

Rules and Regulations Governing Lease or Rental of Lots

Pursuant to, among other provisions, Article VIII, Section 4 of the Sunalei Preserve Declarations of Restrictions (the "Declaration"), the Sunalei Preserve Property Owners' Association, Inc. ("Association") has promulgated the following Rules and Regulations governing the use and occupancy of the Lot(s) (the "Rules and Regulations").

(1) No Lot shall be leased or rented except in strict compliance with these Rules and Regulations and the other Governing Documents (as defined below and in Article I, Section 12 of the Declaration). For purposes of the Governing Documents, a Lot shall be deemed "rented" or "leased" if any occupant pays or provides money or other consideration of any type in exchange for permission to occupy all or any part of a Lot, for any period of time. The terms "rent" and "lease" shall be construed as synonymous in all respects. For purposes of these Rules and Regulations, the term "Lot" shall be construed broadly to include not only the land, but also any improvements situated thereon, and any portion of any such improvements. The term "Owner" shall be construed broadly to include the record owner of the Lot and any other persons or entities acting as agent for the record owner or otherwise acting on the record owner's behalf or at his/her direction.

(2) No Owner shall lease or rent less than his/her entire Lot, it being the express intent of this restriction to prohibit the leasing of any structure(s), room(s) or suite(s) separately from the entire Lot as a whole. No Lot shall be leased or used for any purpose other than single-family residential use as required by Article II, Section 1 ("Use Restrictions: Residential Use") of the Declaration.

(3) There shall be no assignment of leases or sub-leasing of Lots. Every lease shall be in writing and shall provide that it is in all respects subject to the provisions of the Declaration, the Bylaws and any other rules and regulations adopted by the Association (collectively, the "Governing Documents"), and any failure by the lessee to comply with such provisions shall be an immediate default under the lease, provided, however, that the failure of any lease to so provide shall not excuse any person from complying with the Governing Documents. Any Owner who leases his/her Lot shall provide a copy of the Governing Documents to all of his/her tenants and any permitted occupants under the lease. Notwithstanding anything else to the contrary, the Lot Owner is ultimately responsible for any violation(s) of the Governing Documents which are committed or caused by his/her tenants and/or any of their respective family members, guests and invitees.

(4) No Lot shall be leased for a period shorter than three (3) months and it shall be a violation of these Rules and Regulations for any lease to terminate under circumstances which the Board determines to be, in the Board's sole and unfettered discretion, a deliberate attempt by the Owner to circumvent the minimum lease term described herein. In addition, it shall be a violation for any Owner to list, advertise or offer his/her Lot for a period shorter than three (3) months and any listing, advertisement or offer to lease shall affirmatively state that the Lot is

listed, advertised or offered only for a period not less than three (3) months. If any Owner lists, advertises or offers his/her Lot in violation of this rule, each separate listing, advertisement or offer shall constitute a separate violation for each day that such violation continues.

(5) Any Owner who leases his/her Lot shall provide the Association or its authorized managing agent with a true and accurate copy of the fully-executed lease agreement within seven (7) days after the effective date of the lease (i.e., the first day of the initial lease term described in the lease). Such lease shall specify the full name and date of birth of each tenant and permitted occupant under the lease.

(6) No Lot shall be leased to any person who is registered (or who is required to be registered) on any sex offender registry maintained in any jurisdiction, including, without limitation, the North Carolina Sex Offender Registry administered by the NC State Bureau of Investigation (hereinafter, a "Sex Offender"). Any Owner who leases his/her Lot to a person who is or becomes a Sex Offender during any lease term shall immediately (i) terminate the lease, and (ii) take any and all lawful action required in order to evict the Sex Offender from the Lot.