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STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CYPRESS ISLAND, PHASE I A PLANNED UNIT DEVELOPMENT

THIS DECLARATION, made this 30th day of September, 1997, by CYPRESS GREEN, INC., a North Carolina corporation, hereinafter referred to as the "Developer":

00114

WITNESSETH:

WHEREAS, the Developer is developing certain real estate located in New Hanover County, North Carolina, which is more particularly described as follows:

See Exhibit "A" attached hereto and incorporated.

WHEREAS, the Developer desires to impose the following uniform covenants, conditions and restrictions upon said real estate and the future phases, if any, brought within the development of Cypress Island;

NOW THEREFORE, Declarant hereby declares that all of the properties 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 the real estate and which shall run with the real estate and be binding on all parties having or acquiring any right, title or interest in the real estate or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

'97 OCT 10 PM 2 20

RECORDED & VERIFIED
MARY SUE OOTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

ARTICLE I

DEFINITIONS

Section 1. "ASSOCIATION" shall mean and refer to the CYPRESS ISLAND HOA, INC., a non-profit North Carolina corporation, its successors and assigns.

Section 2. "Common Area" shall mean and refer to all real property owned or acquired by the Association for the common use and enjoyment of the Owners, together with any common area designated on each map recorded for Cypress Island. Common area may be conveyed to the Association as additional phases are added to Cypress Island or otherwise. Common area shall not include any property acquired by the Association as a result of foreclosure or

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RETURN TO NED M. BARNES

deed in lieu of foreclosure of an Owner's property for nonpayment of assessments, taxes or any security interest against the property or acquired in any other way, unless the Association elects to retain such property and use it as common area. The upkeep and maintenance of the private roads located within Cypress Island, to include all phases, shall be the responsibility of the homeowners association.

Section 3. "Declarant" or "Developer" shall mean and refer to CYPRESS GREEN, INC., a North Carolina corporation, its successors and assigns.

Section 4. "Development" shall mean and refer to the whole of the planned residential development to be known as Cypress Island which shall consist of all the real property, which has been subdivided into lots shown on maps of Cypress Island referred to hereinabove, the common elements, plus the improvements to the common elements, as described hereinabove; plus any additional phases which may be made a part of this development at a later time with the express stipulation that any additional phase be contiguous to the herein described planned development, and said additional phase be for residential (i.e. single family, townhouse, condominium, residential lot) purposes only and developed in a manner not inconsistent in value to the herein described development.

Section 5. "Lot" and/or "Unit" shall mean and refer to any of the numbered units or lots, whether a lot, townhouse or condominium on each map of property within Cypress Island as is recorded in the New Hanover County Registry, with the exception of the common areas.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot, Townhouse or Condominium which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Properties" shall mean and refer to that certain real property hereinabove described, and such phases or additions thereto as may hereafter be brought within the jurisdiction of the

Association by Declarant. It is contemplated by Declarant that Cypress Island may have more than one phase, in which event separate maps may be recorded to reflect the various stages of development of this project both in the initial phase and any subsequent phases.

ARTICLE II

PROPERTY RIGHTS

Section 1. OWNERS' EASEMENTS OR 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;

B. The right of the Association to limit the number of guests of members;

C. The right of the Association to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot, Townhouse or Condominium remains unpaid; and for a period not to exceed sixty (60) days for an infraction of its published rules and regulations;

D. The right of the Association to dedicate or transfer all or 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. Except for the grant or conveyance of a standard utility easement in order to obtain utility service to the common area, no such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded, provided, however, that the Association has the authority to dedicate the streets to the public. With respect to a standard utility easement permitting utility service to the common area, the Board of Directors may authorize the officers to execute such a grant or conveyance of the standard utility easements to the utility company without a vote of the membership of the association;

E. 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 but subject to the provisions of this document, 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.

ARTICLE III

HOMEOWNERS ASSOCIATION, MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment shall be a member of the Cypress Island Homeowners Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot, Townhouse or Condominium which is subject to assessment. Each owner has the duty to comply with and obey these Articles, the Bylaws of the Association and the Rules and Regulations of the Association.

Section 2. Management of the affairs of the Association shall be the right and responsibility of its Board of Directors i accordance with the Declaration and By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the undeveloped property in adjoining sections owned by Declarant have been sold and conveyed by the Declarant to purchasers or until June 30, 2004, whichever occurs first. Management and control may be transferred to the lot owners at any time, by the Declarant, at Declarant's discretion, but in all events, no later than 120 days after the happening of the earlier of the above events.

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENT: 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 the Association:

A. Annual assessments or charges; and

B. Special assessments for capital improvements, exterior maintenance and insurance in connection with common area property, such assessments to be established and collected as hereinafter provided; and a pro rata share of ad valorem taxes levied against the common area.

The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the

personal obligation of the persons who were the Owner of such property at the time when the installment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them; provided, however, such assessment shall always be a lien upon the land until paid, and no sale shall extinguish such assessment, except a foreclosure sale mentioned below in Section 11 of this Article IV.

It is expressly provided, however, that in consideration of the Declarant's prior construction of the amenities and improvements on the real estate which is to constitute the common area in this planned unit development, that the Declarant/Developer shall be exempt from and shall not have to pay assessments on any lots owned by it within this development or any subsequent phases.

Section 2. PURPOSE OF ASSESSMENTS: The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the properties, for the improvements and maintenance of the common area, and to obtain and pay for insurance where authorized or required by this document, the corporate charter, the Bylaws, Action of the Board of Directors or members of the association.

Section 3. 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 and the Board of Directors shall have the authority to require the assessments to be paid in annual installments or to divide the annual assessment and have it paid in periodic installments throughout the year. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid and for what period.

Section 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS: 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 part, the cost of any construction or reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the vote of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. SPECIAL ASSESSMENTS FOR INSURANCE: As an additional annual assessment, the Association shall levy against the owners equally an amount sufficient to pay the annual cost of all public liability and common area insurance premiums for the Association and its members, officers, Directors and employees. The Board of Directors (or its designee) shall, on behalf of the Association, as its common expense and at all times, keep the common property insured against loss or damage by fire or other hazards normally insured against at 100% of replacement costs and other risks including public liability insurance, in such terms and in such amounts as may be reasonably necessary from time to time to protect the common property on behalf of the Association. As a part of the annual assessments the Association shall also obtain and pay for such insurance policies and bonds that the Directors of the Association deem necessary or advisable including, but not limited to, officers' and Directors' liability coverage, fidelity bonds, casualty or hazard insurance or any other insurance for the Directors and officers of the Association or otherwise.

Section 6. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER ARTICLE IV FOR MEMBERSHIP: Written notice of any meeting called for the purpose of taking an action authorized under Article IV for the membership shall be sent to all members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at

the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. UNIFORM RATE OF ASSESSMENT: Both annual and special assessments must be fixed at a uniform rate for all Lots, Townhouses and Condominiums and may be collected on a monthly, annual or other basis as the Homeowners Association determines, save special assessments levied against any lot for casualty insurance as above required. Owners of townhomes and condominiums shall pay a separate, but uniform rate in addition to master homeowners association dues.

Section 8. EFFECT OF NON-PAYMENT OF ASSESSMENTS-REMEDIES OF THE ASSOCIATION: Any assessment not paid within thirty (30) days after the due date shall bear interest at the rate of fourteen percent (14%) per annum. 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 assessments provided for herein by non-use of the common area or abandonment of his lot.

Section 9. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION: Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area, which default shall continue for a period of three (3) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing government authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots, Townhouses and Condominiums in the development. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot, Townhouse or Condominium of the then Owner, his heirs, devisees, personal representatives and assigns, and the

taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

Section 10. SUBORDINATION OF THE LIEN TO MORTGAGES: The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage upon the property. Sale or transfer of any Lot, Townhouse or Condominium shall not effect the assessment lien. However, the sale or transfer of any Lot pursuant to the foreclosure of a deed of trust or mortgage, a deed in lieu of foreclosure, or any other proceeding in lieu of foreclosure, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot, Townhouse or Condominium from liability or any assessments thereafter becoming due or from the lien thereof.

ARTICLE V

USE RESTRICTIONS

Section 1. All lots within the development shall be used for single family residential purposes only, except for those lots owned by the Homeowners Association and used for the amenities package or otherwise held as common area. It is contemplated by the Developer/Declarant that it will develop future phases and nothing in these restrictions shall act to preclude Developer/Declarant from doing so with the express stipulation that any additional phase be contiguous to the herein described planned development, and said additional phase be for residential (i.e. single family, townhouse, condominium, residential lot) purposes only and developed in a manner not inconsistent in value to the herein described development.

Section 2. No building, fence, wall or other structure shall be commenced or erected or maintained upon any Lot nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, color, materials and location of the same, including any requirements for landscaping, sod or seed, shall have been submitted to and approved in writing as to the 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 review committee composed of three (3) 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 thirty (30) 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. All residences shall have landscaping (approved by the architectural review committee) in place within thirty (30) days of the issuance of a certificate of occupancy. Declarant, or its designee, is to be the Architectural Control Committee until all Lots in all phases are sold.

