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STATE OF NORTH CAROLINA
COUNTY OF BURKE

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
THE SETTINGS OF LAKE RHODHISS

GRANTOR: THE SETTINGS OF LAKE RHODHISS, LLC,
A GEORGIA LIMITED LIABILITY COMPANY

PREPARED BY AND RETURN TO:
SUSAN S. BARBOUR, ESQ
McGuire, Wood & Bissette, PA
48 Patton Avenue
Asheville, NC 28801

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS	2
1 1	"Act"	2
1 2	"Additional Property"	2
1 3	"Area of Common Responsibility"	2
1 4	"Articles of Incorporation" or "Articles"	2
1.5	"Association"	2
1 6	"Board of Directors" or "Board"	2
1.7	"Builder/Owner"	2
1 8	"By-Laws of the Association" or "By-Laws"	2
1 9	"Carolina Centers, LLC deed restrictions"	2
1 10	"Clean Water of NC, LLC Conservation Easement"	2
1 11	"Common Area"	2
1 12	"Common Expenses"	3
1.13	"Community"	3
1.14	"Community-Wide Standard"	3
1 15	"Cost Sharing Agreement"	3
1 16	"County"	3
1 17	"Days"	3
1 18	"Declarant"	3
1 19	"Declaration"	3
1 20	"Design Guidelines"	4
1 21	"Design Review Board"	4
1.22	"Development Period"	4
1 23	"Exclusive Common Area"	4
1 24	"Foreclosure"	4
1 25	"General Assessments"	4
1.26	"Governing Documents"	4
1 27	"Institutional Mortgage"	4
1.28	"Lot"	4
1.29	"Majority"	5
1 30	"Member"	5
1.31	"Modifications Committee"	5
1 32	"Mortgage"	5
1 33	"Mortgagee"	5
1 34	"Owner"	5
1.35	"Parcel"	5
1 36	"Parcel Assessments"	5
1 37	"Person"	5
1.38	"Phase"	5
1 39	"Properties"	6
1 40	"Public Records"	6
1 41	"Residential Unit"	6
1 42	"Right of First Refusal"	6

1 43	"Rules and Regulations"	6
1.44	"Special Assessments"	6
1.45	"Specific Assessments"	6
1 46	"Subdivision Plats"	6
1 47	"Supplemental Declaration"	6
ARTICLE 2	PROPERTY RIGHTS	6
2 1	Development of the Properties	6
2.2	Development of Additional Property	7
2 3	Easement of Enjoyment	7
2.4	Exclusive Common Area	8
2 5	No Partition	9
2 6	Interest Subject to Plan of Community	9
2 7	Subdivision Plat	9
2 8	Property Rights	9
ARTICLE 3:	MEMBERSHIP AND VOTING RIGHTS	10
3.1	Membership	10
3.2	Multiple Owners	10
3 3	Voting	10
3.4	Exercise of Voting Rights	11
3.5	Declarant Control	11
ARTICLE 4	RIGHTS AND OBLIGATIONS OF THE ASSOCIATION	11
4 1	Function of Association	11
4.2	Common Area	11
4 3	Services	12
4 4	Personal Property and Real Property for Common Use	12
4 5	Power of Contract	12
4 6	Rules and Regulations	12
4 7	Enforcement	13
4 8	Implied Rights	15
4 9	Indemnification	15
4 10	Security	15
4 11	Power to Assess	16
4.12	Board Right to Act	16
ARTICLE 5	MAINTENANCE	16
5.1	Association's Responsibility	16
5 2	Owner's Responsibility	18
5 3	Standard of Performance	19
5 4	Cost Sharing Agreements	19
ARTICLE 6	INSURANCE AND CASUALTY LOSSES	19
6.1	Insurance and Casualty or Liability Losses	19
6.2	Disbursement of Proceeds	21

6 3	Damage and Destruction _____	22
6 4	Repair and Reconstruction _____	22
6 5	Lot Owner's Responsibility _____	22
ARTICLE 7.	ANNEXATION AND WITHDRAWAL OF PROPERTY _____	23
7 1	Annexation Without Approval of Class "A" Membership _____	23
7 2	Annexation With Approval of Class "A" Membership _____	23
7.3	No Restrictions _____	24
7 4	Amendment _____	24
7.5	Withdrawal of Property _____	25
ARTICLE 8.	ASSESSMENTS _____	25
8.1	Creation of and Obligation for Assessments _____	25
8 2	Commencement of Assessments _____	26
8.3	Computation of General Assessments _____	27
8 4	Special Assessments _____	28
8 5	Specific Assessments _____	28
8 6	Foreclosure of the Lien for Assessments _____	28
8 7	Failure to Assess _____	29
8 8	Exempt Property _____	29
8.9	Surplus Funds _____	29
ARTICLE 9:	PREFERRED BUILDER REQUIREMENT/ARCHITECTURAL STANDARDS _____	29
9 1	General _____	29
9.2	Preferred Builder Program _____	29
9 3	No Liability for Preferred Builder Program _____	30
9 4	Design Review Board _____	30
9 5	Submissions to Design Review Board _____	32
9 6	The Modifications Committee _____	34
9.7	Commencement of Construction and Occupancy of Residential Units _____	35
9 8	Approval of Plans _____	35
9 9	Construction Criteria and Requirement of Compliance With Law _____	35
9 10	Land Use and Building Type _____	36
9 11	No Waiver of Future Approvals _____	39
9 12	Variance _____	39
9 13	Limitation of Liability _____	39
9.14	Enforcement _____	39
ARTICLE 10:	USE RESTRICTIONS _____	40
10.1	Use Restrictions _____	40
10 2	Occupants Bound _____	41
10 3	Leasing _____	41
10 4	Residential Use _____	41
10 5	Vehicles _____	42
10 6	Use of Common Area _____	43

10.7	Animals and Pets	44
10.8	Nuisance	45
10.9	Storage of Materials, Garbage, Dumping, Etc.	45
10.10	Combustible Liquid	46
10.11	Guns	46
10.12	Subdivision of Lot	46
10.13	Drainage and Grading	46
10.14	Irrigation	47
10.15	Streams	47
10.16	Wetlands	47
10.17	Temporary Structures	47
10.18	Garbage Cans, Woodpiles, etc	47
10.19	Solar Devices	48
10.20	Above-Ground Pools	48
10.21	Oil and Mining Operations	48
10.22	Transmission and Reception Devices	48
ARTICLE 11	EASEMENTS	48
11.1	Reserved Easements	48
11.2	Owner's Right to Ingress, Egress, Use and Support	49
11.3	Easement for Additional Property	49
11.4	Easement for Association	49
11.5	Maintenance Easement	50
11.6	Alterations in Boundaries, Additions to Common Area	50
11.7	Easement of Encroachment	50
11.8	Use of Common Area	50
11.9	Acknowledgment of Rights and Use	51
11.10	Conveyance of Common Area	51
11.11	Construction and Sale Period	51
11.12	Easements for Utilities, Road Grading, etc.	51
11.13	Easement for Law Enforcement and Fire Protection	52
11.14	Assignment of Declarant Rights	52
11.15	Easement for Walks, Trails, Signs and Perimeter Walls	52
11.16	Easements for Lateral Support	53
11.17	Easement for Special Events	53
11.18	Easement for Park and Walking Trail Access	53
11.19	Liability for Use of Easements	53
11.20	Duke Energy Easement and Contract	53
11.21	Environmental Easement	54
ARTICLE 12	MORTGAGEE'S RIGHTS	54
12.1	Notice of Action	54
12.2	Other Provisions for First Lien Holders	54
12.3	Amendments to Documents	55
12.4	Special FHLMC Provision	56
12.5	Payment of Taxes	57

12.6	No Priority	57
12.7	Notice of Default	57
ARTICLE 13. DECLARANT'S RIGHTS		57
13.1	Transfer or Assignment	57
13.2	Development and Sales	57
13.3	Improvements to Properties	58
13.4	Additional Covenants	58
13.5	Amendments	58
13.6	Additional Covenants and Easements by Declarant	58
13.7	Water and Sewer Systems	58
13.8	Annexation by Town of Valdese	59
13.9	Reservation of Rights under the Act	59
ARTICLE 14. RIGHT OF FIRST REFUSAL		59
14.1	Applicability	59
14.2	Right of First Refusal	59
14.3	Death of an Owner; Gift	60
14.4	Transfers to Declarant	60
14.5	No Further Documentation Required	61
ARTICLE 15. PLAN OF DEVELOPMENT ALONG ADJACENT LAKE		61
15.1	Construction of Docks and Bulkheads	61
15.2	Plans and Specifications; Siting	61
15.3	Governmental Approval of Docks	61
15.4	Alteration of Docks	61
15.5	Docks into Lake Rhodhiss Encroaching Upon View	61
15.6	Private Dock Access Easements	62
ARTICLE 16. GENERAL PROVISION		62
16.1	Duration	62
16.2	Amendment	62
16.3	Severability	63
16.4	Dispute Resolution	63
16.5	Litigation	64
16.6	Non-Merger	64
16.7	Grants	64
16.8	Cumulative Effect; Conflict	64
16.9	Use of Protected Words "The Settings of Lake Rhodhiss"	65
16.10	Compliance	65
16.11	Notice of Sale or Transfer of Title	65
16.12	Variances and Waiver of Restrictions	65
16.13	Merger and Subdivision of Lots	65
16.14	Reservation From Lot Conveyance	65
16.15	Incorporation by Reference	66
16.16	Interpretation	66

16.17	Captions	66
16.18	Gender and Grammar	66
ARTICLE 17. CONDEMNATION		66

TABLE OF EXHIBITS

<u>Exhibit</u>	<u>Subject Matter</u>	<u>Page First Appearing</u>
A	Land Initially Submitted	i
B	Consent of Mortgagee	ii
C	By-Laws of The Settings of Lake Rhodhiss Association, Inc	iii

**DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS
FOR THE SETTINGS OF LAKE RHODHISS**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE SETTINGS OF LAKE RHODHISS (hereinafter referred to as the "Declaration" as defined herein below) is made as of the date set forth on the signature page hereof by The Settings of Lake Rhodhiss, LLC, a Georgia limited liability company (hereinafter referred to as the "Declarant" as defined herein below)

W I T N E S S E T H

Declarant is the owner of the real property described in Exhibit A attached hereto and incorporated herein by this reference. Declarant intends by this Declaration to impose upon the Exhibit A property mutually beneficial restrictions, easements, covenants and conditions under a general plan of improvement and development for the benefit of all owners of property within The Settings of Lake Rhodhiss. Declarant desires to provide a flexible and reasonable procedure for the overall development, administration, maintenance, preservation, use and enjoyment of such property as is now or may hereafter be submitted to this Declaration, and

Declarant has retained and reserved the option, right and privilege, but not the obligation, to annex to the Community and subject to this Declaration all or any portion of the Additional Property, as defined hereinbelow;

NOW THEREFORE, Declarant hereby declares that all of the property described in Exhibit A, and any Additional Property which may be added by subsequent amendment to this Declaration, shall be held, sold, and conveyed subject to the following easements, restrictions, covenants and conditions which shall run with the real property submitted to this Declaration and which shall be binding on all parties having any right, title or interest in the property described on Exhibit "A" and any portion of the Additional Property made subject hereto, their heirs, successors, successors in title, and assigns, and shall inure to the benefit of each owner thereof. By execution hereinbelow, Declarant further declares that this Declaration does not and is not intended to create a unit owners development pursuant to the North Carolina Unit Ownership Act, N.C.G.S.A. § 47A-1, *et seq* or a condominium pursuant to the North Carolina Condominium Act N.C.G.S.A. § 47C-1-101, *et seq* Pursuant to and subject to the terms and provisions of the North Carolina Planned Community Act as set forth in N.C.G.S. § 47F, *et seq*, (the "Act") Declarant hereby creates a planned community subdivision initially comprised of the property described in Exhibit "A".

ARTICLE 1 DEFINITIONS

The terms in this Declaration and the attached exhibits shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below. 1.1 "Act" shall mean and refer to the North Carolina Planned

Community Act as set forth and contained in Chapter 47F of the North Carolina General Statutes

1 2 “Additional Property”: Shall mean and refer to any property as may be adjacent to or contiguous with the Exhibit “A” Property. Property shall be deemed to be adjacent to or contiguous with the Exhibit “A” Property if it physically connects to such property, at any point, or if it is separated only by a road, public or private, or water course, including any river, creek or lake

1 3 “Area of Common Responsibility”: The Common Area, together with those areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenant, contract or agreement

1 4 “Articles of Incorporation” or “Articles”. Shall mean or refer to the Articles of Incorporation of the Association as amended from time to time

1.5 “Association” Shall mean and refer to The Settings of Lake Rhodhiss Association, Inc , a North Carolina non-profit corporation, its successors and assigns.

1.6 “Board of Directors” or “Board” Shall mean and refer to the board of directors of the Association having its normal meaning under the North Carolina Non-Profit Corporation Act and Law

1 7 “Builder/Owner”: Shall mean and refer to the Owner of a Lot, which Owner is designated, in writing, as a Builder/Owner by Declarant who, as a primary vocation, is in the business of construction of Residential Units and who owns such Lot for the purpose of development of a Residential Unit thereon and the sale thereof to a third party.

1 8 “By-Laws of the Association” or “By-Laws”. Shall mean and refer to the by-laws of the Association which govern the administration and operation of the Association, as the same may be amended from time to time

1 9 “Carolina Centers, LLC Deed Restrictions”: shall mean and refer to that North Carolina Special Warranty Deed from Carolina Centers, LLC and Crescent Resources, LLC, Grantor to The Settings of Lake Rhodhiss, LLC recorded in Book 1632, at Page 148 of the Burke County, NC Registry

1 10 “Clean Water of NC, LLC Conservation Easement”: shall mean and refer to that Deed of Conservation Easement between Carolina Centers, LLC and Clean Water of NC, LLC recorded in Book 1632, at Page 129 of the Burke County, NC Registry

1 11 “Common Area” Shall mean or refer to all real and personal property now and hereafter owned by the Association for the common use and enjoyment of the Owners or otherwise made available for the use and enjoyment of the Owners. The Common Area shall

include, but not be limited to, the roads, streets, entrance ways, recreational areas, street lighting and signage located on property owned by the Association or made available for the use and enjoyment of the Owners. Pursuant to N C G S § 136-102 6, all future owners acknowledge that the road rights of ways as shown on the subdivision plats are private road rights of ways dedicated to the public use and may not be developed to State of North Carolina Department of Transportation specifications.

1.12 “Common Expenses”. Shall mean and refer to the actual and estimated expenses of operating the Association and the Community, including any reasonable reserve, all as may be imposed hereunder and found to be necessary and appropriate by the Board pursuant to this Declaration, the By-Laws and the Articles of Incorporation.

1.13 “Community”. Shall mean and refer to that certain real property described in Exhibit “A” attached hereto and such additions thereto as may be made by Declarant by any Supplemental Declaration or amendment hereto which annexes to this Declaration all or any portion of the Additional Property

1.14 “Community-Wide Standard”. Shall mean the standard of conduct, maintenance or other activity generally prevailing in the Community as determined by the Declarant for so long as the Development Period continues and thereafter as determined by the Board.

1.15 “Cost Sharing Agreement”: Any agreement, contract or covenant between the Association and an owner or operator of other property adjacent to, in the vicinity of or within the Community for the allocation of expenses for amenities and/or services that benefit both the Association and the owner or operator of such property.

1 16 “County” Burke County, North Carolina

1 17 “Days” Calendar days, provided, however, if the time period by which any action required hereunder must be performed expires on a Saturday, Sunday or legal holiday, then such time period shall be automatically extended to the close of business on the next regular business day.

1 18 “Declarant” Shall mean The Settings of Lake Rhodhiss, LLC, the owner of the Properties submitted hereto, together with any successor in title who comes to stand in the relation to the Community as his predecessor Notwithstanding the foregoing, the phrase “Owner” as referred to in this definition shall not include in its capacity as such any Mortgagee except for such Mortgagee who acquires said Declarant’s entire interest with respect to the Properties and the Additional Property at the time of such acquisition pursuant to Foreclosure of a Mortgage encumbering said Declarant’s interest in the Properties and the Additional Property and who then expressly assumes the position of Declarant.

1 19 “Declaration” Shall mean and refer to this Declaration of Covenants, Conditions and Restrictions and all amendments and Supplemental Declarations thereto filed for record in the Public Records of the County.

1.20 “Design Guidelines” The architectural and construction guidelines and application and review procedures applicable to all or any portion of the Community promulgated and administered pursuant to Article 9.

1.21 “Design Review Board” Shall mean and refer to that certain Board/Committee as empowered in accordance with Article 9 hereof.

1.22 “Development Period” The period of time during which the Declarant owns any property which is subject to this Declaration or has the unilateral right to subject Additional Property to this Declaration pursuant to Section 7.1. The Declarant may, but shall not be obligated to, unilaterally relinquish its rights under this Declaration and terminate the Development Period by recording a written instrument in the Public Records.

1.23 “Exclusive Common Area” A portion of the Common Area intended for exclusive use or primary benefit of one or more, but less than all Lots, as more particularly described in Article 2.

1.24 “Foreclosure”. Shall mean and refer to, without limitation, the judicial or non-judicial foreclosure of a Mortgage or the conveyance of a secured party by a deed in lieu of such judicial or non-judicial foreclosure.

1.25 “General Assessments” Assessments levied on all Lots subject to assessment under Article 8 to fund Common Expenses for the general benefit of all Lots, as more particularly described in Article 8.

1.26 “Governing Documents” The Declaration, By-Laws, Articles of Incorporation, Supplemental Declarations, Preferred Builder Program Agreements, Design Guidelines, Rules and Regulations, Cost Sharing Agreements, Clean Water of NC Conservation Easement, Carolina Centers, LLC restrictions and all additional covenants governing any portion of the Properties or any of the above, as each may be amended from time to time.

1.27 “Institutional Mortgage”. Shall mean and refer to a Mortgage held by a bank, trust company, insurance company, or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation.

1.28 “Lot”. Shall mean and refer to a platted portion of the Properties other than the Common Area, intended for independent use or ownership. Lots shall be shown on the plats of survey filed with this Declaration in the Public Records of the County, or amendments thereto, or may be further described in any amendment to this Declaration or Supplemental Declaration which may be made applicable to all or any portion of the Properties. The term “Lot” shall include within its meaning, but shall not be limited to, a numbered parcel identified on a plat of the Properties recorded in the Public Records which is intended for independent ownership and shall, for all purposes, include the Residential Unit as may be located thereon.

1.29 “Majority”: Those votes, Owners, members, or other group, as the context may indicate, totaling more than fifty percent (50%) of the total eligible number.

1.30 “Member”. Shall mean and refer to a person or entity entitled to membership in the Association as provided herein

1.31 “Modifications Committee”. Shall mean and refer to that certain Committee of the Association as empowered in accordance with Article 9 hereof

1.32 “Mortgage”. Shall mean and refer to a deed to secure debt, deed of trust, as well as a Mortgage or deed of trust, and a “First Mortgage” is a first priority deed to secure debt, deed of trust or mortgage

1.33 “Mortgagee”. Shall mean and refer to the grantor, holder or beneficiary of a Mortgage or deed of trust

1.34 “Owner”: Shall mean and refer to the record owner, whether one or more persons or entities, of any Lot which is part of the Properties but excluding in all cases any party holding an interest merely as security for the performance of an obligation. When the term Owner is used it shall include a Builder/Owner, unless the context otherwise so requires.

