party Wall. Each owner of the property shall agree that in the event of fire or other casualty to the Party Wall that they will within a period of ninety (90) days of such fire or other casualty or damage to said premises restore the same to its former condition. Failure to do so shall give the right to the other owner to cause said Party Wall to be restored and the owner failing to restore shall be responsible to the restoring party for all expenses incurred for said restoration of that portion of the structure located on his/her property.

SECTION 5. Insulation of the Party Wall. All Owners of the above described property and any subsequent Owners shall be obligated to keep the Party Wall insulated at all times.

SECTION 6. Easement for Water and Sewer Facilities. Each Owner or his heirs or assigns is granted a perpetual easement over the other owners' property for the purpose of servicing, repairing and maintenance of the water and sewer facilities.

SECTION 7. Alternative Heat Sources. Alternative heat sources, e.g., wood, coal, steam or kerosene will not be used without the prior consent of all owners.

ARTICLE VIII

USE RESTRICTIONS

SECTION 1. Land Use and Building Type. No Lot shall be used except for residential purposes. However, as long as Declarant shall own any interest in the property, nothing herein shall prevent Declarant from using a unit on the properties as a sales office or property management office. No building shall be erected, altered, placed or permitted to remain on any Lot other than one single family townhouse dwelling not to exceed three (3) stories in height. Any building erected, altered, placed or permitted to remain on any Lot shall be subject to the provisions of the Article V of the Declaration of Covenants, Conditions and Restrictions related to architectural control.

SECTION 2. Nuisances. No noxious or offensive activities shall be carried on upon the property, nor shall anything be done thereon which may be or may become any annoyance or nuisance to the neighborhood.

SECTION 3. Temporary Structures. No structure of a temporary character, including trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time.

SECTION 4. Recreational Vehicles. No boat, motor boat, camper, trailer, motor or mobile home or similar type vehicle shall be permitted to remain on any portion of the Properties, unless by consent of the Association in which event such vehicles shall be placed in the area or areas designated by the Association.

SECTION 5. Animals. No animals, livestock, or poultry of any kind shall be kept or maintained on any Lot, in any dwelling, or on the common areas, except common household pets of owners may be allowed with such restrictions as the Board may deem from time to time to be proper.

SECTION 6. Outside Antennas. No outside radio or television antennas shall be erected on any lot or dwelling unit within the Properties unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee. Satellite dishes no larger than 18 inches (18") may be installed at the town homes. The colors must be of earth tones, gray or black. All satellite dishes must be located towards the ocean and installed on the upper deck fascia board (2nd level deck for two level townhouses or 3rd level deck for three level townhouses). Diagrams for installation are available at the Association office.

SECTION 7. Window Coverings. All drapes, curtains, or other similar materials hung at windows, or in any manner so as to be visible from the outside of any building erected upon any lot shall be of a white or neutral background or material.

SECTION 8. Exterior Lights. All light bulbs or other lights installed in any fixture located on the exterior of any building or any Lot shall be clear, white, or non-frost lights or bulbs.

ARTICLE IX

EASEMENTS

SECTION 1. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements, no structures, planting or other material shall be placed or permitted to remain which may interfere with the

installation and maintenance of drainage or which may obstruct or retard the flow of water.

SECTION 2. The Association, acting through its officers, agents, servants and/or employees shall have the right of unobstructed access at all times to all property as may be reasonably necessary to perform the exterior maintenance called for in Article VI of this Declaration.

SECTION 3. Easements are also reserved over those portions of the Common Area that may be necessary or required to accommodate overhanging eaves or other cantilevered construction which may encroach upon the Common Area of the air and light space above such Common Area.

ARTICLE X

GENERAL PROVISIONS

SECTION 1. Enforcement. The Association or any Owner shall have the right to enforce, by and proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

SECTION 2. Obligation to Rebuild. In the event of total destruction of any improvements located upon the property, the owners shall be obligated to rebuild the same pursuant to the same plans and specifications as improvements were originally constructed unless One Hundred Percent (100%) of the members of the Association vote otherwise. All owners shall maintain insurance coverage in an amount that will allow the improvements to be rebuilt pursuant to the plans and specifications of the improvements originally placed on the properties as provided in Article XI.