Without limiting the authority of the architectural review committee as set forth above, the following specific restrictions shall apply to each lot notwithstanding the failure of the board of Directors or the architectural review committee to act within thirty (30) days after plans or specifications have been submitted to it:

A. No single family residence smaller than 1,200 heated square feet, when measured by exterior surface, which square footage shall be exclusive of porches, steps, walks, garages, carports, storage areas, etc., shall be constructed or located in said subdivision. No structure shall be erected, altered, placed or permitted to remain in said subdivision exceeding two and one-half (2 1/2) stories in height above ground level, and one or more small accessory buildings (which may include a detached private garage but not garage apartments), provided, that such buildings are not used for any activity normally conducted as a business, and provided further that any such buildings shall be constructed of similar materials and design as the main structure upon such lot. No accessory buildings shall be constructed prior to the construction of the main building on any lot. All homes must be built on a crawl space, or on pilings. There shall be no residence built on a slab.

B. No concrete block, concrete brick, asbestos siding, stucco or cinder block shall be used for the exterior of any residence constructed on any lot nor shall composition tar paper exterior be permitted, it being intended that only conventional frame, wood siding or brick exteriors may be constructed on the lots subject to these covenants. All

residences must have a minimum double wide concrete driveway.

C. The allowable built-upon area per unit shall be limited to 3,200 square feet inclusive of right-of-way structures, pavement, walkways, or patios of brick, stone, or slate, not including wood decking.

Section 3. No house trailer, mobile home, tent, motorhome, shack or temporary structure of any nature shall be used at any time as a residence.

Section 4. No advertising signs or billboards shall be erected on any lot or displayed to the public on any lot, subject to these restrictions, except that one sign of not more than five (5) square feet in area may be used to advertise a complete dwelling for sale or a dwelling under construction. No "For Sale" signs are allowed on any vacant property. This covenant shall not apply to signs erected by the Declarant/Developer.

Section 5. No fence, wall, or hedge in excess of six (6) feet in height shall be erected or permitted on any lot. No fence, wall or hedge, or any portion of a fence erected shall be closer to the front line of any lot than the rear corner of any dwelling erected upon said lot. All fences shall be wood and shall be stained in a color to match the house. No brick, stucco, chain link or wire fence shall be allowed.

Section 6. No animals, livestock, pigs or poultry of any kind shall be kept or maintained on any lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that they are not allowed to run free and are at all times properly leashed.

Section 7. No fuel tanks or similar storage receptacles may be exposed to view. Any such receptacles may be installed only within the main dwelling house, within any accessory building, within a screened area, or buried underground. Satellite dishes and other large antennae are prohibited. However, a lot owner may install a satellite dish suitable for what is commonly known as "Direct T.V.". Said dish shall be no larger than 20" in diameter

and its location must be approved in writing by Declarant or Board of Directors.

Section 8. It shall be the responsibility of each lot owner to prevent the development of any unclean, unsightly, or unkept conditions of buildings or grounds on such lot which would tend to substantially decrease the beauty of the neighborhood as a whole or the specific area.

Section 9. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to the neighborhood. There shall not be maintained any plants or animals, or device or thing of any sort whose normal activities or existence are in any way noxious, dangerous, unsightly, unpleasant or of a nature as may diminish or destroy the enjoyment of other property in the neighborhood by the owners thereof. No yard sales or garage sales shall be allowed on any lot in said Subdivision. In addition, no boat, motor boat, dune buggies, campers, motor homes, trailers, recreational vehicles, automobiles on cinder blocks, tractor-trailer trucks or cabs or similar type vehicles to any of the foregoing items shall be permitted to remain on any lot at any time, unless by consent of the Homeowners Association.

Section 10. No lot may be subdivided, or its boundary lines changed except with the prior written consent of the developer. However, the developer hereby expressly reserves to itself, its successors and assigns, the right to replat any two (2) or more lots in order to create a modified building lot or lots, and to take such steps as are reasonably necessary to make such replatted lot suitable and fit as a building site, said steps to include but not be limited to, the relocation of easements, walkways, and right of ways to conform to the new boundaries of the replatted lots.

Section 11. Each lot owner shall provide receptacles for garbage and all cans, carts and bags must be kept in a screened area, accessory building or other storage facility, and not visible from the street, except on garbage pick-up days.

Section 12. (a) Construction activity on a lot shall be confined within the boundaries of said lot. Each lot owner shall have the obligation to collect and dispose of all rubbish and trash resulting from the construction on his lot. Upon a lot owner's failure to collect and dispose of such trash within thirty (30) days after receipt of a written notice from the Homeowners Association, the Homeowners Association may collect and dispose of such rubbish and trash at the lot owner's expense. Any expense incurred by the Homeowner's Association pursuant to this paragraph shall constitute an assessment of the Homeowner's Association against said lot owners and the lot involved in the clean up, and said assessment shall be enforceable pursuant to the provisions of Article IV hereinabove, expressly including the right of the Homeowners Association to create a lien upon the lot to enforce collection of said assessment.

(b) The exterior of any structure under construction on any lot must be completed with six (6) months after the beginning of construction, acts of God notwithstanding.

(c) In addition, no large trees or natural foliage may be removed from a lot without the prior written approval of the developer.

Section 13. Water and sewer to all lots will be provided by private utility service. Shallow wells for the purpose of watering lawns and not for human use, may be permitted in accordance with applicable regulations. Any such well and pump house must be located no closer to the front lot line than the front of the residence constructed on said lot. Such well, pump, irrigation system shall be maintained by the lot owner in sound working order at all times.

Section 14. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown and designated on the plat of the said property. The developer shall have no responsibility for maintaining drainage easements in connection with any lots sold. All maintenance within said easements shall be the responsibility of the purchaser of a lot,

his heirs, successors and assigns. No structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements. The easements area of each lot and all improvements in it shall be maintained continuously by the owner of the lot, except for those improvements for which a public authority or utility company is responsible.

Section 15. No residential unit may be leased except in accordance with rules and regulations promulgated by the Association. Any lease or rental (written or oral) on any residence or townhouse for a rental or lease period less than twelve (12) consecutive months is prohibited.

Section 16. Invalidation of any one of these covenants by judgments or court order shall in no way effect any of the other covenants herein, which shall remain in full force and effect.

Section 17. If the parties thereto, or any of them or their heirs and assigns, shall violate or attempt to violate any of the covenants herein, it shall be lawful for any person or person, owning any real property situated in said Telfair Summit to prosecute any proceedings at law or in equity against the person or persons violating or attempting to violate any such covenants, and either to prevent him or them from so doing or to recover damages or other dues for such violations.

Section 18. All covenants, restrictions and affirmative obligations set forth in these Restrictions shall be binding on all parties and persons claiming under them to specifically include, but not be limited to, the successors and assigns, if any, of the developer, for a period of twenty-five (25) years from the date hereof after which time all said covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by the owners of a majority of the lots (not including mortgagees or trustees under deeds of trust) substantially affected by such changes in covenants, has been recorded, agreeing to change said covenants in whole or in part.

ARTICLE VI

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. It is contemplated by the Declarant, for itself and its successors and assigns, that additional contiguous land may be annexed as additional part of this development without the assent of the members, provided, however, the development of the additional lands described in this Section shall be in accordance with the same general scheme and subject to the same covenants, conditions and restrictions set forth hereunder, except as those that may be hereafter amended. Notwithstanding anything herein to the contrary, this Article VI shall not be subject to amendment by the Homeowners Association or lot owners, unless the Declarant as developer consents thereto, in writing.

ARTICLE VII

AMENDMENTS

At any time prior to December 31, 2004, these Restrictions may be amended by the developer at its discretion, but not to impair the property value of the lot owners. Thereafter, these restrictions may be amended by vote of the owners of two-thirds (2/3) of the members of the Homeowners Association, provided, however, no amendment shall be made to the last paragraph of Article IV Section 1 without unanimous consent of the Homeowners Association and the Declarant/Developer and provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be duly executed and sealed this 30th day of September, 1997.

CYPRESS GREEN, INC.

By: _____ (SEAL)
President

ATTEST:

By: _____
Secretary

STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

I, a Notary Public of the County and State aforesaid, certify that DICK J. THOMPSON personally came before me this day and acknowledged that he is Secretary of CYPRESS GREEN, INC., a North Carolina Corporation, and that by authority duly given and as the act of the Corporation, the foregoing instrument was signed it its corporate name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and notarial seal or stamp this 30th day of September, 1997.

V. A. Beury-Helms

NOTARY PUBLIC

My commission expires: 8/5/99

V. A. BEURY-HELMS NOTARY PUBLIC NEW HANOVER COUNTY, N. C.

STATE OF NORTH CAROLINA
New Hanover County
The Foregoing/ Annexed Certificate(s) of
V. A. Beury-Helms

Notary (Notaries) Public is/ are certified to be correct.

This the 10 day of Oct 1997
Mary Sue Oots, Register of Deeds
by Dawn Ann Stover
Deputy/~~Assistant~~

EXHIBIT A

BEING ALL of CYPRESS ISLAND, as shown on the map thereof recorded in Plat Book 37, at Page 186, of the New Hanover County Registry, reference to which is hereby made for a more particular description.