1.35 “Parcel” Shall mean and refer to designated subdivisions of Property subject to this Declaration and comprised of one or more Lots. In the absence of a specific designation of separate Parcel status, all property within a Phase shall be considered as part of the same Parcel; provided, however, the Declarant may designate so long as the Declarant owns a Lot by certification recorded in the Public Records that such Property shall constitute a separate Parcel or Parcels and provided, further, a Parcel may include more than one Phase if so designated by Declarant. A Parcel may be smaller or larger or coterminous with any and all Phases. A Parcel may be established, by way of example and not limitation, to include only interior Lots, waterfront Lots, or other Lots similarly situated one to the other, provided that this shall not be a limitation in the creation of a Parcel but rather an example thereof.

1.36 “Parcel Assessments”. Shall mean and refer to Assessments for Common Expenses provided for herein or by any Supplemental Declaration or amendments hereto or thereto which are used for the purpose of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners within a specific Parcel, including but not limited to, the maintenance of Property within a given Parcel

1.37 “Person” A natural person, a corporation, a partnership, a limited liability company, a fiduciary acting on behalf of another Person or any other legal entity.

1.38 “Phase”: Shall mean and refer to the increments of Property subjected to this Declaration including the initial Phase described on Exhibit “A” hereto and subsequent Phases described in any amendments or Supplemental Declarations annexing all or any portion of the Properties hereto, each such described Property being a separate Phase.

1.39 “Properties” Shall mean and refer to the real property described on Exhibit “A” attached hereto and shall further refer to such Additional Property or part thereof when and if such is annexed by amendment or Supplemental Declaration to this Declaration. The Properties shall include the Common Area

1.40 “Public Records”. The Office of the Register of Deeds of the County.

1.41 “Residential Unit”: Shall mean and refer to any portion of the Properties intended for use and occupancy as a residence or accommodation by a single household and shall, unless otherwise specified, include within its meaning by way of illustration and not limitation, single-family detached homes. For purpose of this Declaration, a Residential Unit shall come into existence when substantially complete.

1.42 “Rules and Regulations” Shall mean and refer to those Rules and Regulations as promulgated by the Board of Directors of the Association pursuant to this Declaration and By-Laws.

1.43 “Right of First Refusal”: Shall mean and refer to those rights of repurchase reserved by the Declarant in accordance with Article 14

1.44 “Special Assessments”: Assessments levied in accordance with Section 8.4

1.45 “Specific Assessments” Assessments levied in accordance with Section 6.4 or Section 8.5.

1.46 “Subdivision Plats” Shall mean and refer to the Plats recorded by Declarant in the Public Records which depict the Lots within the Community or any Phase of the Properties

1.47 “Supplemental Declaration” Shall mean and refer to a Declaration of Covenants, Conditions and Restrictions which, from and after date of recording of this Declaration, may be executed by Declarant or approved, in writing, by Declarant which, by its terms, provides for restrictions on the use of Property or respective Phase or Parcel in a specified manner, as set forth therein. By way of example and not limitation, a Supplemental Declaration may establish supplemental restrictive covenants, conditions or restrictions applicable to a Phase or Parcel which provide for restrictions regarding design guidelines for Residential Units or provide for supplemental restrictive covenants, conditions or restrictions as may be applicable to any respective portion of the Properties annexed and made subject to the terms of this Declaration.

ARTICLE 2 PROPERTY RIGHTS

2.1 Development of the Properties Except as otherwise set forth in Section 10.4, or as permitted by a Supplemental Declaration as may be applicable to a respective Phase, all Lots within the Properties (i) shall be and are hereby restricted exclusively to single-family residential use (ii) shall be developed and built upon only for detached single family dwelling purposes and (iii) shall be subject to the standards and restrictions set forth in this Declaration including, specifically,

Article 9 hereof and Design Guidelines adopted pursuant to this Declaration. Declarant shall have the right, but not the obligation, during the Development Period to make improvements and changes to all Common Area and to all Lots owned by Declarant, including, without limitation, (i) installation and maintenance of any improvements in and to the Common Area, (ii) changes in the location of the boundaries of any Lots owned by Declarant or of the Common Area, (iii) installation and maintenance of any water, sewer, and other utility systems and facilities, and (iv) installation of refuse facilities.

2.2 Development of Additional Property. Declarant hereby reserves the option, right and privilege (but not the obligation), to be exercised in its sole discretion, to submit from time to time the Additional Property or a portion or portions thereof to the provisions of this Declaration and thereby to cause the Additional Property or a portion or portions thereof to become part of the Properties. This option, right or privilege may be exercised only by Declarant in accordance with the terms, conditions, and limitations set forth in Article 7 herein below, which are the only terms, conditions and limitations on such option, right and privilege to add all or any portion of the Additional Property to the Properties.

2.3 Easement of Enjoyment. Every Owner, including each Builder/Owner, shall have a right and easement of enjoyment in and to the Common Area subject to any restrictions, limitations, or provisions contained in the Governing Documents. Such right and easement may be exercised by the Owner, including Builder/Owner, as the case may be, and the members of their respective family and their respective tenants, licensees and invitees, subject to such reasonable regulations and procedures as may be adopted by the Board. An Owner, including each Builder/Owner, may assign to any tenant thereof all rights of access to and use of the Common Area so that such tenant, and its respective licensees and invitees shall be entitled to access to and use and enjoyment of the Common Area on the same basis as the assignor and his family and guests. The aforementioned right and easement of enjoyment shall be appurtenant to and shall pass with the title to every Lot subject to the following easements, reservations, rights and provisions, which are expressly reserved hereby

(a) the right of the Association to suspend an Owner's voting rights, if any, and right to use the facilities as may be located on the Common Area for any period during which (i) any Association assessment against said Owner's property remains unpaid and (ii) for any infraction of the Rules and Regulations for the duration of the infraction and for an additional period thereafter not to exceed thirty (30) days;

(b) the right of the Association to borrow money (i) for the purpose of improving the Common Area, or any portion thereof, (ii) for acquiring additional Common Area, (iii) for constructing, repairing, maintaining or improving any facilities located or to be located within the Common Area, or (iv) for providing the services authorized herein, and, subject to the provisions herein, to give as security for the payment of any such loan a Mortgage; provided, however, no portion of the Common Area may be conveyed or subjected to a security interest by the Association unless persons entitled to cast eighty percent (80%) of the votes of the Association agree in writing to such action, provided, further, that the lien and encumbrance of any such Mortgage given by the Association shall be subject and subordinate to any and all rights, interests, options, licenses, easements and privileges herein reserved or established for the benefit of Declarant, any Owner, or

the holder of any Mortgage, irrespective of when such Mortgage was executed or given. Notwithstanding the above, or any other provision of this Declaration to the contrary, during the Development Period, the Association shall not, without the consent of Declarant, borrow money or pledge, mortgage or hypothecate all or any portion of the Common Area,

(c) the right of the Association to grant and accept easements as provided herein and to dedicate or transfer fee simple title to all or any portion of the Common Area to the County or to any other public agency or authority, public service district, public or private utility, or other Person provided that any such transfer of the fee simple title must be approved by at least eighty percent (80%) of the votes of the Association and by Declarant, during the Development Period, provided nothing herein shall require the County or any public agency or authority of the County to accept any such conveyance until the standards of such proposed grantee have been met and satisfied;

(d) the right of the Declarant, or the Association with the approval of Declarant, to dedicate, transfer, or grant permits, licenses, or easements in and to the Common Area for utilities, roads, and other purposes reasonably necessary or useful for the proper development, maintenance, or operation of the Properties, the Additional Property, and the Association,

2.4 Exclusive Common Area

(a) The Declarant may designate certain portions of the Common Area as Exclusive Common Area which thereby shall be reserved for the exclusive use or primary benefit of Owners and occupants of specified Lots. By way of illustration and not limitation, Exclusive Common Areas may include entry features, private streets, landscaped medians and cul-de-sacs, wells, and shared driveways. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be assessed as a Specific Assessment against the Owners of Lots to which the Exclusive Common Areas are assigned.

(b) Exclusive Common Area shall be designated as such, and the exclusive use thereof shall be assigned, in the deed by which the Common Area is conveyed to the Association, this Declaration, a Supplemental Declaration and/or on the subdivision plat relating to such Common Area, provided however, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Lots during the Development Period. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of a particular Lot and Exclusive Common Area may be reassigned upon approval of the Board and the Majority vote of the total Class "A" Members in the Association, including, if applicable, a Majority vote of the Class "A" Members to which the Exclusive Common Area is assigned, if previously assigned, and to which the Exclusive Common Area is to be assigned or reassigned.

(c) The Association may, upon approval of a Majority vote of the Class "A" Members to which any Exclusive Common Area is assigned, permit Owners of other Lots to use all or a portion of such Exclusive Common Area upon payment of reasonable user fees, which fees shall be used to offset the Specific Assessments attributable to such Exclusive Common Area.

