

SETTLEMENT AGREEMENT

This Settlement Agreement entered into as of the 29th day of September 2014, by and between Middle Island Plantation, LLC ("MIP") and Young Realty Company, Inc. ("Young Realty") and Middle Island Marina, Inc. (but only for the purpose of conveying the Marina parcel), on behalf of itself and its parent and affiliate entities (collectively, the "Young Entities") and their respective officers, directors, members, and shareholders and Middle Island Property Owners Association, Inc. ("MIPOA," sometimes referred to together with the Young Entities as the "Parties").

RECITALS:

WHEREAS, by Corporate Deed recorded in Book 399, at Page 448 of the Brunswick County, North Carolina Registry (the "Corporate Deed"), Young Realty acquired from Bald Head Island Corporation certain real property comprising Middle Island, Bald Head Island, North Carolina (the "Middle Island Properties"); and

WHEREAS, Young Realty is the developer of the Middle Island Properties; and

WHEREAS, MIP is the successor-in-interest to Young Realty with respect to the development of the Middle Island Properties; and

WHEREAS, the Middle Island Properties are subject to certain covenants and restrictions set forth in the Corporate Deed and in the Amendment to Declaration of Covenants, Conditions and Restrictions for Middle Island Plantation recorded in Book 824, at Page 315 of the Brunswick County Registry (collectively, the "Covenants and Restrictions"); and

WHEREAS, since Young Realty's acquisition of the Middle Island Properties, Young Realty or the Young Entities have maintained the roadways and other common area and amenities enjoyed by Middle Island property owners; and

WHEREAS, MIPOA is a non-profit corporation comprised of owners of Middle Island lots; and

WHEREAS, MIP, Young Realty, and the Young Entities wish to transition out of any role related to the development of Middle Island and to turn over control of the roadways and amenities to MIPOA, and instead own and ultimately convey their remaining unsold lots on the same terms as any other Middle Island property owner; and

WHEREAS, MIPOA wishes to assume control over the roadways and amenities.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Conveyance by Young Entities. The following assets and amenities situated within the Middle Island development of Bald Head Island, North Carolina shall be conveyed to MIPOA by bill of sale, quitclaim deed or, in the case of the Marina parcel, warranty deed, free and clear of all liens but subject to any easements, restrictions, and encumbrances of record:

- a) The roads, rights of way and easements pertaining to the roads shown on the recorded plats;
- b) Triangular lot at entrance to Middle Island (Parcel 26500074);
- c) Reserve areas 4 and 5 (Parcels 26400061 & 26400060);
- d) The existing beach access located between lots 187 and 188;
- e) Tractor, truck, and equipment presently located in the maintenance building;
- f) The marina and boathouse (Parcel 26000042);
- g) The Bald Island Creek docks;
- h) The areas depicted in yellow highlighting on Exhibit A hereto; and
- i) Parcel #26500068 (the parking area in front of lot 201, 7 Cape Creek Road).
- j) Any other real property conveyed to Young Entities by Bald Head Island Corporation by the deed recorded in Book 399 Pages 448-460 and still owned by Young Entities, including but not limited to any real property conveyed by Bald Head Island Corporation to Young Realty Co., Inc. that lies between platted roads and the MHW mark. except:
 - Property owned by Young Entities currently platted as lots which contain 0.5 acres or more, and
 - The part of the Adjacent Property lot not shown in yellow on Exhibit A,” specifically Lot 196, Lot 207, and the portion of the Middle Island Swim and Racquet Club appearing in white within the black boundary lines on Exhibit A.

The Young Entities make no representations or warranties as to title except as to warranty deed for the Marina parcel and, except as provided below, they make no representations concerning the conditions of the amenities.

2. Assignment of Lease. The Young Entities shall exercise their best efforts to cause the lease agreement with BHI Conservancy for the maintenance building to be assigned to MIPOA.

3. Floating Dock/Gangway. As soon as possible and prior to November 30, 2014, the Young Entities shall, at their expense, complete in compliance with applicable building codes and CAMA regulations the installation of a floating dock, aluminum gangway, and three pilings at the dock situated at Bald Head Island Creek and the aluminum gangway on the Cape Creek Marina. The cost of the work is estimated to be between \$25,000 and \$40,000.

4. Bulkhead Inspection and Repair. The Young Entities will, at their own expense, including design and engineering expenses, perform the necessary repairs or remediation and obtain a certification for MIPOA from their engineer Bruce Marek prior to November 30th, 2014 that the BulkHead on Bald Head Creek was completed in accordance with Mr. Marek's plans and specifications.