EXHIBIT A

BOOK 2252 PAGE 0549

A certain tract or parcel of land lying and being in Federal Point Township, New Hanover County, North Carolina, and being a part of the Sneeden property as described in deed book 722 page 425, Records of New Hanover County, North Carolina, and being more particularly described as follows:

Beginning at a point located on the northeastern right-of-way of S.R. 1100 (River Road 100 ft. right-of-way), said point being located the following bearings and distances form a p.k. nail located at the intersection of centerlines of River Road and Loran Station Road, S 34-09-57 E 1511.00 ft. with the centerline of River Road to an old railroad spike located in the center of said River Road, thence S 56-19-38 E 1003.41 ft. to the point of beginning:

Proceed from said point with the northeastern right-of-way of River Road a curve to the left having the following chord bearings and distances; thence S 77-56-40 E 52.49 ft., thence S 79-57-10 E 50.47 ft., thence S 82-04-28 E 51.18 ft., thence S 84-15-33 E 50.54 ft., thence S 85-51-32 E 51.43 ft., thence S 87-18-31 E 49.31 ft., thence S 88-52-01 E 50.57 ft., thence N 89-07-26 E 50.22 ft., thence N 87-40-09 E 48.23 ft., thence N 86-57-42 E 46.61 ft., thence N 86-06-30 E 50.13 ft., thence N 85-10-06 E 48.56 ft., thence N 84-12-06 E 50.11 ft., thence N 82-44-32 E 97.30 ft., thence N 80-57-38 E 100.84 ft., thence N 79-42-29 E 185.32 ft, to a point in the center of Telfairs Creek, thence up the run of Telfairs Creek the following bearings and distances, N 03-56-49 E 55.83 ft., thence N 14-48-14 E 66.56 ft., thence N 04-41-24 W 49.87 ft., thence N 10-35-53 E 69.56 ft., thence N 34-41-48 E 56.03 ft., thence N 17-41-43 E 61.20 ft., thence N 06-21-44 E 105.58 ft., thence N 11-45-22 W 32.39 ft., thence N 31-18-09 E 61.57 ft., thence N 58-00-40 E 62.80 ft., thence N 42-07-39 E 42.39 ft., thence N 13-19-01 E 89.88 ft. to a point in the center of said creek, thence leaving said creek, a new line, N 54-38-38 W 504.15 ft.,thence S 25-18-16 W 335.94 ft., thence S 36-19-51 W 521.86 ft., thence S 84-50-49 W 328.47 ft., thence S 11-29-02 W 267.48 ft., to the point of beginning and containing 14.854 acres, according to a survey by Hanover Design Services, P.A. in March of 1996.

All bearings are relative to N.C. Grid N.A.D. 1983.

Greg A. Wayne, RLS L-2876

BY-LAWS

OF

CYPRESS ISLAND HOA, INC.
(A NON-PROFIT CORPORATION)

ARTICLE I

GENERAL

Section 1. TITLE TO LOTS. Title to Lots, Townhouses and Condominiums may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants, or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 2. APPLICABILITY OF BY-LAWS. The provisions of these By-Laws are applicable to CYPRESS ISLAND, and its common elements and to the use and occupancy thereof. The term "CYPRESS ISLAND" and its common elements as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

Section 3. APPLICATION. All present and future owners, mortgagees, lessees and occupants of Lots and their employees and any other persons who may use the facilities in any manner are subject to these By-Laws, the Declaration and Rules and Regulations pertaining to the use and operation of the Lots. The act of occupancy of a lot shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 4. OFFICE. The Office of the Owner's Association and the Board of Directors shall be located at: 5717 Carolina Beach Road, Wilmington, North Carolina, 28409.

ARTICLE II

OWNERS' EASEMENTS OR 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, to include the golf facility;

B. The right of the Association to limit the number of guests of members;

C. The right of the Association to suspend the voting rights and right to use of the facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for an infraction of its published rules and regulations;

D. The right of the Association to dedicate or transfer all or 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. Except for the grant or conveyance of a standard utility easement in order to obtain utility service to the common area, no such dedication or transfer shall be effective unless an

instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded, provided, however, that the Association has the authority to dedicate the streets to the public. With respect to a standard utility easement permitting utility service to the common area, the Board of Directors may authorize the officers to execute such a grant or conveyance of the standard utility easements to the utility company without a vote of the membership of the association;

B. 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;

ARTICLE III

BOARD OF DIRECTORS/MANAGERS

Section 1. MANAGEMENT AND CONTROL. Management of the affairs of the Association shall be the right and responsibility of its Board of Directors in accordance with the Declaration and By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the undeveloped property in adjoining sections owned by Declarant have been sold and conveyed by the Declarant to purchasers or until June 30, 2004, whichever occurs first. Management and control may be transferred to the lot owners at any time, by the Declarant, at Declarant's discretion, but in all events, no later than 120 days after the happening of the earlier of the above events.

Section 2. POWERS AND DUTIES. The Board of Managers/ Directors shall have the powers and duties necessary for the administration of the affairs of the Lots and Common Elements except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Managers/Directors by the unit owners. The powers and duties to be exercised by the Board of Managers/Directors shall include, but not be limited to, the following:

A. Operation, care, upkeep and maintenance of the common elements;

B. Determination of the amounts required for operation, maintenance and other affairs of the Lots and Common Elements;

C. Collection of the common charges from the unit owners;

D. Employment and dismissal of personnel as necessary for efficient maintenance and operation, including a property manager;

E. Adoption and amendment of rules and regulations covering the details of the operation and use of the Lots and Common Elements;

F. Opening of bank accounts on behalf of the Owners Association and designating the signatures required therefor;

G. Obtaining insurance for the Lots and Common Elements pursuant to the provisions of Article VI, Section 2 hereof; and

H. Making repairs, additions and improvements to, or alterations of, the property and repairs to and restoration of the property in accordance with the provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

Section 3. ELECTION AND TERM OF OFFICE. Subject to the provisions of Section 1 herein, the Board of Managers/Directors shall be elected at the first annual meeting of the lot owners, the term of office of the members of the Board of Managers/Directors shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Managers/Directors, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Managers/Directors shall hold office until their respective successors shall have been elected by the unit owners. Upon Declarant transferring management and control to owners, the Board of Managers/Directors shall consist of up to seven individuals, all of whom must be lot owners of record in Cypress Island.

Section 4. VACANCIES. Vacancies in the Board of Managers/Directors caused by any reason shall be filled by appointment by the remaining members of the Board of Directors/Managers. Each person so appointed shall be a member of the Board of Managers/Directors for the remainder of the term of the member so removed.

Section 5. REGULAR MEETINGS. Regular meetings of the Board of Managers/Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Managers/Directors, but at least one such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Managers/Directors shall be given to each member of the Board of Managers/Directors, by mail or telegraph, at least three (3) business days prior to the day named for such meeting.

Section 6. SPECIAL MEETINGS. Special meetings of the Board of Managers/Directors may be called by any Board member on three (3) business days' notice to each member of the Board of Managers/Directors given by mail or telegraph, which notice shall state the time, place and purpose of the meetings.

Section 7. WAIVER OF NOTICE. Any member of the Board of Managers/Directors may, at any time, waive notice of any meeting of the Board of Managers/Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Managers/Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Managers/Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. QUORUM OF BOARD OF MANAGERS/DIRECTORS. At all meetings of the Board of Managers/Directors, at least a majority of members thereof must attend to constitute a quorum for the transaction of business and the votes of all of the members of the Board of Managers/Directors shall constitute the decision of the Board of Managers/Directors. If at any meeting of the Board of Managers/Directors there shall be less than a quorum present, the Board members present may conduct any business which might have been transacted at the meeting originally called and any action consented to by the absent manager in writing within ten (10) days of said meeting, shall be deemed valid.

Section 9. COMPENSATION. No member of the Board of Managers/Directors shall receive any compensation from the Association for acting as such.

Section 10. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE IV

MEETINGS OF UNIT OWNERS

Section 1. PLACE. All meetings of the unit owners shall be held at the office of the Association or such other place as may be stated in the notice.

Section 2. ANNUAL MEETINGS.

a. The annual meeting of the unit owners shall be held at a site designated in New Hanover County, North Carolina, in each year commencing in 1998 provided, however, that the first annual meeting will be held on the first Saturday in November, 1998 At such meeting each unit owner shall vote to elect the members of the Board of Managers/Directors. Regular annual meetings subsequent to 1998 shall be held on the first Saturday in November of each succeeding year unless otherwise determined by the Board of Managers/Directors.

b. All annual meetings shall be held at such hour as is determined by the Board of Managers/Directors.

c. At the annual meeting, the members shall elect the new members of the Board of Managers/Directors and transact such other business as may properly come before the meeting.

Section 3. SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners if so directed by resolution of the Board of Managers/Directors or upon a petition signed and presented to the Secretary by unit owners owning a total of at least fifty percent (50%) of the common interest. The notice of any special meeting shall state the time, place and purpose of the meeting. The business transacted at all special meetings shall be confined to the objects stated in the notice unless the Board of Managers/Directors unanimously consents to the transaction of business not stated in the notice.

Section 4. NOTICE OF MEETINGS. The Secretary shall mail to each unit owner of record a notice of each annual or special meeting of the unit owners at least ten (10) days but not more than twenty (20) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, at the building or at such other address as such unit owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 5. ADJOURNMENT OF MEETINGS. If any meeting of unit owners cannot be held because a quorum has not attended, a majority in common interest of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

Section 6. ORDER OF BUSINESS. The order of business at all meetings of the Unit Owners shall be as follows:

a. Roll call;
b. Proof of notice of meeting;
c. Reading of minutes of preceding meeting;
d. Reports of Officers;
e. Report of Board of Managers/Directors;
f. Reports of Committees;
g. Election of members of the Board of Managers/Directors (when so required);
h. Unfinished business;
i. New business; and
j. Adjournment.