2.5 No Partition Except as is permitted in this Declaration, there shall be no partition of the Common Area or any part thereof, nor shall any person acquiring any interest in any of the Properties or any part thereof seek any such partition, judicial or otherwise, unless the affected area has been removed from the provisions of this Declaration. This section shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration

2.6 Interest Subject to Plan of Community Every Owner of a Lot shall take title to such Lot and every Mortgagee and lienholder holding an interest therein shall take title or hold such security interest with respect thereto subject to this Declaration, as may be amended. Any provision of this Declaration to the contrary notwithstanding, the provisions set forth in this Article 2 may not be abrogated, modified, rescinded, supplemented, or amended in whole or in part without the prior written consent of Declarant during the Development Period

2.7 Subdivision Plat

(a) Declarant reserves the right to record, modify, amend, revise and add to, at any time and from time to time, Subdivision Plat(s) setting forth such information as Declarant may deem necessary with regard to the Properties, including, without limitation, the locations and dimensions of the Lots, Common Area, Additional Property, roads, utility systems, drainage systems, utility easements, drainage easements, access easements, and set-back line restrictions

(b) Until the time a Lot within a respective Parcel or Phase is transferred by the Declarant to another (other than a Builder/Owner, an affiliate of Declarant, or a holder of a First Mortgage), no Owner of any Lot or Residential Unit shall have any rights whatsoever to the continuation of any covenants, or restrictions on such Parcel or Phase as contained herein or as may be imposed, expressly or impliedly, by recordation of any Subdivision Plat or as might otherwise be implied or expressed. In furtherance thereof, until the time a Lot within a respective Parcel or Phase is transferred by the Declarant as aforementioned, the Declarant may revoke or cancel any Subdivision Plat or other instrument which might be deemed, either expressly or impliedly, to impose any covenants, conditions, or restrictions or may take whatever steps it deems necessary or desirable to avoid the implication of such existing

2.8 Property Rights Each Lot shall for all purposes constitute real property which may be owned in fee simple and which, subject to the provisions of this Declaration or any Supplemental Declaration, may be conveyed, transferred, and encumbered the same as any other real property. Each Owner shall be entitled to the exclusive ownership and possession of his Lot, subject to the provisions of this Declaration, including without limitation, the provisions of this Declaration. If any chutes, flues, ducts, conduits, wires, pipes, plumbing, or any other apparatus or facilities for the furnishing of utilities or other services to a Lot is conveyed therewith and lies partially within and partially outside of the designated boundaries of the Lot in question, any portions thereof which serve only such Lot shall be deemed to be a part of such Lot and any portions thereof which serve more than one Lot or any portion of the Common Area, shall be deemed to be part of the Common Area. The ownership of each Lot shall include, and there shall pass with the title to each such Lot as an appurtenance thereto, whether or not separately described, all rights of a Member in the Association and all of the right and interest of use in and to the Common Area as set forth herein

ARTICLE 3: MEMBERSHIP AND VOTING RIGHTS

3.1 Membership. Subject to Section 2 of this Article, every person who is the record owner of a fee or undivided fee interest in any Lot which is subject to this Declaration shall have a membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of any such Lot, and such ownership of a Lot which is subject to this Declaration shall be the sole qualification for such membership. In the event that fee title to such a Lot is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto shall automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include persons who had an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the Owner's membership.

3.2 Multiple Owners. No Owner, whether one or more persons, shall have more than one (1) membership per Lot owned, provided, however, multiple use rights for multiple Owners shall exist subject, however, to the right of the Board to regulate and limit use by multiple Owners. Each Owner, by acceptance of a deed or other conveyance for a Lot, consents and agrees to the dilution of his or her voting interest in the Association by virtue of the submission from time to time of the Additional Property or any portion or portions thereof to the terms of this Declaration as provided herein. The rights and privileges of membership, including the right to vote, may be exercised by a Member or the Member's spouse.

3.3 Voting. The Association shall have two (2) classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" members shall be all Owners, including Builder/Owners, with the exception of the Class "B" Member. Class "A" Members shall be entitled on all issues to one (1) vote for each Lot in which they hold the interest required for membership by Section 3.1 hereof.

(b) Class "B". The Class "B" member shall be the Declarant. Until termination of the Class "B" membership, as provided for below, the Class "B" member shall be entitled to three (3) times the total number of then existing Class "A" votes and the Class "B" member may appoint the members of the Board of Directors and Officers of the Association. The Class "B" membership shall terminate upon the happening of the earlier of the following:

(i) unless Declarant has an unexpired option to add Additional Property, one hundred twenty (120) days after one hundred percent (100%) percent of the Lots contemplated to be part of the Community on the master plan thereof, inclusive of Lots as may exist or come to exist with the Additional Property, have been conveyed to Owners other than Builder/Owners or affiliates of Declarant;

(ii) when, in its discretion, the Declarant so determines; or

(iii) on December 31, 2027.

From and after the happening of these events, whichever occurs earlier, the Class "B" member shall be deemed to be a Class "A" member entitled to one (1) vote for each Lot in which it holds the interest required for membership under Section 3.1 hereof.

3.4 Exercise of Voting Rights In any situation where a Member is entitled to exercise a vote for a Lot and there is more than one (1) Owner of the Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves. In the event more than one of the co-Owners seek to exercise the vote or if any one of such co-Owners disputes any others right to so vote, the Lot's vote shall be suspended.

3.5 Declarant Control Notwithstanding any other provision to the contrary within this Declaration, the Articles of Incorporation or the By-Laws for the Association, Declarant hereby retains the authority and right to appoint and remove any member or members of the Board of Directors of the Association and any officer or officers of the Association until such time as the Class B membership terminates. Every Grantee of any interest in the Properties, by acceptance of a deed or other conveyance of such interest, agrees that Declarant shall have the authority to appoint and remove directors and officers of the Association in accordance with the foregoing provisions of this section. Upon the expiration of the period in which Declarant maintains the authority and right to appoint and remove members of the Board and officers of the Association, such right shall pass to the Members, including Declarant, if Declarant then owns one or more Lots, and a special meeting of the Association shall be called within one hundred twenty days (120) thereafter. At such special meeting, the Members shall elect a new Board which shall undertake the responsibilities of the Board, and Declarant shall deliver all books, accounts, and records, if any, which Declarant has kept on behalf of the Association and any agreements or contracts, executed by or on behalf of the Association during such period in which Declarant has in its possession.

ARTICLE 4. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1 Function of Association The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility and all improvements thereon. The Association shall be the primary entity responsible for enforcement of the Governing Documents and such reasonable rules regulating use of the Properties as the Board may adopt pursuant to Article 10. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Design Guidelines. The Association shall perform its functions in accordance with the Governing Documents and the laws of the State of North Carolina.

4.2 Common Area The Association, subject to the rights of the Owners set forth in this Declaration, shall manage and control the Common Area and all improvements thereon (including, without limitation, sidewalks, landscaping, recreational facilities, furnishings, equipment, and other personal property of the Association), and shall keep it in attractive condition and good repair, consistent with the Community-Wide Standard. The Board is specifically authorized, but not obligated, to retain or employ professional management to assist

in carrying out the Association's responsibilities under this Declaration, the cost of which shall be a Common Expense.

4.3 Services. The Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof and any other personnel as the Association's Board of Directors shall determine to be necessary or desirable for the proper operation of the Properties. Such personnel may be furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. The Association may obtain and pay for legal, accounting and any other professional services necessary or desirable in connection with the operation of the Properties or the enforcement of this Declaration. The Association may, but shall not be required to, arrange as an Association expense with others to furnish trash collection, cable television, and other common services to each Lot or Residential Unit within the Community. All costs and expenses incident to any of the foregoing shall be a Common Expense payable by the Association.

4.4 Personal Property and Real Property for Common Use. The Association through the action of its Board may acquire, hold, and dispose of tangible and intangible personal property and real property. The Declarant and its designees, with the Declarant's prior written consent, may convey to the Association improved or unimproved real estate, or interests in real estate, located within the property described in Exhibit A, personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members. Declarant shall not be required to make any improvements or repairs whatsoever to property to be conveyed and accepted pursuant to this Section 4.4.

4.5 Power to Contract. The Association may, acting through its Board, enter and make contracts with any and all Parties as determined by the Board, including contracts with any other residential or commercial associations, Parcels, or neighborhoods within or adjacent to the Community to provide services and/or perform services on behalf of such other association, Parcel, or neighborhood. The Association may, acting through its Board, contract with any governmental division, department or agency for such to provide services on its or its Members' behalf.

4.6 Rules and Regulations

(a) The Association, through its Board, may establish reasonable Rules and Regulations concerning the use of the Common Area and improvements located thereon. Rules or Regulations shall not, however, diminish, alter, interfere with, or affect the rights of use, easements, permits, privileges, or licenses provided to Declarant and its respective invitees, licensees, guests, successors and assigns. Furthermore, no Rule or Regulation shall affect or treat Declarant, and its respective invitees, licensees, guests, successors and assigns in a manner more restrictively than the Association's Rules and Regulations may affect or treat its Class "A" members. Copies of such Rules and Regulations and amendments thereto shall be furnished by the Association to all Owners prior to the Rules and Regulations effective date. Such Rules and Regulations shall be binding upon the Owners and users, their families, tenants, guests, invitees, and agents, until and unless such Rules or Regulations requirement is specifically overruled, canceled, or modified by the Board.

(b) All provisions of the Governing Documents which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants of Lots and guests and invitees of occupants or Owners. The Owner of each Lot shall be responsible for ensuring that the occupant, and the guests, invitees and licensees of the Owner or the occupants strictly comply with all provisions of the Governing Documents. Fines may be levied against Owners or occupants for violations of the Governing Documents. If a fine is levied first against an occupant and is not paid within thirty (30) days, the fine may then be imposed against the Owner of the Lot wherein the occupant resides.

4.7 Enforcement

(a) The Board may impose sanctions for violation of the Governing Documents after compliance with the notice and hearing procedures set forth in Section 4.7(g) below. In the event that any occupant, guest or invitee of a Lot violates the Governing Documents, the Board or any committee established by the Board, with the Board's approval, may sanction such occupant, guest or invitee and/or the Owner of the Lot that the violator is occupying or visiting. Sanctions may include the actions enumerated below. In every instance in which the Board may act, any committee established and approved by the Board, may act in the Board's stead.

(i) The Board may impose reasonable monetary fines which shall constitute a lien upon the Lot of the violator. A fine not exceeding One Hundred Fifty Dollars (\$150.00) may be imposed for any one violation. Without further hearing a fine may be imposed for each day of a continuing violation commencing on the day the Board's decision is made to impose the fine until the violation is cured. Collection of fines may be enforced against an Owner as if such charges were a Common Expense owed by the Owner involved. In the event that any occupant, guest or invitee of a Lot violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the occupant, provided however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Board.