5. Use of Boathouse. The Young Entities reserve the right to use the boathouse until such time as the boat (the 22' SeaHunt) they currently store in the boathouse is no longer useable. During the period of the Young Entities' use, they shall maintain it in good condition. MIPOA shall have no responsibility for maintaining or repairing the boat house or replacing it in the event of substantial damage or total loss. Consistent with the foregoing, such responsibility shall be that of the Young Entities.

6. Other Refurbishments or Replacements Prior to Closing. Following consultation with the President of MIPOA or other designee, the Young Entities may make such major refurbishments or replacements to the assets described in Paragraph 1 as they and MIPOA agree are necessary or desirable, prior to closing. All parties understand it is important that for the Young Entities to obtain credit pursuant to 7. below, the Young Entities and MIPOA agree on the refurbishment and/or replacement to be undertaken, the scope of work, including contractor and the price.

7. Payment to MIPOA. At closing, the Young Entities shall cause to be paid the total sum of \$608,000.00 to MIPOA, provided, however, that this amount shall be reduced by the cost of any refurbishments or replacements undertaken after execution of the Settlement Agreement, pursuant to paragraph 6, but not paragraph 4, of this Agreement.

8. Written Correspondence to MIPOA Members Prior to Closing. All further written correspondence to the membership of MIPOA or residents of Middle Island prior to the closing shall be jointly authored by the Young Entities and MIPOA. All such correspondence is to be cleared through Charles and/or Patricia Young for the Young Entities and the President of the MIPOA or other designee. Notwithstanding the above, if MIPOA and the Young Entities cannot reasonably agree on language, either party may communicate with property owners but agrees to do so in a dignified and factual manner. This provision does not restrict or limit in any way individual board members in their communications with membership of MIPOA or residents of Middle Island regarding any aspect of the transfer or agreement.

9. Indemnification. MIPOA agrees to indemnify and hold the Young Entities (to include, without limitation, Young Realty, MIP, and Middle Island Marina, Inc., and their respective officers, directors, shareholders, members, employees, agents, and parent, affiliate, and subsidiary entities) harmless against any and all claims, actions, causes of action, damages arising after the Closing related to the Middle Island amenities conveyed to MIPOA pursuant to this Agreement. Solely for clarification purposes this indemnification and holdharmless shall only apply to the assets and amenities conveyed to MIPOA and not to the process of adopting the Planned Community Act or other matters related thereto including the amendments to any covenants and/or restrictions. If MIPOA elects to purchase insurance coverage, MIPOA shall exercise its best efforts to have the Young Entities named as additional insureds on the MIPOA policy.

10. Rights Under Covenants. The Young Entities will transfer to MIPOA any and all rights they may have retained as the developer in the Covenants and Restrictions, including but not limited to any rights they each might have to assess Middle Island property owners, and shall exercise their best efforts to ensure that Bald Head Island Limited ("BHIL") shall transfer to MIPOA all such rights BHIL may have in the Covenants and Restrictions. This shall include any and all rights to enforce any provisions relating to land use, assessment or subdivision for Middle Island properties that are currently enforceable by the Young Entities. The transfer of all BHIL's rights in the Covenants and Restrictions (subject to 13. below) to MIPOA shall be a condition to Closing.

11. Closing. Closing shall occur no later than February 28, 2015 unless extended per 18. below. The Young Entities will transfer the assets to be conveyed in substantially the same condition as the assets existed as of the execution of this agreement reasonable wear and tear and changes made pursuant to this agreement excepted. It being the intent of the parties that there shall be no requirement for MIPOA to close this transaction and accept the assets if prior to Closing the assets are substantially damaged by hurricane or otherwise. Once the assets are transferred to MIPOA, MIPOA shall be liable for their maintenance and upkeep.

12. MIPOA's Obligation to Complete Roadways. MIPOA shall complete the re-grading of the Middle Island roadways no later than December 31, 2015 in the following manner: Scarify, remove berm from shoulder, add variable depth of gravel (averaging 3-4"), crown the road, add binder, and recompact as appropriate for a resurfaced gravel road..

13. Transfer of Architectural Review Rights. The Young Entities shall exercise their best efforts to cause the Middle Island developer's architectural review rights to transfer to MIPOA, provided, however, that MIPOA shall continue the existing review relationship with the Bald Head Association at the time of closing and until such time as the Young Entities sell the last of their remaining lots at Middle Island.