Robert's Rules of Order shall be applicable to the conduct of all meetings of unit owners.

Section 7. VOTING. The owner or owners of each Unit, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such Unit at all meetings of unit owners. The designation of any such proxy shall be made in writing to the Secretary and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. Each unit shall be entitled to cast one (1) vote at all meetings of the unit owners. A fiduciary shall be the voting member with respect to any Lot owned in a fiduciary capacity.

Section 8. MAJORITY OF LOT OWNERS. As used in this By-Laws the term "majority of lot owners" shall mean those lot owners having one hundred percent (100%) of the total authorized votes of all lot owners in person or by proxy and voting at any meeting of the lot owners, determined in accordance with the provisions of Section 7 of this Article.

Section 9. QUORUM. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Lot Owners having sixty percent (60%) of the total authorized votes of all lot owners shall constitute a quorum at all meetings of the lot owners.

Section 10. MAJORITY VOTE. The vote of a majority of lot owners at a meeting at which a quorum shall be present shall be binding upon all lot owners for all purposes.

Section 11. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE V

OFFICERS

Section 1. DESIGNATION. The principal officers of the Owners Association shall be the President and Secretary and Treasurer, all of whom shall be elected by the Board of Managers/Directors. The Board of Managers/Directors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and Secretary and Treasurer must be members of the Board of Managers/Directors.

Section 2. ELECTION OF OFFICERS. Officers shall be elected annually by the Board of Managers/Directors.

Section 3. REMOVAL OF OFFICERS. Upon the affirmative vote of a majority of the members of the Board of Managers/Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Managers/Directors called for such purpose.

Section 4. PRESIDENT. The President shall be the chief executive officer of the Owners Association. He shall preside at all meetings of the lot owners and Board of Managers/Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Law of the State of North Carolina including, but not limited to, the power to appoint from among the lot owners any committee which he decides is appropriate to assist in the conduct of the affairs of the Owners Association.

Section 5. SECRETARY. The Secretary shall keep the minutes of all meetings of the lot owners and of the Board of Managers/Directors; he shall have charge of such books and papers as the Board of Managers/Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 6. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Managers/Directors, and he shall, in general, perform all the duties incident to the office of Treasurer of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 7. AGREEMENTS, CONTRACTS, DEEDS, CHECKS, ETC. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by the President and Secretary of the Association and checks are to be executed by such person or persons as may be designated by the Board of Managers/Directors.

Section 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

ARTICLE VI

OPERATION OF THE PROPERTY

'Section 1. DETERMINATION OF COMMON EXPENSES AND COMMON CHARGES. The Board of Managers/Directors shall have from time to time and at least annually, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association and allocate and assess such common charges against the unit owners according to their respective common interests. The common expenses shall include, among other things, all insurance premiums and expenses related thereto required to be maintained by the Board of Managers/Directors pursuant to the provisions of Section 9 of this Article V. The common expenses may also include such amounts as the Board of Managers/Directors may deem proper for the operation, maintenance, repair or replacement of the Common Elements including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year, and any other expenses designated by the Board of Managers/Directors as common expenses. In addition thereto, each lot owner shall be liable for and pay the annual assessment to the Cypress Island HOA, Inc. for maintenance and upkeep of the common area of Cypress Island.

Section 2. LIABILITY FOR COMMON CHARGES. All lot owners shall be obligated to pay the common charges assessed by the Board of Managers/Directors pursuant to the provisions of Section 1 above at such times and in such manner as may be directed by the Board.

A. SELLER'S LIABILITY. No lot owner shall be liable for the payment of any part of the common charges assessed against his lot from and after the date of closing of the sale, transfer, or other conveyance by him of such lot.

B. PURCHASER'S LIABILITY. A purchaser of a lot shall be liable for payment of any common charges assessed against such unit prior to its acquisition by him, except that a mortgagee or a purchaser of a lot at a foreclosure sale shall not be liable for and shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 3. COLLECTION OF ASSESSMENTS. The Board of Managers/Directors shall at least annually take prompt action to collect from a lot owner any assessment for common charges which remains unpaid by him for more than thirty (30) days from the due date for its payment.

Section 4. DEFAULT IN PAYMENT OF COMMON CHARGES. In the event of default by any lot owner in paying to the Board of Managers/Directors the assessed common charges, such lot owner shall be obligated to pay interest at the legal rate on such common charges from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board of Managers/Directors in any proceeding brought to collect such unpaid common charges. The Board of Managers/Directors shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action brought against such lot owner, or by foreclosure of the lien on such lot which is hereby granted by all lot owners in favor of the Association for the enforcement of payment of delinquent common charges.

Section 5. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES. In any action brought by the Board of Managers/Directors to foreclose a lien on a Lot because of unpaid common charges, the lot owner shall be required to pay a reasonable rental for the use of his Lot and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect such rental. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

Section 6. STATEMENT OF COMMON CHARGES. The Board of Managers/Directors shall promptly provide any lot owner who makes a request in writing with a written statement of his unpaid common charges.

Section 7. ABATEMENT AND ENJOINING OF VIOLATIONS. The violation of any rule or regulation adopted by the Board of Managers/Directors or the breach of any By-Law contained herein shall give the Board of Managers/Directors the right, in addition to any other rights, the Board of Managers/Directors to enter the lot owners lot to remedy the violation and they shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

Section 8. MAINTENANCE AND REPAIR.

A. INDIVIDUAL LOTS. All maintenance of and repairs to each individual lot, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common elements contained therein not necessitated by the negligence, misuse, or neglect of the owner of such lot) shall be made by the owner of such lot with the exception of: with respect to residential lots, the association shall maintain the front yard of all of said lots; with respect to townhouses and condominiums,

the association shall maintain all landscaping (to include irrigation) and all exterior maintenance to include the roof, but excluding doors and windows. Each lot owner shall be responsible for all damages to any other lot and to the common elements resulting from his failure to effect such maintenance and repairs.

B. COMMON ELEMENTS. All maintenance, repairs and replacements to the common elements, whether located inside or outside of the lots (unless necessitated by the negligence, misuse, or neglect of a lot owner, in which case such expense shall be charged to such lot owner), shall be made by the Board of Managers/Directors and be charged to all the lot owners as a common expense.

Section 9. INSURANCE. The Board of Managers/Directors on behalf of the Association, at its common expense, shall at all times keep THE COMMON AREAS of Cypress Island insured against loss or damage by fire, flood or other hazards normally insured against at one hundred percent (100%) of replacement cost, and such other risks, including public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the property; any insurance shall be payable in case of loss to the Board or It's Designee as Trustee for all lot owners. The Trustee so named shall have the authority on behalf of the association and lot owners. to deal with the insurer in the settlement of claims.

Each lot owner shall keep his lot insured against loss and damage by fire, tornado, wind storm and flood and against such other hazards as the Board of Managers/Directors may require in an amount equal to the replacement cost for said lot and structure located thereon. Each lot owner agrees upon request of the Board, to provide the Board with satisfactory proof of said insurance. If the lot owner fails or refuses to keep said premises so insured the Board of Managers/Directors may obtain such insurance and the cost of said insurance shall be a lien against said lot as hereinabove set out.

Section 10. DAMAGE OR DESTRUCTION. Except as hereinafter provided, damage to or destruction of a lot shall be promptly repaired and restored by the lot owner using the proceeds of any insurance for that purpose.

Section 11. USE OF LOTS, TOWNHOUSES and CONDOMINIUMS. In order to provide for congenial occupancy of the lots and for the protection of their values the use of the lots shall be subject to the following limitations:

A. The lots shall be used for residential purposes only.

B. No portion of the lot other than the entire lot may be rented, and rentals shorter in length than twelve (12) continuous months are prohibited.

Section 12. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY BOARD OF MANAGERS/DIRECTORS. Whenever in the judgment of the Board of Managers/Directors the common elements shall require additions, alterations, or improvements costing in excess of $5,000.00, and the making of such additions, alterations, or improvements shall have been approved by the owners, the Board of Managers shall proceed with such additions, alterations, or improvements and shall assess all lot owners for the cost thereof as a common charge. Any additions, alterations, or improvements costing $5,000.00 or less may be made by the Board of Managers/Directors without special approval of the lot owners.

Section 13. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY LOT OWNERS. No lot owner shall make any structural addition, alteration, or improvement in or to his lot without prior written

consent thereto of the Architectural Control Committee of the Board of Directors. The Board of Managers/Directors shall have the obligation to answer any written request by an owner for approval of a proposed structural addition, alteration, or improvement in or on such owner's property within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Managers/Directors to the proposed addition, alteration, or improvement. The Board of Managers/Directors shall not be liable to any contractor, subcontractor, or materialman or to any person sustaining personal injury or property damage, for any claim arising in connection with such addition, alteration, or improvement.

Section 14. DESCRIPTION OF COMMON ELEMENTS. The Common Elements consist of the entire property not located within any lot. They include, without limitation, the following:

A. All land, lawns, gardens, roads, parking and other improved or unimproved areas not within or directly under the unit.

B. All installations or power, lights and water existing for common use and all other parts of the property necessary or convenient to its existence, maintenance and safety or normally in common use;

C. All common sewer and drainage pipes;

D. All other apparatus, equipment and installations existing without the lots for common use or necessary or convenient to the existence, maintenance, or safety of the building and/or common elements.