(ii) The Board may suspend an Owner's right to vote.

(iii) The Board may suspend any Person's right to use any recreational facilities within the Common Area, provided however, nothing herein shall authorize the Board to limit ingress or egress to or from a Lot.

(iv) The Board may suspend any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than thirty (30) Days delinquent in paying any assessment or other charge owed to the Association.

(v) The Board may levy Specific Assessments to cover costs incurred in bringing a Lot into compliance in accordance with Section 8.5(b) and 9.12.

(b) The Association may also elect to enforce the provisions of the Governing Documents by filing suit at law to recover monetary damages or in equity to enjoin any violation, or both.

(c) In addition, the Board, or the covenants committee if established, may elect to enforce any provision of the Governing Documents by self-help as more particularly described in Section 5.2(c) and 9.10 (specifically including, but not limited to the filing of liens for non-payment of assessments and/or notices of violations in the Public Records, the towing of vehicles that are in violation of parking rules and the removal of pets that are in violation of pet rules). Entry onto a Lot pursuant to this Section 4 7 shall not be deemed a trespass

(d) In any action to enforce the provisions of this Declaration, the By-Laws, any Supplemental Declaration, or any rule or regulation, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, reasonable attorneys' fees and court costs, incurred in such action

(e) The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision under any circumstances or estop the Association from enforcing any other provision of the Governing Documents.

(f) The Association, by contract or other agreement, may enforce County, City, State or Federal ordinances, laws, or rules if applicable, and permit local governments to enforce ordinances on the Properties for the benefit of the Association and its Members.

(g) The Board shall not impose a fine, suspend the right to vote or suspend the right to use the Common Area (provided, however, a late charge for failure to pay any assessment pursuant to Article 8 of this Declaration shall not be considered a fine for purposes of this paragraph), unless and until the Association has sent or delivered written notice to the violator as provided in subsection (i) below. Any such fine or fines may be effective or commence upon the sending of such notice or such later date as may be set forth in such notice, notwithstanding the violator's right to request a hearing before the Board to challenge such fine under subsection (ii) below.

(i) Notice If any provision of the Declaration or Bylaws or any rule or regulation of the Association is violated, the Board shall send the violator written notice identifying the violation and fine(s) being imposed and advising the violator of the right to request a hearing before the Board to contest the violation or fine(s) or to request reconsideration of the fine(s). Fine(s) may be effective or commence upon the sending of such notice or such later date specified in such notice, notwithstanding the violator's right to request a hearing before the Board to challenge the fine. In the event of a continuing violation, each day the violation continues or occurs again constitutes a separate offense, and fines may be imposed on a per diem basis without further notice to the violator.

(ii) Hearing. If a written request for hearing is received from the violator within ten (10) days of the date of the violation notice provided above, then the Board shall schedule and hold in executive session a hearing affording the violator a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing. The Board may establish rules of conduct for such hearing, which may include limits on time and on the number of participants who may be present at one time.

4.8 Implied Rights. The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege.

4.9 Indemnification. The Association shall indemnify every officer, director, and Design Review Board or committee member against all damages, liabilities, and expenses, including reasonable attorneys' fees, incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, Design Review Board or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section 4.9, the Articles of Incorporation and North Carolina law. The officers, directors, and Design Review Board or committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers, directors, and Design Review Board or committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers, directors, or Design Review Board or committee members may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director, and Design Review Board or committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or Design Review Board or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.10 Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association, the original Declarant, nor any successor Declarant shall in any way be considered insurers or guarantors of security within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or the ineffectiveness of security measures undertaken. No representation or warranty is made that any system or measure, including any monitoring system or any mechanism or system for limiting access to the Properties, cannot be compromised or circumvented, nor that any such system or security measure undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its tenants and all occupants of its Lot that the Association,

its Board of Directors and committees, Declarant, and any successor Declarant are not insurers and that each Person using the Properties assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties

4 11 Power to Assess. The Association shall have the right and power, as more particularly set forth in this Declaration, to fix, levy, collect, and enforce payment by any lawful means, all charges and assessments pursuant to the terms of this Declaration, to pay all expenses in connection therewith, and all office and other expenses incident to the conduct and affairs of the business of the Association.

4 12 Board Right to Act To the extent not otherwise required by the provisions of the North Carolina Non-Profit Corporation Act, this Declaration, the By-Laws, or the Articles of Incorporation, the powers granted to the Association by this Declaration or the Articles of Incorporation or By-Laws of the Association shall be exercised by the Board of Directors, acting through the Officers of the Association, without any further consent or action on the part of the Members

ARTICLE 5. MAINTENANCE

5 1 Association's Responsibility

(a) The Association shall maintain and keep in good condition, order and repair the Area of Common Responsibility, which shall include, but need not be limited to.

(i) Common Area and the facilities located therein,

(ii) all landscaping and other flora and all structures and improvements, including but not limited to any gates, gate house, entry features, fencing, community dock areas, community boat storage areas, community lake front areas, community picnic areas, community athletic fields, community postal areas, private streets, parking areas, sidewalks, streetlights, parks, trails, pools, cabana, and tennis courts situated upon the Common Area,

(iii) all furnishings, equipment and other personal property of the Association;

(iv) any landscaping and other flora, buffers, entry features, fencing, streetlights, structures and improvements within public rights-of-way within or abutting the Properties or upon such other public land adjacent to the Properties as deemed necessary in the discretion of the Board, and

(v) such additional portions of any property included within the Area of Common Responsibility as may be dictated by the Governing Document, or any contract or agreement for maintenance thereof entered into by the Association.

(b) The Association may, as a Common Expense, maintain other property and improvements which it does not own, including without limitation property dedicated to the public, or provide maintenance or services related to such property over and above the level being provided by the property owner, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard

(c) The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless Members holding sixty-seven percent (67%) of the Class "A" votes in the Association, and the Declarant during the Development Period, agree in writing to discontinue such operation

(d) The Association may be relieved of all or any portion of its maintenance responsibilities herein to the extent that (i) such maintenance responsibility is otherwise assumed by or assigned to one (1) or more Owners or (ii) such property is dedicated to any local, state, or federal government or quasi-governmental entity, provided, however, that in connection with such assumption, assignment or dedication, the Association may reserve or assume the right or obligation to continue to perform all or any portion of its maintenance responsibilities, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means during the Development Period except with the written consent of the Declarant

(e) Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Lots as part of the General Assessment, without prejudice to the right of the Association to seek reimbursement from the Owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to the Governing Documents, any recorded covenants, or any agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Area may, at the election of the Board, be assessed as a Specific Assessment against the Lot or Lots to which the Exclusive Common Area is assigned.

(f) The Association shall not be liable for any injury or damage to any personal property (a) caused by the elements; (b) resulting from any rain or other surface water which may leak or flow from any portion of the Common Area; or (c) caused by any pipe, plumbing, drain, conduit, appliance, equipment, security system or utility line or facility, the Association is obligated to maintain. Nor shall the Association be liable to any Owner for any loss or damage, by theft or otherwise, of any property of such Owner or its respective guests, invitees, successors or assigns which may be stored in or upon any portion of the Common Area or any portion of the Properties. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform such function required to be taken or performed by the Association under this Declaration, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or

with any order or directive of any municipal or governmental authority, the obligation to pay each such assessment being a separate and independent covenant on the part of each Owner.

5.2 Owner's Responsibility.

(a) Each Owner shall maintain his or her Lot, including the Residential Unit thereon, and all structures, parking areas, sprinkler and irrigation systems, landscaping and other flora, and other improvements comprising the Lot, including the Residential Unit thereon, in a manner consistent with the Community-Wide Standard and the Governing Documents, unless such maintenance responsibility is otherwise assumed by or assigned to the Association. Each Owner shall also maintain the driveway and any mailbox or mail facility serving his or her Lot. Any sidewalks located on the Lot or within the right-of-way immediately adjacent to the Owner's Lot shall be maintained by the Association and shall not be the Owner's responsibility.

(b) In the event the Board determines that (i) any Owner has failed or refused to discharge properly his or her obligations with regard to the maintenance, repair, or replacement of items for which he or she is responsible hereunder, or (ii) that the need for maintenance, repair, or replacement which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner, or his or her family, guests, lessees, or invitees, the Association, except in the event of an emergency situation, shall give the Owner written notice of the Association's intent to provide such necessary maintenance, repair, or replacement, at their sole cost and expense; the notice shall set forth with reasonable particularity the maintenance, repair, or replacement deemed necessary and the cost thereof. The noticed party shall have ten (10) days within which to pay such amount claimed; or, in the event such maintenance or repair is to the Owner's Residential Unit or Lot, complete said maintenance, repair, or replacement, or, in the event that such maintenance, repair, or replacement is not capable of completion within said ten (10) day period, to commence such work within said ten (10) day period which shall be completed within a reasonable time. If any Owner does not comply with the provisions hereof, the Association may provide any such maintenance, repair, or replacement at such person's sole cost and expense, and the cost shall be added to and become a part of the assessment to which such party is subject and shall become a lien against the Lot of such party collectible as an assessment pursuant to Article 8 hereof. By way of example and not limitation, in the event of an Owner's failure to comply with the provisions hereof, the Association may cause any weeds, grass, trees or landscaping to be cut, pruned or removed, as the case may necessitate, and may remove or cause to be removed such garbage, trash or rubbish as has accumulated thereon. Such shall expressly include removal of dead or diseased trees or landscaping.

(c) In addition to the foregoing, the Association may do anything necessary to secure compliance with the Governing Documents so as to place said Lot in a neat, attractive, healthful, and sanitary condition and the charges incurred for securing such compliance, including the cutting, trimming, pruning, or removal of weeds, grass, landscaping, trees or such garbage, trash or rubbish as may be removed, may be charged to the Owner or occupant of such Lot for the cost of such work. The Owner or occupant, as the case may be, agrees by the purchase or occupancy of the property to pay such statement immediately upon receipt thereof, and such payments made by the Association shall be secured by a lien in the same manner as General Assessments paid the Association under this Declaration.