SECTION 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

SECTION 4. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association or the Owner of any Lot subject to this Declaration, their respective legal representatives,

heirs, successors and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. The covenants and restrictions of this Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety (90%) percent of the Lot Owners, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments, as herein provided, or affect any lien for the payment thereof established herein. Any amendment must be properly recorded.

ARTICLE XI

INSURANCE

SECTION 1. Hazard Insurance (Owner). EACH OWNER shall obtain and maintain, on an annual basis, a Hazard Insurance Policy (wind, hail, fire) in the name of each owner in the amount of at least 100% of the replacement costs of a townhome as determined by the Association, and such coverage for personal property and contents as the owner may desire. The Association shall notify each owner of the amount of replacement cost, which amount shall be determined by a licensed contractor or a representative from an insurance company. The Association shall have no liability if the amount of insurance coverage selected is insufficient to cover the replacement costs if the Association relied on a contractor or insurance agent as provided herein. The cost of this policy shall be the responsibility of the OWNER and not the Association.

SECTION 2. Flood Insurance (Owner). EACH OWNER shall obtain and maintain, on an annual basis, a Flood Insurance Policy in the amount of the replacement cost of the townhome as determined by the Association, and such contents coverage as the Owner may desire.

SECTION 3. Hazard, Flood and Liability Insurance (Association). The Association shall obtain and maintain on an annual basis the necessary insurance that will cover all the common areas, except for those that are normally excluded from coverage, such as land, excavation, etc., with the premium of said insurance being paid as a common expense.

SECTION 4. Proof of Replacement Cost Coverage. Each owner, not later than 45 days after annual renewal, shall provide to the

Association written proof of insurance coverage to meet the replacement cost requirement.

SECTION 5. Failure to provide proof of insurance as contained in Article XI. Section 4., above, will cause the Association to procure the specified insurance coverage on behalf of the owner. The bill for insurance coverage will be forwarded to the Association attorney for collection and a letter demanding payment will be sent to the owner. If the owner fails to make payment within thirty (30) days of said notice, a lien may be placed against the property. If the owner has not made payment within forty five (45) days of said notice, water will be shut off to the unit and foreclosure proceedings may begin.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this Instrument to be signed in its Association name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this the ____ day of August 1998.

SHIPWATCH VILLAS TOWNHOMES OWNERS
ASSOCIATION II, INC. (SEAL)

By: Rudolph L. Laine

ATTEST:

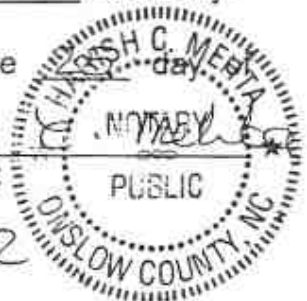
Joseph A. Beetar

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

I, Harish C. Mehta, a Notary Public in and for said County and State do hereby certify that Joseph A. Beetar personally appeared before me this date and acknowledged that JOSEPH A. BEETAR is the _____ secretary of SHIPWATCH VILLAS TOWNHOMES OWNERS ASSOCIATION II, INC, a North Carolina corporation, and that by authority duly given and as the act of the corporation the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal, and attested by _____ self as its _____ Secretary.

Witness my hand and official stamp or seal this the August 1998.

Harish C. Mehta
NOTARY PUBLIC



My commission expires: March 9 2002

3.35 Acres

SHIP WATCH VILLAS
Phase III

SHIP WATCH VILLAS
Phase II

POOL AREA

(RESERVED BY DEVELOPER)

* 18" C.A.M.A. SET BACK LINE *

TENNIS COURTS

(RESERVED BY DEVELOPER)

¢ N.C.S.R. 1568 (Paved)

PORTION OF
PHASE III

3 63° 18' 0" W - 173.27°, 3
184.908', 3 64° 30' 0" W - 609
3 66° 45' 0" W - 202.55' WITH
1368 TO A RAILROAD SPIN
OF EXISTING N.C.S.E. 1368
NORTHERN MOST PROPERTY
DEED NOON 400, PAGE 76