Section 15. RIGHT OF ACCESS. A lot owner shall grant a right of access to his lot to any person authorized by the Board of Managers/Directors, to make inspections; to correct any condition originating in his lot and threatening another lot or a common element; to install, alter or repair mechanical or electrical services or other common elements in his lot or elsewhere in the building; and to correct any condition which violates the provisions of any mortgage covering another lot. Requests for such entry shall be made in advance and such entry shall be scheduled for a time reasonably convenient to the Lot Owner. However, in case of an emergency, such right of entry shall be immediate whether the lot owner is present at the time or not.

ARTICLE VII

SALES AND LEASES OF LOTS

Section 1. PAYMENT OF ASSESSMENTS. No lot owner shall be permitted to convey, mortgage, pledge, hypothecate, sell or lease his lot unless and until he shall have paid in full to the Board of Managers/Directors all unpaid common charges theretofore assessed by the Board of Managers/Directors against his lot and until he shall have satisfied all unpaid liens against such lot, except permitted mortgages.

ARTICLE VIII

CONDEMNATION

Section 1. CONDEMNATION. In the event of a taking in condemnation or by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Board of Managers/Directors who shall disburse the net proceeds of such award in the same manner as they are required to distribute

insurance proceeds where there is no repair or restoration of damage, as provided in Section 10 of Article VI of these By-Laws.

ARTICLE IX

MISCELLANEOUS

Section 1. NOTICES. All notices to the Board of Managers/Directors shall be sent by registered or certified mail, to the office of the Board of Managers/Directors, c/o Steve Miller, 5717 Carolina Beach Road, Wilmington, North Carolina, 28409, or to such other address as may have been designated by him from time to time, in writing, to the Board of Managers/Directors. All notices to mortgagees of lots shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Managers/Directors. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

Section 2. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability, or effect the balance of these By-Laws.

Section 3. CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 4. GENDER. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 5. WAIVER. No restrictions, conditions, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE X

RECORDS

Section 1. RECORDS AND AUDITS. The Board of Managers/Directors shall keep detailed records of the actions of the Board of Managers/Directors, minutes of the meetings of the Board of Managers/Directors, minutes of the meetings of the lot owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each lot which, among other things, shall contain the amount of each assessment of common charges against such lot, the date when due, the amounts paid thereon and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the Association shall be rendered by the Board of Managers/Directors to all lot owners at least annually. All of the above records and information shall be made available to either owner at any time upon reasonable notice.

ARTICLE XI

AMENDMENT TO BY-LAWS

Section 1. AMENDMENT TO BY-LAWS. At any time prior to December 31, 2004 these By-Laws may be amended by the developer/declarant at its discretion, but not to impair the property value of the lot owners. Thereafter, these By-Laws may be amended by vote of the owners of two-thirds (2/3) of the members of the Homeowners Association, provided, that no amendment shall alter

any obligation to pay ad valorem taxes or assessments for public improvements as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

The foregoing were adopted as the By-Laws of CYPRESS ISLAND HOA, INC. at the meeting of its Board of Directors held on the 30th day of September, 19 97.

Certified to be correct, this the 30th day of September, 19 97.

Secretary of First Meeting of
Board of Managers/Directors of
CYPRESS ISLAND HOA, INC.

SCHEDULE A

RULES AND REGULATIONS
OF
CYPRESS ISLAND

1. No boats, trailers, bicycles, scooters, baby carriages, or similar vehicles or toys or other personal articles shall be allowed to stand in any of the common areas without consent of the Board of Managers/Directors.

2. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the lots in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of other owners.

3. Each owner shall keep such owner's lot in a good state of preservation and cleanliness and shall not sweep or throw or permit anything to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

4. All garbage and refuse from the lots shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Managers/Directors may direct.

5. Nothing shall be altered or constructed in or removed from the General Common Area or Elements, except upon the written consent of the Board of Managers/Directors.

6. All radio, television or other electrical equipment of any kind or nature installed or used in each lot shall fully comply with all rules, regulations, requirements, or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the lot owner alone shall be liable for any damage or injury caused by any radio, television, or other electrical equipment in such lot.

7. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such a manner as to impede or prevent ready access to another owner's lot. The owners, their employees, servants, agents, visitors, licensees and the owner's family will obey the parking regulation posted on the private streets and drives and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the owners.

8. All damage to the lots caused by the moving or carrying of any article therein shall be paid by the owner responsible for the presence of such article.

9. The owners shall not be allowed to put their names on any entry of the lots except in the proper places provided for such purpose.

10. Draperies, blinds, or curtains must be installed by each Lot Owner on all windows of his unit and must be maintained in such windows at all times.

11. Any damage to the buildings, recreational facilities, or other common areas or equipment caused by children or their guests shall be repaired at the expense of the lot owner/parent.

12. Any consent or approval given under these Community rules by the Board of Mangers shall be revocable at any time.

13. These Community Rules may be added to or repealed at any time by the Board of Managers/Directors.

14. No rentals or subrentals of any units will be permitted for a period of less than twelve (12) consecutive months.

15. The Board of Managers/Directors must be given a copy of all leases prior to units being occupied by tenants, to ensure the enforcement of regulation 21.

16. No commercial business may be conducted from any lot.

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RECORDED & VERIFIED
MARY SUE OOTS
REGISTER OF DEEDS
NEW HANOVER CO. NC

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STATE OF NORTH CAROLINA

COUNTY OF NEW HANOVER

DECLARATION OF RESTRICTIONS AND COVENANTS FOR CYPRESS ISLAND TOWNHOMES

THIS DECLARATION, made this 10 day of October, 1997 by CYPRESS GREEN, INC., a North Carolina corporation, hereinafter referred to as "Declarant", (whether one or more);

000116

W I T N E S S E T H

WHEREAS, Declarant is the owner of certain property in Federal Point Township, Carolina Beach, New Hanover County, North Carolina, which is more particularly described as follows:

> BEING ALL of CYPRESS ISLAND TOWNHOMES, as shown on the map thereof recorded in Plat Book 34, at Page 186, of the New Hanover County Registry, reference to which is hereby made for a more particular description.

NOW, THEREFORE, Declarant hereby declares that all of the properties 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 or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner.

ARTICLE I

DEFINITIONS

A. Association. The Cypress Island Townhomes Association, Inc. a North Carolina non-profit corporation, composed of the owners of townhouse units in Cypress Island, as the same is recorded in Book 2252, Page 563 et. seq. of the New Hanover County Registry.

B. Board. The Board of Managers/Directors of the Association.

C. By-Laws. By-Laws of the Association which are recorded in Book 2252, Page 574 et. seq. of the New Hanover County Registry.

D. Common Elements. Shall be used interchangeably with "common areas" and shall mean or refer to all portions of a townhouse except the units; and

E. Limited Common Elements. Shall be used interchangeably with limited common areas and shall refer to all portions of the common elements which are designated for use with a particular unit.

F. Common Expenses. The expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

G. Master Association. All purchasers of lots/units in Cypress Island Townhomes shall in addition to being a member of Cypress Island Townhomes Association, Inc. shall also be a member of Cypress Island HOA, Inc.

ARTICLE II

DESCRIPTION OF BUILDINGS. The Declarant owns the buildings which Declarant has divided into _____ (____) units (herein "The Townhouse Units" or "The Units"), to be used for residential purposes. The buildings are located above the ground level. A

RETURN TO NED M. BARNES

489724

plat of survey by _____, Registered Land Surveyor, showing the location of said building is recorded in Map Book 37 at Page 186 and is incorporated by reference. The buildings are built out of wood frame construction. Each unit contains approximately _____ heated square feet and are divided into _____ (____) townhouse units. The townhouse units are designated in said plat as Units ___ through _____ (sometimes referred as Units _____). As used herein the term "Unit" shall mean "Townhouse Unit".

186 The general common elements are shown in Map Book 37 at Page 186. Each unit owner will receive with the conveyance of his unit an undivided _____ interest in the general common elements.

ARTICLE III

USE RESTRICTIONS. The use of the property shall be in accordance with the following provisions:

A. Each of the Units shall be occupied only by an individual or a family and for no other purposes. No Unit may be divided or subdivided into a smaller unit nor any portion thereof sold or otherwise transferred.

B. The Common Elements shall be used for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the Townhouse Units.

C. No use or practice shall be permitted on the Townhouse Property which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No Unit Owner shall permit any use of his Unit or of the Common Elements which will increase the rate of insurance upon the Townhouse Property or any part thereof. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. No single rooms may be rented.

D. Reasonable regulations concerning the use of the Townhouse Property may be made and amended from time to time by CYPRESS ISLAND TOWNHOMES ASSOCIATION, INC. (herein referred to as the "Association") in the manner provided by its By-Laws. Copies of the By-Laws and regulations are recorded in Book 2252, Page 574 et. seq. of the New Hanover County Registry.

ARTICLE IV

HOMEOWNERS ASSOCIATION, MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a unit which is subject to assessment shall be a member of Cypress Island Townhomes Association, Inc. as well as Cypress Island HOA, Inc. Membership shall be appurtenant to and shall not be separated from ownership of any Townhouse which is subject to assessment. Each owner has the duty to comply with and obey these Articles, the Bylaws of the Association and the Rules and Regulations of the Association as well the Articles, Bylaws and Rules and Regulations of Cypress Island HOA, Inc.