5.3 Standard of Performance All maintenance shall be performed in a manner consistent with the Community-Wide Standard and the Governing Documents. Maintenance responsibilities shall include the responsibility for repair and replacement as necessary. Neither the Association nor any Owner shall be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

5.4 Cost Sharing Agreements. Adjacent to or in the vicinity of the Properties, there may be neighboring property which is not subject to this Declaration (hereinafter "Adjacent Properties") at the time of initial recordation of this Declaration in the Public Records. The owners of the Adjacent Properties may not be Members of the Association and if they are not they shall not be entitled to vote, nor shall they be subject to assessment under Article 8 of this Declaration. The Association may enter into agreements with the owners or operators of portions of the Adjacent Properties which (a) obligate the owners or operators of the Adjacent Properties to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of the Area of Common Responsibility, if any, which are used by or benefit jointly the owners of the Adjacent Properties and the Owners within the Properties, (b) permit use of any recreational and other facilities located on the Adjacent Properties by the Owners within the Properties, and/or, (c) obligate the Association to share in certain costs associated with the maintenance, repair, replacement and insuring of portions of the Adjacent Properties, if any, which are used by or benefit jointly the owners of the Adjacent Properties and the Owners within the Properties. The owners of the Adjacent Properties shall be subject to assessment by the Association only in accordance with the provisions of such agreement(s) unless all or any portion of such property is annexed to this Declaration by the Declarant. The owners of the Adjacent Properties shall not be subject to the restrictions contained in this Declaration except as otherwise specifically provided herein, or in a Cost Sharing Agreement or declaration of easements.

ARTICLE 6 INSURANCE AND CASUALTY LOSSES

6.1 Insurance and Casualty or Liability Losses. Commencing not later than the time of the first conveyance of a Lot to a person other than the Declarant, the Association's Board of Directors or its duly authorized agent shall have the authority to and shall obtain insurance for all insurable improvements on the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief. This total amount of insurance after application of deductibles shall not be less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from insurance policies. The Board shall also obtain a public liability policy applicable to the Common Area covering the Association, its officers, directors, members, and agents. The public liability policy shall have at least a One Million (\$1,000,000.00) Dollar each occurrence limit (combined single limit (C.S.L.) for death, bodily injury and property damage), Two Million (\$2,000,000.00) Dollar general aggregate, C.S.L., and Two Million (\$2,000,000.00) Dollar products/completed operations aggregate, C.S.L. Unless otherwise provided by the Board of Directors, the cost of all such

insurance coverage shall be paid from the Common Expense. Each insurance policy may contain a deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost. The Association may allocate equitably the payment of a reasonable insurance deductible between the Association and the Owners affected by a casualty against which the Association is required to insure, provided, however, that the amount of deductible which can be allocated to any one Owner shall not exceed \$1,000.00 per casualty loss.

All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association, as Trustee, for the respective benefited parties, as further identified in (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

(a) All policies shall be written with a company licensed to do business in North Carolina and holding a rating of A-X1 or better in the Financial Category as established by A.M. Best Company, Inc., if available, or, if not available, the most nearly equivalent rating.

(b) All policies on the Common Area shall be for the benefit of the Association and the Owners and their Mortgagees, as their interests may appear.

(c) Exclusive authority to adjust losses under policies in force on any portion of the Properties, including the Common Area, obtained by the Association shall be vested in the Association's Board of Directors; provided, however, that no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

(d) All casualty insurance policies shall have an inflation guard endorsement and an agreed amount endorsement, if reasonably available, with an annual review by one or more qualified persons, at least one of whom must be in the insurance or real estate industry and familiar with insurance for improvements in the County.

(e) Insurance policies carried pursuant to this Section 6.1 shall provide that:

(i) Each Lot Owner is an insured person under the policy to the extent of the Lot Owner's insurable interest,

(ii) The insurer waives its right to subrogation under the policy against any Lot Owner or member of the Lot Owner's household;

(iii) No act or omission by any Lot Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and

(iv) If, at the time of a loss under the policy, there is other insurance in the name of a Lot Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

(f) The Association's Board of Directors shall be required to make every reasonable effort to secure insurance policies that will provide for the following.

(i) a waiver of subrogation by the insurer as to any claims against the Association's Board of Directors and its Manager;

(ii) a waiver by the insurer of its rights to repair and reconstruct instead of paying cash,

(iii) that no policy may be canceled, invalidated or suspended on account of any defect or of the conduct of any director, officer, or employee of the Association or its duly authorized manager without prior demand in writing delivered to the Association to cure the defect or to cease the conduct and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its manager, any Owner or Mortgagee,

(iv) a waiver of the insurer's right to cancel without first giving thirty (30) days prior written notice of such cancellation to the Association and to any Mortgagee to which a Mortgagee endorsement has been issued, and

(v) all liability insurance policies shall contain cross-liability endorsements to cover liability of the Association to an individual Owner and shall also name the Declarant as an additional insured

(g) It shall be the responsibility of each Owner at his own expense, to provide public liability, property damage, title, and other insurance with respect to such Owner's Lot. The Association's Board of Directors may require all Owners to carry public liability and property damage insurance with respect to their respective Lots and to furnish copies of certificates thereof to the Association

In addition to the other insurance required by this Section 6.1, the Board shall obtain, as a Common Expense, worker's compensation insurance, if and to the extent required by law, and a fidelity bond or bonds (provided that the Community includes Lots upon which financing exists that is held or serviced by any financial agency, corporation, or secondary mortgage market enterprise which requires the maintenance of such fidelity bond) on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' assessments, plus reserves on hand if such bond is obtained. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association

Section 6.2 Disbursement of Proceeds Any loss covered by the property hazard policy described under Section 6.1 above, shall be adjusted with the Association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any mortgagee or beneficiary under the deed of trust

The insurance trustee or the Association shall hold any insurance proceeds in trust for Lot Owners and lienholders as their interests may appear. Subject to the provisions of Section 6.3, the proceeds shall be disbursed first for the repair or restoration of the damaged property, and Lot Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the planned community is terminated

Section 6.3 Damage and Destruction Any portion of the Community for which insurance is required under Section 6.1 of this Article which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) the planned community is terminated, (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) the Lot Owners decide not to rebuild by an eighty percent (80%) vote, including one hundred percent (100%) approval of Lot Owners assigned to Limited Common Area not to be rebuilt. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If any portion of the Community is not repaired or replaced, (1) the insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition compatible with the remainder of the Community; and (11), the remainder of the proceeds shall be distributed to all the Lot Owners or lienholders, as their interests may appear, in proportion to the Common Expense liabilities of all the Lots. Notwithstanding the above, Section 47F-2-118 of the North Carolina Planned Community Act (termination of the planned community) governs the distribution of insurance proceeds if the Community is terminated.

Section 6.4 Repair and Reconstruction If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Association's members, levy Specific Assessment against all Owners ultimately responsible for the payment of the policy premium in the same proportion as an Owner's assessment bears to the Association's budget. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the cost of repair, such excess shall be deposited to the benefit of the Association.

Section 6.5 Lot Owner's Responsibility. By virtue of taking title to a Lot each Owner of a Lot covenants and agrees with all other Owners and with the Association to carry all risk casualty insurance in the event the Association does not carry blanket all-risk casualty insurance on improvements on Lots. Each Owner, if any, further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction of any structure located on a Lot, he or she shall proceed promptly to repair or reconstruct the damaged structure in a manner consistent with the aesthetic appearance and quality of the original construction and the Community-Wide Standards. In the event that any Residential Unit is totally destroyed or rendered uninhabitable or unusable and the Owner or Owners thereof determines not to rebuild or reconstruct, then that Owner or Owners shall clear that Lot of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction. The obligation of an Owner hereunder specified shall not be applicable to any Owner whose Lot is insured under a casualty insurance policy obtained by the Association such Owner's behalf. In the event that any Residential Unit is totally destroyed or rendered uninhabitable or unusable and the Owner or

Owners thereof determines to rebuild or reconstruct, then such Owner or Owners shall repair or rebuild such Residential Unit to substantially the same condition as existed prior to such fire or other casualty and in accordance with all applicable standards, restrictions, and provisions of this Declaration (including, without limitation, Article 9 hereof) and all applicable zoning, subdivision, building, and other governmental regulations. All such work of repair and construction, as identified herein, shall be commenced promptly following such damage or destruction and shall be carried through diligently to conclusion within a reasonable time.

ARTICLE 7· ANNEXATION AND WITHDRAWAL OF PROPERTY

7.1 Annexation Without Approval of Class "A" Membership As the owner thereof, or if not the owner, with the consent of the owner thereof, Declarant shall have the unilateral right, privilege, and option (but not the obligation), from time to time at any time until twenty (20) years from the date this Declaration is recorded in the Public Records, subject to the provisions of this Declaration and the jurisdiction of the Association, pursuant to the terms and conditions contained within this Declaration, all or any portion of the Additional Property, whether in fee simple or leasehold, by filing in the Public Records, an amendment or Supplemental Declaration annexing all or any portion of such property. Such amendments to this Declaration or Supplemental Declaration shall not require the vote of Members. Any such annexation shall be effective upon the filing for record of any such amendment or Supplemental Declaration, unless otherwise provided therein. Such amendment or Supplemental Declaration may specify such specific use restrictions and other covenants, conditions, and restrictions to be applicable to the annexed property as Declarant may, in its own discretion, determine.

Declarant shall have the unilateral right to transfer to one or more other persons the right, privilege, and option to annex the Additional Property which is herein reserved to Declarant, provided that such transferee or assignee shall be the developer of at least that part of said Additional Property to which such right, privilege, and option is assigned, and provided, further, such assignment shall not remove or alter Declarant's further right, option and privilege to annex.