14. Middle Island Racquet and Swim Club. The parties agree to the following provisions governing future use and control of the Middle Island Racquet and Swim Club ("Racquet and Swim Club"): 1) The Young Entities may continue to operate the Racquet and Swim Club for private individual member use predominantly for the benefit of Middle Island property owners provided however in all events they can have up to five non Middle Island

property owners as members with each lot being counted as one member; 2) Middle Island property owners, through an equity membership or other arrangement, may enter into an agreement with the Young Entities to own and control the Racquet and Swim Club for use predominantly for the benefit of Middle Island property owners; and 3) the Young Entities may elect to combine the Racquet and Swim Club lot with the adjacent Lot 196 to create a single residential lot. If none of the foregoing options is possible or feasible, then the Young Entities may convert the existing Racquet and Swim Club into a saleable residential lot or other use acceptable to MIPOA. "At the time of closing, the Young Entities will place a restrictive covenant on the RSC property stating that 1) the property may not be used for any purpose other than a Racquet and Swim Club operated primarily for the benefit of individuals owning property on Middle Island, or a single family residential lot, either as the existing parcel or as a parcel formed by combination with adjacent property, and 2) following any conversion to a residential lot, the property may only be used for that purpose. The restrictive covenant will run with the land and will be enforceable by the MIPOA."

15. Release by MIPOA. Except as necessary to enforce the terms of this Agreement, MIPOA, on behalf of itself, its predecessors, successors and assigns, hereby forever releases and discharges Young Realty, MIP and Middle Island Marina, Inc., and their respective officers, directors, shareholders, members, affiliates, employees, agents, attorneys, predecessors, successors and assigns (herein, collectively, the "Young Released Parties") from any and all claims, demands, causes of action, damages, costs, attorney's fees or liabilities, which MIPOA may now have or have in the future, whether known or unknown; provided, however, that nothing in this Agreement shall preclude MIPOA from enforcing the terms of this Agreement.

16. Release by Young Entities. The Young Entities, on behalf of themselves and their respective officers, directors, shareholders, members, predecessors, successors and assigns, hereby forever release and discharge MIPOA, its members and its directors and officers, shareholders, affiliates, employees, agents, attorneys, predecessors, successors and assigns (herein, collectively, "MIPOA Released Parties"), from any and all claims, demands, causes of action, damages, costs, attorney's fees or liabilities, which the Young Parties may now have or have in the future, whether known or unknown; provided, however, that nothing in this Agreement shall preclude the Young Entities from enforcing the terms of this Agreement.

17. Costs. Each of the Parties shall bear its own attorney's fees, costs and expenses, except as provided above.

18. Condition to Performance and Enforcement of Agreement. This Agreement is expressly conditioned upon its ratification by a vote of at least 2/3 of the residential lots comprising Middle Island by December 31, 2014. The parties recognize there may be difficulty getting the requisite approval by December 31, 2014 and agree to work diligently to achieve this goal but also agree that since some of this will be outside their control they will work together to extend the time frame so that the requisite approval can be obtained. If the time frame is extended past December 31, 2014 then the Closing will also be extended until the later of February 28th, 2015 or 30 days after obtaining the requisite approval.

19. Amendment. This Agreement cannot be altered, amended, or modified in any respect, except by a writing duly executed by the parties. The timelines set forth in this Agreement may be extended by mutual agreement of the Young Entities and MIPOA.

20. Representations and Warranties.

a. Full Capacity and Authority. The Parties signing this Agreement each represent and warrant that they have full authority and representative capacity to execute this Agreement on behalf of the entity for whom they purport to act as stated herein and that this Agreement constitutes the valid and binding obligation of the parties to this Agreement.

b. No Representations. The Parties represent that neither of them has made any representations to the other to induce this compromise, except as set forth in this Agreement.

21. Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters set forth herein and supersedes all previous negotiations and discussions, agreements and understandings regarding such matters.

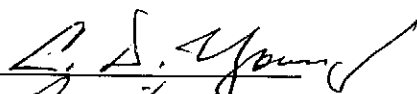
22. Severability. In the event any of the provisions (or portions thereof) contained herein are held to be enforceable or invalid by a court of competent jurisdiction, the remaining provisions of the Agreement shall be fully enforceable.

23. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.

24. Cooperation of the Parties. The Parties agree to cooperate to accomplish the purposes of this Agreement, and to execute all documents necessary to enforce its terms and to take all additional actions which are necessary (including, if necessary, subsequent to Closing) and appropriate to give full force and effect to the terms and intent of this Agreement.

25. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

MIDDLE ISLAND PLANTATION, LLC

By: 
Title: President

MIDDLE ISLAND PROPERTY OWNERS
ASSOCIATION, INC.

By: 
Title: President

YOUNG REALTY COMPANY, INC.

By: *A.S. Young*
Title: *President*

MIDDLE ISLAND MARINA, INC.
Only for the purpose of conveying the Marina to MIPOA

By: *A.S. Young*
Title: *President*