Section 2. Management of the affairs of the Association shall be the right and responsibility of its Board of Directors in accordance with the Declaration and By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the undeveloped property in adjoining sections owned by Declarant have been sold and conveyed by the Declarant to purchasers or until June

30, 2004, whichever occurs first. Management and control may be transferred to the lot owners at any time, by the Declarant, at Declarant's discretion, but in all events, no later than 120 days after the happening of the earlier of the above events.

ARTICLE V

A. EASEMENTS. Each of the unit owners shall have an easement in common with the other unit owners to use common elements, including but not limited to all sewer lines located in the other unit and serving his unit. Each unit shall be subject to an easement in favor of the owner of the other unit to use all common elements serving such other units and located in such unit. The Association shall have the right to be exercised by the Board of Managers or its Designee, to enter each unit from time to time, at reasonable hours as may be necessary for the operation of the property to inspect the same, to remove violations therefrom, and to maintain, repair or replace the common elements, if any, contained therein or else therein the building.

The Declarant hereby reserves and subjects the lands which are the subject to this Declaration to an easement of use and enjoyment by the owners and occupants of the respective townhouse units for ingress and egress to and from all of the common elements pertaining to CYPRESS ISLAND TOWNHOMES. Basements are also hereby created for installation, use, maintenance, repair and replacement of all necessary public utilities, including but not limited to sewer, water lines, gas, electricity, telephone and cable television for the use of the above described property known as CYPRESS ISLAND TOWNHOMES.

All easements herein created and described shall be easements appurtenant to, and shall run with the land by whomsoever owned, whether or not the same shall be contained or referred to in any future deed or conveyance, and shall at all times inure to the benefit and be binding upon the undersigned, all its grantees and their respective heirs, successors, personal representatives or assigns.

B. ENCROACHMENTS. The Declarant for itself, its heirs, successors and assigns, hereby waives any and all actions, causes of actions or claims that may or could arise from any structures located on said maps as hereinabove referenced that encroach onto the common area, and by acceptance of a deed the grantees/unit owners acknowledge and waive any claim or cause of action that may exist as a result of any encroachment of any structure onto the common area as hereinabove referenced.

ARTICLE VI

ENFORCEMENT. The Association or any Owner, shall have the right to enforce, by any 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. Invalidation of anyone of these covenants or restrictions by judgment or court order shall in no wise affect any of the other provisions which shall remain in full force and effect.

ARTICLE VII

PARTY WALL

A. GENERAL RULES OF LAW TO APPLY. Each wall which is built as a part of the original construction of the townhouses upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and of liability for property damage due to negligence or willful acts or omissions shall apply thereto.

B. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

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

D. Weatherproofing. Notwithstanding any other provision of this Article, an owner, who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such element.

E. Right to Contribution Runs with Land. The right of an Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass such Owner's successors in title.

F. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose on arbitrator, and such arbitrators shall choose one additional arbitrator, and the decisions shall be a majority of all the arbitrators.

ARTICLE VIII

NOTICE. The name and address of the process agent to receive service of process in any matters affecting the property is as follows:

Stephen M. Miller
5715 Carolina Beach Road
Wilmington, NC 28412

ARTICLE IX

TAXES. Each individual unit and its allocated undivided interest in the common elements shall be deemed to be a separate parcel and shall be separately assessed and taxed for all types of taxes authorized by law, including but not limited to special ad valorem levies and special assessments. Each unit holder shall be liable solely for the amount of taxes against his individual unit and undivided interest in the common elements and shall not be affected by the consequence resulting from the tax delinquency or any other unit holder. Neither the building, the property, nor any of the common elements shall be deemed to be a separate parcel for the purposes of taxation.

ARTICLE X

ASSESSMENTS. Assessments against unit owners by the Board of Managers made pursuant to the By-Laws shall, if not paid when due, create a lien in favor of the Association against the unit of the defaulting owner and shall be collected as provided and in the By-Laws hereto attached.

ARTICLE XI

LIENS. All liens provided for herein shall be subordinate, and are hereby subordinated, to the lien of any first mortgage or deed of trust given to any lender to secure a loan, the proceeds of which are used to finance the purchase of any unit or units, unless any such lien provided for herein shall have been recorded in the Office of the Clerk of Superior Court of New Hanover County prior to recordation to the said first lien mortgage or deed of trust in

the Office of the Register of Deeds of New Hanover County, North Carolina. 2352 0573

ARTICLE XII

BINDING EFFECT. 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 unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns.

ARTICLE XIII

AMENDMENT. At any time prior to December 31, 2004 these Restrictions may be amended by the developer at its discretion, but not to impair the property value of the lot owners. Thereafter, these restrictions may be amended by vote of the owners of two-thirds (2/3) of the members of the Homeowners Association, provided, however, no amendment shall be made requiring Declarant/Developer to pay assessments to any Association within Cypress Island and provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

IN WITNESS WHEREOF, Declarant has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, all the day and year first above written.

CYPRESS GREEN, INC.

BY: _____
President

_____ (SEAL)
Secretary

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

I, V. A. Beury-Helms, a Notary Public in and for the aforesaid County and State, do hereby certify that Dick J. Thompson personally appeared before me this day and acknowledged that he is Secretary of CYPRESS GREEN, 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 him as its Secretary.

WITNESS my hand and notarial stamp or seal, this the 30th day of September, 1997.

My commission expires:
8/5/99

_____
NOTARY PUBLIC

V. A. BEURY-HELMS NOTARY PUBLIC NEW HANOVER COUNTY, N. C.

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

The foregoing certificate of V.A. Beury-Helms, a Notary Public, is certified to be correct. This the 10 day of October, 1997.

MARY SUE OOTS - REGISTER OF DEEDS
BY: _____
Deputy/~~Assistant~~

BY-LAWS
OF
CYPRESS ISLAND TOWNHOMES ASSOCIATION, INC.
(A NON-PROFIT CORPORATION)

ARTICLE I

GENERAL

Section 1. TITLE TO LOTS. Title to Lots may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants, or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 2. APPLICABILITY OF BY-LAWS. The provisions of these By-Laws are applicable to CYPRESS ISLAND TOWNHOMES, and its common elements and to the use and occupancy thereof. The term "CYPRESS ISLAND TOWNHOMES" and its common elements as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

Section 3. APPLICATION. All present and future owners, mortgagees, lessees and occupants of Lots and their employees and any other persons who may use the facilities in any manner are subject to these By-Laws, the Declaration and Rules and Regulations pertaining to the use and operation of the Lots. The act of occupancy of a lot shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 4. OFFICE. The Office of the Owner's Association and the Board of Directors shall be located at: 5717 Carolina Beach Road, Wilmington, North Carolina, 28409.

ARTICLE II

OWNERS' EASEMENTS OR ENJOYMENT

Section 1. 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, to include the golf facility;

B. The right of the Association to limit the number of guests of members;

C. The right of the Association to suspend the voting rights and right to use of the facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for an infraction of its published rules and regulations;

D. The right of the Association to dedicate or transfer all or 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. Except for the grant or conveyance of a standard utility easement in order to obtain utility service to

the common area, no such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded, provided, however, that the Association has the authority to dedicate the streets to the public. With respect to a standard utility easement permitting utility service to the common area, the Board of Directors may authorize the officers to execute such a grant or conveyance of the standard utility easements to the utility company without a vote of the membership of the association;

E. 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;

ARTICLE III

BOARD OF DIRECTORS/MANAGERS

Section 1. MANAGEMENT AND CONTROL. Management of the affairs of the Association shall be the right and responsibility of its Board of Directors in accordance with the Declaration and By-Laws; PROVIDED, HOWEVER, that all of the powers and duties of the Board of Directors may be exercised by the Declarant until such time as 90% of the undeveloped property in adjoining sections owned by Declarant have been sold and conveyed by the Declarant to purchasers or until June 30, 2004, whichever occurs first. Management and control may be transferred to the lot owners at any time, by the Declarant, at Declarant's discretion, but in all events, no later than 120 days after the happening of the earlier of the above events.

Section 2. POWERS AND DUTIES. The Board of Managers/ Directors shall have the powers and duties necessary for the administration of the affairs of the Lots and Common Elements except such powers and duties as by law or by these By-Laws may not be delegated to the Board of Managers/Directors by the unit owners. The powers and duties to be exercised by the Board of Managers/Directors shall include, but not be limited to, the following:

A. Operation, care, upkeep and maintenance of the common elements;

B. Determination of the amounts required for operation, maintenance and other affairs of the Lots and Common Elements;

C. Collection of the common charges from the unit owners;

D. Employment and dismissal of personnel as necessary for efficient maintenance and operation, including a property manager;

E. Adoption and amendment of rules and regulations covering the details of the operation and use of the Lots and Common Elements;

F. Opening of bank accounts on behalf of the Owners Association and designating the signatures required therefor;

G. Obtaining insurance for the Lots and Common Elements pursuant to the provisions of Article VI, Section 2 hereof; and

H. Making repairs, additions and improvements to, or alterations of, the property and repairs to and restoration of the property in accordance with the provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

Section 3. ELECTION AND TERM OF OFFICE. Subject to ther provisions of Section 1 herein, the Board of Managers/Directors shall be elected at the first annual meeting of the lot owners, the term of office of the members of the Board of Managers/Directors shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Managers/Directors, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Managers/Directors shall hold office until their respective successors shall have been elected by the unit owners. Upon Declarant transferring management and control to owners, the Board of Managers/Directors shall consist of up to seven individuals, all of whom must be lot owners of record in Cypress Island.