7.2 Annexation With Approval of Class "A" Membership. Subject to the written consent of the owner thereof, upon the written consent or affirmative vote of a majority of the Class "A" members present or represented by proxy at a meeting duly called for such purpose, and of the Declarant during the Development Period, the Association may annex real property other than the Additional Property, and following the expiration of the right in this Article 7, Section 7.1, the Additional Property, to the provisions of this Declaration and the jurisdiction of the Association by filing for record in the Public Records, an amendment, or Supplemental Declaration in respect to the property being annexed. Any such amendment or Supplemental Declaration shall be signed by the President and the Secretary of the Association, and any such annexation shall be effective upon recordation in the Public Records, unless otherwise provided therein. The time within which and the manner in which notice of any such meeting of the Class "A" members of the Association, called for the purpose of determining whether Additional Property pursuant to this section shall be annexed, and the quorum required for the transaction of business at any such meeting, shall be as specified in the By-Laws of the Association for regular or special meetings, as the case may be.

7.3 No Restrictions The Additional Property, by initial recordation of this Declaration, is not restricted by the terms of such Declaration, in any manner other than for the express benefits as might be granted to the Additional Property under the terms of this Declaration. Following the date of initial recordation of this Declaration, the Declarant may, but shall not be required to, annex any portion or portions of such Additional Property. This Declaration shall only be applicable, except for the benefits as might be expressly bestowed upon the Additional Property under the terms of this Declaration as initially recorded, to those portions of the Additional Property as expressly made subject hereto by the Declarant or its successor and assigns in interest to the Additional Property. Until such time as a portion or portions of the Additional Property are made subject by express amendment to the terms of this Declaration or by Supplemental Declaration, no other portion of the Additional Property shall be, by implication, innuendo, or otherwise, subject to the terms of this Declaration other than for the benefits as expressly might be bestowed upon the Additional Property under the terms of this Declaration.

(a) Portions of the Additional Property (together with additions thereto) may be added, as provided herein, to the Properties at different times, and there are no limitations fixing the boundaries of those portions or regulating the order, sequence, or location in which any of such portions may be added to the Properties. The exercise of the option to submit a portion or portions of the Additional Property to this Declaration shall not bar the further exercise of this option as to other portions or the balance of the Additional Property.

(b) If the Additional Property or any portion or portions thereof are added to the Properties, Declarant reserves the right to designate the boundaries of the Lots, as well as the Common Area, if any, to be added to the Properties in connection therewith.

(c) Should the options to add the Additional Property, or any portion or portions thereof, not be exercised within the term specified herein or be terminated by Declarant, such option shall in all respects expire and be of no further force and effect. In the event that such option expires or is terminated, as aforesaid, Declarant shall not be obligated to impose on the Additional Property or any portion thereof any covenants, conditions, or restrictions whatsoever.

(d) The option hereby reserved by Declarant to cause all or any portion or portions of the Additional Property to become part of the Properties shall in no way be construed to impose upon Declarant any commitment or obligation to add all or any portion or portions of the Additional Property to the Properties or to construct thereon any improvements of any nature whatsoever.

(e) If the Additional Property or any portion or portions thereof is added to the Properties, then from and after the addition to the Properties of the Additional Property or such portion or portions by such amendment to this Declaration or by Supplemental Declaration, the number of votes in the Association shall be increased by the number of Lots to be located on the Additional Property or such portion or portions thereof as are added so that there shall continue to be, subject to the provisions hereof, one vote in the Association per Lot in the Community.

7.4 Amendment This Article 7 shall not be amended during the Development Period without the prior written consent of Declarant.

7.5 Withdrawal of Property. During the Development Period, Declarant reserves the right to amend this Declaration unilaterally at any time, without prior notice and without the consent or joinder of any Person, for the purpose of removing certain portions of the Property then owned by the Declarant or its affiliates or the Association from the provisions of this Declaration to the extent originally included in error or as a result of any changes whatsoever in the plans for the Community desired to be effected by the Declarant. No Owner or Builder/Owner shall withdraw any property from the Community without the prior written consent of Declarant.

ARTICLE 8. ASSESSMENTS

8.1 Creation of and Obligation for Assessments.

(a) The Board may authorize the creation of assessments for Common Expenses of the Association from time to time, as follows: (i) General Assessments; (ii) Special Assessments, (iii) Specific Assessments, and (iv) Parcel Assessments. Each Owner, by accepting a deed or entering into a contract of sale for any portion of the Properties, is deemed to have notice of liability for these assessments and to covenant and agree to pay these assessments.

(b) There are hereby created General Assessments for Common Expenses as may from time to time be authorized by the Board of Directors. General Assessments shall, from and after the respective Commencement Date (as defined hereinbelow) relating to a respective Lot, be levied against such respective Lot and shall be used to pay expenses determined by the Board to be for the benefit of the Association, its Members, and the Properties as a whole, including, but not limited to, maintenance and insurance of the Area of Common Responsibility, including the Common Area, and expenses otherwise incurred by the Association in accordance with its rights, powers, and privileges for the purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners and occupants of the Properties, and maintaining the Properties and improvements therein. The General Assessment levied against and payable by a Lot shall be equal to the General Assessment which is levied against and payable by each such other Lot. Despite anything contained herein to the contrary, the assessments against a Lot shall not commence until the Commencement Date for such Lot as set forth in Section 8.2.

(c) There are hereby created Parcel Assessments for Common Expenses as may from time to time be authorized by the Board of Directors. Parcel Assessments shall, from and after the Commencement Date relating to a specific Lot, be levied against such Lots within particular Parcels of the Properties for whose benefit expenses are incurred, such as maintaining and operating facilities and amenities within a Parcel reserved for use of the residents within that Parcel, expenses of enforcing all assessments, covenants, and conditions relating to a specific Parcel, and expenses determined by the Board to be for the benefit of a specific Parcel. Each Lot within a Parcel shall pay a Parcel Assessment equal to each other such Lot within such Parcel. Parcel Assessments established in one Parcel do not need to be equal to Parcel Assessments established in another Parcel. Despite anything contained herein to the contrary, the assessments against a Lot shall not commence until the Commencement Date for such Lot as set forth in Section 8.2.

(d) All such assessments, together with late charges, simple interest at the rate of eighteen percent (18%) per annum, costs and reasonable attorney's fees actually incurred to enforce or collect such assessments, shall be a charge on the Lot and shall, after remaining unpaid for a period of thirty (30) days or longer and upon the filing of a claim of lien in the office of the Burke County, North Carolina Superior Court Clerk, be a continuing lien upon the Lot against which each assessment is made regardless of conveyance thereof. The Association's lien shall be prior and superior to all other liens except the lien for real estate taxes and other governmental assessments and charges against the Lot and liens and encumbrances (specifically including, but not limited to, a mortgage or deed of trust on the Lot) recorded before the docketing of the claim of lien in the office of the Burke County, North Carolina Superior Court Clerk. Each such assessment, together with late fees, interest, costs, and reasonable attorney's fees actually incurred, shall also be the personal obligation of the person who was the owner of such Lot at the time the assessment came due, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance, provided, however, any First Mortgagee or holder of a secondary purchase money Mortgage covering the Lot, provided that neither the grantee nor any successor grantee on the secondary purchase money Mortgage is the seller of the Lot who obtains title to a Lot subject to this Declaration pursuant to the remedies provided in such Mortgage or Foreclosure of the Mortgage, will not be liable for such Lot's unpaid assessments which accrued prior to the acquisition of title to such Lot by the Mortgagee. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors, which may include, without limitation, acceleration of the annual assessment for Owners who are delinquent in the payment of the their assessments. The assessments shall be paid annually in advance, unless otherwise provided by the Board. The Association shall, upon request, furnish to any Owner liable for any type of Assessment a written statement signed by the Association officer setting forth whether the Assessment has been paid. This statement shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such a statement.

(e) No Owner is exempt from liability for assessments by non-use of Common Area, including Exclusive Common Area reserved for such Owner's use, abandonment of his or her Lot, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner which runs with title to the Lot. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

8.2 Commencement of Assessments Notwithstanding anything herein to the contrary, any and all assessments provided for in or otherwise assessed pursuant to this Declaration shall commence against a Lot as provided in this Section 8.2. Any and all assessments shall commence in respect to each respective Lot at the time of conveyance of the respective Lot by the Declarant to an Owner or Builder/Owner other than the Declarant;. Declarant shall not be responsible or liable for the payment of assessments (whether General, Parcel, Special or Specific) in respect to Lots for which Declarant holds record title and which do not contain occupied Residential Units (except as hereinafter provided), provided that Declarant covenants and agrees to pay assessments in the same manner as Lots conveyed to Owners for each Lot owned by Declarant containing an occupied

Residential Unit The date of commencement of the assessment as to any particular Lot, as provided in this Section 8.2, is the "Commencement Date." The first annual assessment for a Lot payable to the Association with respect to such Lot shall be adjusted according to the number of months remaining in the calendar year as of the Commencement Date. Such prorated assessment shall be paid on the Commencement Date or such later date as provided by the Board.

8.3 Computation of General Assessments

(a) General Assessments shall be levied equally against all Lots subject to assessment and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the total funds to be generated through the levy of General Assessments, the Board, in its discretion, may consider other sources of funds available to the Association, including any surplus from prior years, any assessment income expected to be generated from any additional Lots reasonably anticipated to become subject to assessment during the fiscal year, and any income expected to be generated from any Cost Sharing Agreements.

(b) It shall be the duty of the Board at least thirty (30) days after commencement of a fiscal year to prepare and adopt a budget covering the estimated costs of operating the Association and the Properties during that fiscal year. The budget shall separately list General and Parcel Assessments, if any. Within thirty (30) days after adoption of the proposed budget, the Board shall provide to all Lot Owners a summary of the budget, the General Assessment to be levied therefrom and a notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. Such meeting shall be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget and assessment established by the Board shall be ratified at the meeting and become and be effective unless Lot Owners representing at least a sixty seven percent (67%) of the votes in the Association vote to reject the budget at the meeting. Notwithstanding the foregoing, in the event that the membership rejects the proposed budget or the Board fails for any reason so to determine the budget for the succeeding year, then the budget and assessments last ratified by the Lot Owners shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board.