Section 4. VACANCIES. Vacancies in the Board of Managers/Directors caused by any reason shall be filled by appointment by the remaining members of the Board of Directors/Managers. Each person so appointed shall be a member of the Board of Managers/Directors for the remainder of the term of the member so removed.

Section 5. REGULAR MEETINGS. Regular meetings of the Board of Managers/Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Managers/Directors, but at least one such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Managers/Directors shall be given to each member of the Board of Managers/Directors, by mail or telegraph, at least three (3) business days prior to the day named for such meeting.

Section 6. SPECIAL MEETINGS. Special meetings of the Board of Managers/Directors may be called by any Board member on three (3) business days' notice to each member of the Board of Managers/Directors given by mail or telegraph, which notice shall state the time, place and purpose of the meetings.

Section 7. WAIVER OF NOTICE. Any member of the Board of Managers/Directors may, at any time, waive notice of any meeting of the Board of Managers/Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Managers/Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Managers/Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. QUORUM OF BOARD OF MANAGERS/DIRECTORS. At all meetings of the Board of Managers/Directors, at least a majority of members thereof must attend to constitute a quorum for the transaction of business and the votes of all of the members of the Board of Managers/Directors shall constitute the decision of the Board of Managers/Directors. If at any meeting of the Board of Managers/Directors there shall be less than a quorum present, the Board members present may conduct any business which might have been transacted at the meeting originally called and any action consented to by the absent manager in writing within ten (10) days of said meeting, shall be deemed valid.

Section 9. COMPENSATION. No member of the Board of Managers/Directors shall receive any compensation from the Association for acting as such.

Section 10. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE IV

MEETINGS OF UNIT OWNERS

Section 1. PLACE. All meetings of the unit owners shall be held at the office of the Association or such other place as may be stated in the notice.

Section 2. ANNUAL MEETINGS.

a. The annual meeting of the unit owners shall be held at a site designated in New Hanover County, North Carolina, in each year commencing in 1998 provided, however, that the first annual meeting will be held on the first Saturday in November, 1998 At such meeting each unit owner shall vote to elect the members of the Board of Managers/Directors. Regular annual meetings subsequent to 1998 shall be held on the first Saturday in November of each succeeding year unless otherwise determined by the Board of Managers/Directors.

b. All annual meetings shall be held at such hour as is determined by the Board of Managers/Directors.

c. At the annual meeting, the members shall elect the new members of the Board of Managers/Directors and transact such other business as may properly come before the meeting.

Section 3. SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners if so directed by resolution of the Board of Managers/Directors or upon a petition signed and presented to the Secretary by unit owners owning a total of at least fifty percent (50%) of the common interest. The notice of any special meeting shall state the time, place and purpose of the meeting. The business transacted at all special meetings shall be confined to the objects stated in the notice unless the Board of Managers/Directors unanimously consents to the transaction of business not stated in the notice.

Section 4. NOTICE OF MEETINGS. The Secretary shall mail to each unit owner of record a notice of each annual or special meeting of the unit owners at least ten (10) days but not more than twenty (20) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, at the building or at such other address as such unit owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 5. ADJOURNMENT OF MEETINGS. If any meeting of unit owners cannot be held because a quorum has not attended, a majority in common interest of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

Section 6. ORDER OF BUSINESS. The order of business at all meetings of the Unit Owners shall be as follows:

a. Roll call;
b. Proof of notice of meeting;

c. Reading of minutes of preceding meeting;
d. Reports of Officers;
e. Report of Board of Managers/Directors;
f. Reports of Committees;
g. Election of members of the Board of Managers/Directors (when so required);
h. Unfinished business;
i. New business; and
j. Adjournment.

Robert's Rules of Order shall be applicable to the conduct of all meetings of unit owners.

Section 7. VOTING. The owner or owners of each Unit, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such Unit at all meetings of unit owners. The designation of any such proxy shall be made in writing to the Secretary and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. Each unit shall be entitled to cast one (1) vote at all meetings of the unit owners. A fiduciary shall be the voting member with respect to any Lot owned in a fiduciary capacity.

Section 8. MAJORITY OF LOT OWNERS. As used in this By-Laws the term "majority of lot owners" shall mean those lot owners having one hundred percent (100%) of the total authorized votes of all lot owners in person or by proxy and voting at any meeting of the lot owners, determined in accordance with the provisions of Section 7 of this Article.

Section 9. QUORUM. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Lot Owners having sixty percent (60%) of the total authorized votes of all lot owners shall constitute a quorum at all meetings of the lot owners.

Section 10. MAJORITY VOTE. The vote of a majority of lot owners at a meeting at which a quorum shall be present shall be binding upon all lot owners for all purposes.

Section 11. DEADLOCK. Any deadlock in voting shall be resolved by submitting the matter to arbitration in accordance with the Uniform Arbitration Act as set forth in the North Carolina General Statutes, Section 1-567.1 et seq.

ARTICLE V

OFFICERS

Section 1. DESIGNATION. The principal officers of the Owners Association shall be the President and Secretary and Treasurer, all of whom shall be elected by the Board of Managers/Directors. The Board of Managers/Directors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and Secretary and Treasurer must be members of the Board of Managers/Directors.

Section 2. ELECTION OF OFFICERS. Officers shall be elected annually by the Board of Managers/Directors.

Section 3. REMOVAL OF OFFICERS. Upon the affirmative vote of a majority of the members of the Board of Managers/Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Managers/Directors called for such purpose.

Section 4. PRESIDENT. The President shall be the chief executive officer of the Owners Association. He shall preside at all meetings of the lot owners and Board of Managers/Directors. He

shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Law of the State of North Carolina including, but not limited to, the power to appoint from among the lot owners any committee which he decides is appropriate to assist in the conduct of the affairs of the Owners Association.

Section 5. SECRETARY. The Secretary shall keep the minutes of all meetings of the lot owners and of the Board of Managers/Directors; he shall have charge of such books and papers as the Board of Managers/Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 6. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Managers/Directors, and he shall, in general, perform all the duties incident to the office of Treasurer of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 7. AGREEMENTS, CONTRACTS, DEEDS, CHECKS, ETC. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by the President and Secretary of the Association and checks are to be executed by such person or persons as may be designated by the Board of Managers/Directors.

Section 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

ARTICLE VI

OPERATION OF THE PROPERTY

Section 1. DETERMINATION OF COMMON EXPENSES AND COMMON CHARGES. The Board of Managers/Directors shall have from time to time and at least annually, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association and allocate and assess such common charges against the unit owners according to their respective common interests. The common expenses shall include, among other things, all insurance premiums and expenses related thereto required to be maintained by the Board of Managers/Directors pursuant to the provisions of Section 9 of this Article V. The common expenses may also include such amounts as the Board of Managers/Directors may deem proper for the operation, maintenance, repair or replacement of the Common Elements including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year, and any other expenses designated by the Board of Managers/Directors as common expenses. In addition thereto, each lot owner shall be liable for and pay the annual assessment to the Cypress Island HOA, Inc. for maintenance and upkeep of the common area of Cypress Island.

Section 2. LIABILITY FOR COMMON CHARGES. All lot owners shall be obligated to pay the common charges assessed by the Board of Managers/Directors pursuant to the provisions of Section 1 above at such times and in such manner as may be directed by the Board.

A. SELLER'S LIABILITY. No lot owner shall be liable for the payment of any part of the common charges assessed against his lot from and after the date of closing of the sale, transfer, or other conveyance by him of such lot.

B. PURCHASER'S LIABILITY. A purchaser of a lot shall be liable for payment of any common charges assessed against such unit prior to its acquisition by him, except that a mortgagee or a purchaser of a lot at a foreclosure sale shall not be liable for and shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 3. COLLECTION OF ASSESSMENTS. The Board of Managers/Directors shall at least annually take prompt action to collect from a lot owner any assessment for common charges which remains unpaid by him for more than thirty (30) days from the due date for its payment.

Section 4. DEFAULT IN PAYMENT OF COMMON CHARGES. In the event of default by any lot owner in paying to the Board of Managers/Directors the assessed common charges, such lot owner shall be obligated to pay interest at the legal rate on such common charges from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board of Managers/Directors in any proceeding brought to collect such unpaid common charges. The Board of Managers/Directors shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action brought against such lot owner, or by foreclosure of the lien on such lot which is hereby granted by all lot owners in favor of the Association for the enforcement of payment of delinquent common charges.

Section 5. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES. In any action brought by the Board of Managers/Directors to foreclose a lien on a Lot because of unpaid common charges, the lot owner shall be required to pay a reasonable rental for the use of his Lot and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect such rental. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

Section 6. STATEMENT OF COMMON CHARGES. The Board of Managers/Directors shall promptly provide any lot owner who makes a request in writing with a written statement of his unpaid common charges.

Section 7. ABATEMENT AND ENJOINING OF VIOLATIONS. The violation of any rule or regulation adopted by the Board of Managers/Directors or the breach of any By-Law contained herein shall give the Board of Managers/Directors the right, in addition to any other rights, the Board of Managers/Directors to enter the lot owners lot to remedy the violation and they shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

Section 8. MAINTENANCE AND REPAIR.

A. INDIVIDUAL LOTS. All maintenance of and repairs to each individual lot, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common elements contained therein not necessitated by the negligence, misuse, or neglect of the owner of such lot) shall be made by the owner of such lot with the exception of: with respect to residential lots, the association shall maintain the front yard of all of said lots; with respect to townhouses and condominiums, the association shall maintain all landscaping (to include irrigation) and all exterior maintenance to include the roof, but excluding doors and windows. Each lot owner shall be responsible for all damages to any

other lot and to the common elements resulting from his failure to effect such maintenance and repairs.

B. COMMON ELEMENTS. All maintenance, repairs and replacements to the common elements, whether located inside or outside of the lots (unless necessitated by the negligence, misuse, or neglect of a lot owner, in which case such expense shall be charged to such lot owner), shall be made by the Board of Managers/Directors and be charged to all the lot owners as a common expense.

Section 9. INSURANCE. The Board of Managers/Directors on behalf of the Association, at its common expense, shall at all times keep THE COMMON AREAS of Cypress Island insured against loss or damage by fire, flood or other hazards normally insured against at one hundred percent (100%) of replacement cost, and such other risks, including public liability insurance, upon such terms and for such amounts as may be reasonably necessary from time to time to protect the property; any insurance shall be payable in case of loss to the Board or It's Designee as Trustee for all lot owners. The Trustee so named shall have the authority on behalf of the association and lot owners to deal with the insurer in the settlement of claims.

Each lot owner shall keep his lot insured against loss and damage by fire, tornado, wind storm and flood and against such other hazards as the Board of Managers/Directors may require in an amount equal to the replacement cost for said lot and structure located thereon. Each lot owner agrees upon request of the Board, to provide the Board with satisfactory proof of said insurance. If the lot owner fails or refuses to keep said premises so insured the Board of Managers/Directors may obtain such insurance and the cost of said insurance shall be a lien against said lot as hereinabove set out.

Section 10. DAMAGE OR DESTRUCTION. Except as hereinafter provided, damage to or destruction of a lot shall be promptly repaired and restored by the lot owner using the proceeds of any insurance for that purpose.

Section 11. USE OF LOTS. In order to provide for congenial occupancy of the lots and for the protection of their values the use of the lots shall be subject to the following limitations:

A. The lots shall be used for residential purposes only.

B. No portion of the lot other than the entire lot may be rented, and rentals shorter in length than twelve (12) continuous months are prohibited.

Section 12. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY BOARD OF MANAGERS/DIRECTORS. Whenever in the judgment of the Board of Managers/Directors the common elements shall require additions, alterations, or improvements costing in excess of $5,000.00, and the making of such additions, alterations, or improvements shall have been approved by the lot owners, the Board of Managers shall proceed with such additions, alterations, or improvements and shall assess all lot owners for the cost thereof as a common charge. Any additions, alterations, or improvements costing $5,000.00 or less may be made by the Board of Managers/Directors without special approval of the lot owners.

Section 13. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY LOT OWNERS. No lot owner shall make any structural addition, alteration, or improvement in or to his lot without prior written consent thereto of the Architectural Control Committee of the Board of Managers/Directors. The Board of Managers/Directors shall have the obligation to answer any written request by a lot owner for approval of a proposed structural addition, alteration, or improvement in such lot owner's lot within thirty (30) days after

such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Managers/Directors to the proposed addition, alteration, or improvement. Any association to any governmental authority for a permit to make an addition, alteration, or improvement in or to any lot shall be executed by the Board of Managers/Directors. The Board of Managers/Directors shall not be liable to any contractor, subcontractor, or materialman or to any person sustaining personal injury or property damage, for any claim arising in connection with such addition, alteration, or improvement.

Section 14. DESCRIPTION OF COMMON ELEMENTS. The Common Elements consist of the entire property not located within any lot. They include, without limitation, the following:

A. All land, lawns, gardens, roads, parking and other improved or unimproved areas not within or directly under the units.

B. All installations or power, lights and water existing for common use and all other parts of the property necessary or convenient to its existence, maintenance and safety or normally in common use;

C. All common sewer and drainage pipes;

D. All other apparatus, equipment and installations existing without the lots for common use or necessary or convenient to the existence, maintenance, or safety of the building and/or common elements.

Section 15. RIGHT OF ACCESS. A lot owner shall grant a right of access to his lot to any person authorized by the Board of Managers/Directors, to make inspections; to correct any condition originating in his lot and threatening another lot or a common element; to install, alter or repair mechanical or electrical services or other common elements in his lot or elsewhere in the building; and to correct any condition which violates the provisions of any mortgage covering another lot. Requests for such entry shall be made in advance and such entry shall be scheduled for a time reasonably convenient to the Lot Owner. However, in case of an emergency, such right of entry shall be immediate whether the lot owner is present at the time or not.

ARTICLE VII

SALES AND LEASES OF LOTS

Section 1. PAYMENT OF ASSESSMENTS. No lot owner shall be permitted to convey, mortgage, pledge, hypothecate, sell or lease his lot unless and until he shall have paid in full to the Board of Managers/Directors all unpaid common charges theretofore assessed by the Board of Managers/Directors against his lot and until he shall have satisfied all unpaid liens against such lot, except permitted mortgages.

ARTICLE VIII

CONDEMNATION

Section 1. CONDEMNATION. In the event of a taking in condemnation or by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Board of Managers/Directors who shall disburse the net proceeds of such award in the same manner as they are required to distribute insurance proceeds where there is no repair or restoration of damage, as provided in Section 10 of Article V of these By-Laws.

ARTICLE IX

MISCELLANEOUS

Section 1. NOTICES. All notices to the Board of Managers/Directors shall be sent by registered or certified mail, to the office of the Board of Managers/Directors, c/o Steve Miller, 5717 Carolina Beach Road, Wilmington, North Carolina, 28409, or to such other address as may have been designated by him from time to time, in writing, to the Board of Managers/Directors. All notices to mortgagees of lots shall be sent by registered or certified mail to their respective addresses, as designated by them from time to time, in writing, to the Board of Managers/Directors. All notices shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

Section 2. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability, or effect the balance of these By-Laws.

Section 3. CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 4. GENDER. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 5. WAIVER. No restrictions, conditions, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

ARTICLE X

RECORDS

Section 1. RECORDS AND AUDITS. The Board of Managers/Directors shall keep detailed records of the actions of the Board of Managers/Directors, minutes of the meetings of the Board of Managers/Directors, minutes of the meetings of the lot owners, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each lot which, among other things, shall contain the amount of each assessment of common charges against such lot, the date when due, the amounts paid thereon and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the Association shall be rendered by the Board of Managers/Directors to all lot owners at least annually. All of the above records and information shall be made available to either owner at any time upon reasonable notice.

ARTICLE XI

AMENDMENT TO BY-LAWS

Section 1. AMENDMENT TO BY-LAWS. At any time prior to December 31, 2004, these By-Laws may be amended by the developer/declarant at its discretion, but not to impair the property value of the lot owners. Thereafter, these By-Laws may be amended by vote of the owners of two-thirds (2/3) of the members of the Homeowners Association, provided, that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements as herein provided, or affect any lien for the payment thereof established herein. In no event may the Declaration be

amended so as to deprive the Declarant of any rights herein granted or reserved unto Declarant.

The foregoing were adopted as the By-Laws of CYPRESS ISLAND TOWNHOMES ASSOCIATION, INC. at the meeting of its Board of Directors held on the 30th day of September, 1997.

Certified to be correct, this the 30th day of September, 1997.

Secretary of First Meeting of
Board of Managers/Directors of
CYPRESS ISLAND TOWNHOMES ASSOCIATION, INC.

SCHEDULE A

RULES AND REGULATIONS
OF
CYPRESS ISLAND TOWNHOMES

1. No boats, trailers, bicycles, scooters, baby carriages, or similar vehicles or toys or other personal articles shall be allowed to stand in any of the common areas without consent of the Board of Managers/Directors.

2. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the lots in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of other owners.

3. Each owner shall keep such owner's lot in a good state of preservation and cleanliness and shall not sweep or throw or permit anything to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

4. All garbage and refuse from the lots shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Managers/Directors may direct.

5. Nothing shall be altered or constructed in or removed from the General Common Area or Elements, except upon the written consent of the Board of Managers/Directors.

6. All radio, television or other electrical equipment of any kind or nature installed or used in each lot shall fully comply with all rules, regulations, requirements, or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the lot owner alone shall be liable for any damage or injury caused by any radio, television, or other electrical equipment in such lot.

7. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such a manner as to impede or prevent ready access to another owner's lot. The owners, their employees, servants, agents, visitors, licensees and the owner's family will obey the parking regulation posted on the private streets and drives and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the owners.

8. All damage to the lots caused by the moving or carrying of any article therein shall be paid by the owner responsible for the presence of such article.

9. The owners shall not be allowed to put their names on any entry of the lots except in the proper places provided for such purpose.

10. Draperies, blinds, or curtains must be installed by each Lot Owner on all windows of his unit and must be maintained in such windows at all times.

11. Any damage to the buildings, recreational facilities, or other common areas or equipment caused by children or their guests shall be repaired at the expense of the lot owner/parent.

12. Any consent or approval given under these Community rules by the Board of Mangers shall be revocable at any time.

13. These Community Rules may be added to or repealed at any time by the Board of Managers/Directors.

14. No rentals or subrentals of any units will be permitted for a period of less than twelve (12) consecutive months.

15. The Board of Managers/Directors must be given a copy of all leases prior to units being occupied by tenants, to ensure the enforcement of regulation 21.

16. No commercial business may be conducted from any lot.