(c) During the Development Period, the Declarant may, but shall not be obligated to, reduce the General Assessment for any fiscal year by payment of a subsidy and/or contributions of services and materials, which may be treated as either a contribution or a loan, in the Declarant's discretion. Any such anticipated payment or contribution by the Declarant shall be disclosed as a line item in the Common Expense budget. Payments by the Declarant in any year shall under no circumstances obligate the Declarant to continue such payments in future years unless otherwise provided in a written agreement between the Association and the Declarant. To the extent that Declarant pays any amount or provides any in-kind services to the Association, any such payment or provision of services shall be a reduction and credit against any amount as may otherwise be claimed owed by Declarant to the Association with subparagraph 8.3(b) hereinabove.

8.4 Special Assessments In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessments shall be allocated equally among all Lots. Any Special Assessment shall become effective unless disapproved at a meeting by Members holding a Majority of the total Class "A" votes and, during the Development Period, by the Declarant. There shall be no obligation to call a meeting for the purpose of considering any Special Assessment except on petition of the Members as provided for in the By-Laws, which petition must be presented to the Board within twenty (20) Days after delivery of the notice of such Special Assessment. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5 Specific Assessments

(a) The Association shall have the power to levy Specific Assessments against a particular Lot or Lots to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Lot(s) or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners and occupants (which may include, without limitation, landscape maintenance, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner.

(b) The Association shall have the power to levy Specific Assessments against a particular Lot or Lots as a fine levied pursuant to Section 4.7 or to cover costs incurred in bringing the Lot(s) into compliance with the terms of the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their agents, contractors, employees, licensees, invitees, or guests.

8.6 Foreclosure of the Lien for Assessments The lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial Foreclosure, as permitted under North Carolina law. The Association may bid for the Lot at the Foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following Foreclosure (i) no right to vote shall be exercised on its behalf, (ii) no assessment shall be levied on it, and (iii) the other Lots shall be charged, in addition to the usual assessment, a pro rata share of the assessment allocated to the Lot owned by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without Foreclosing or waiving the lien securing the same. The sale or transfer of any Lot shall not affect the assessment lien or relieve a Lot from the lien for any subsequent assessments. However, the sale or transfer of any Lot pursuant to Foreclosure of the First Priority Mortgage shall extinguish the lien as to any installments of assessments due prior to Foreclosure. A Mortgagee or other purchaser of a Lot who obtains title pursuant to Foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 8.2, including such acquirer, its successors and assigns. All other Persons acquiring liens or encumbrances on any Lot after this Declaration has been recorded shall be deemed to consent that the liens or encumbrances shall be inferior to future liens for assessments, as provided

herein, whether or not prior consent is specifically set forth in the instruments creating the liens or encumbrances.

8.7 Failure to Assess. Failure of the Board to establish assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections

8.8 Exempt Property. The following property shall be exempt from payment of assessments. (a) all Common Area and such portions of the property owned by the Declarant as are included in the Area of Common Responsibility pursuant to Section 5.1, and (b) any property dedicated to and accepted by any governmental or quasi-governmental authority or public utility.

8.9 Surplus Funds. Any surplus funds of the Association remaining after payment of or provision of Common Expenses, the funding of a reasonable operating expense surplus and any prepayment of reserves, shall be deposited in the reserves of the Association unless otherwise determined by resolution of the Board

ARTICLE 9 PREFERRED BUILDER REQUIREMENT/ARCHITECTURAL STANDARDS

9.1 General In order to preserve the natural setting and beauty of the Properties, to establish and preserve a harmonious and aesthetically pleasing design for the Properties, and to protect and promote the character of the Properties, the Lots, the Residential Units and the Common Area and all improvements, structures, landscaping and items located thereon, all Lots, Residential Units and all improvements, structures, landscaping and items located thereon shall be subject to the restrictions set forth in this Article 9 and as also set forth in the Carolina Centers, LLC Deed Restrictions and the Clean Water of NC, LLC Conservation Easement. Every grantee of an interest in the Properties, by acceptance of a deed or other conveyance of such interest, agrees to be bound by the provisions of this Article 9, by the provisions of the Governing Documents which include the above referenced Clean Water of NC, LLC Conservation Easement and the Carolina Centers, LLC Deed Restrictions, all incorporated herein by reference.

9.2 Preferred Builder Program. No construction, improvements, landscaping, buildings, structures or development of any kind whatsoever, shall be commenced, carried out on, constructed, altered, added to or maintained upon any portion of the Properties, including Lots or Common Areas, unless performed by construction contractors who are member of Declarant's Preferred Builder Program. Admission of construction contractors into the Preferred Builder Program shall be at the sole discretion of the Design Review Board. For quality control purposes, even construction related professionals who own a lot in the Community are required to use a Preferred Builder for construction of any improvements upon their lot. The Design Review Board may, in its sole discretion, issue a variance to construction related professionals as to this requirement. However, any construction related professional who is granted such a variance must

occupy the residence completed upon his or her lot for a minimum of one (1) year following completion of construction to be eligible for said variance

9.3 No Liability For Preferred Builder Program. Neither Declarant nor the Design Review Board shall in any way be liable to any Owner or to any other party for any matter related to the admission or inclusion of any construction contractor into the Preferred Builder Program. Furthermore, under no circumstances shall Declarant or the Design Review Board be liable to any Owner or to any other party as a result of or in any way related any act or omission of any construction contractor admitted into the Preferred Builder Program regardless of whether such acts or omissions constitute breaches of contract, torts, criminal offenses or any other violations of law.

9.4 Design Review Board No construction, improvements, landscaping, buildings, structures or development of any kind whatsoever, shall be commenced, carried out on, constructed, altered, added to or maintained upon any portion of the Properties, including Lots or Common Area, unless; (a) approved in writing by the Design Review Board, (b) developed, constructed or altered by Declarant, (c) developed, constructed or altered by the Association in respect to the Common Area; or (d) if a Modifications Committee is established pursuant to the terms hereof, approved by the Design Review Board after recommendation from the Modifications Committee. Approval of the Design Review Board shall be subject to such regulations, architectural standards and application procedures as may be promulgated by the Design Review Board and as set forth herein. The Design Review Board will charge a reasonable fee as determined by the Design Review Board, from time to time, to cover the administrative expense of its review and comment, such fee to be payable to the Design Review Board. The Design Review Board may require a deposit or the placement of a bond by an applicant to assure compliance with this Declaration and to cover any expenses of damages caused by construction or improvement activities required to be approved by it.

(a) During the Development Period, the Declarant, in its sole discretion, shall appoint the members of the Design Review Board. The members of the Design Review Board during the Development Period need not be residents of the Community or own property in the Community. All members of the Design Review board appointed by the Declarant shall serve at the pleasure of the Declarant. The Design Review Board shall act on behalf of the Declarant and the Association until such time as the Declarant no longer has the right to annex property to the Community pursuant to Article 7 hereof or the Declarant no longer owns any Lot upon which no Residential Unit has been constructed, whichever is later, unless sooner waived in writing by the Declarant. From and after the later of these events, the Design Review Board shall be appointed by the Board and function in the same manner as committees of the Association under the authority of the Board.

(b) Following the Development Period, members of the Design Review Board shall be appointed by the Board of Directors and the Design Review Board members shall be required to be Owners or their spouses. Members of the Design Review Board as are appointed by the Board shall serve at the pleasure of the Board. During the time that the Design Review Board members are appointed by the Board, the Design Review Board shall be comprised of not less than three (3) nor more than five (5) members.

(c) The Design Review Board shall elect a chairperson and the chairperson or in his absence, the vice-chairperson, shall be the presiding officer at its meetings. The Design Review Board shall meet as often as they so determine and shall be required to meet upon call of the chairperson, and all meetings shall be held at such places as may be designated by the chairperson. A majority of the Design Review Board members serving shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of those present in person at a meeting of the Design Review Board shall constitute the action of the Design Review Board on any matter before it. The Design Review Board may, from its members, appoint one (1) such member to execute approval of plans as might be proposed by an applicant. The Design Review Board shall not be required to maintain minutes of its meetings and any approval of the Design Review Board may be evidenced by the members of the Design Review Board, or the designate appointed by such members, certifying to the approval of such plans by entry of an approval on the face thereof. Approvals of the Design Review Board may occur at meetings thereof or based upon communications by and between the members thereof, without call of a meeting, but with polling of each member thereof by the chairperson or his or her designate.

(d) The Design Review Board is authorized to retain services of consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the Design Review Board in performing its functions set forth herein and such costs shall be either the sole obligation of the applicants or a Common Expense of the Association as determined in the discretion of the Board.

(e) Any member of the Design Review Board appointed by the Declarant may be removed with or without cause by the Declarant at any time by written notice to such appointee, and a successor or successors appointed to fill such vacancy. Any member of the Design Review Board appointed by the Board may be removed with or without cause by the Board at any time by written notice to such appointee and its successor or successors appointed to fill such vacancies shall serve at the pleasure of the Board.

(f) The Design Review Board is hereby authorized to promulgate from time to time written architectural standards, regulations, policies, procedures and guidelines (hereinafter referred to as the "Design Guidelines") governing the construction, location, landscaping, material and design of improvements, structures, the contents of submission of plans and specifications, and other information as may be required in order to evidence compliance with and obtain approval pursuant to this Article 9. The Design Review Board shall make its standards, regulations, policies, procedures and guidelines available to Owners, Builder/Owners, and developers who seek to engage in development or improvement of construction upon all or any portion of the Properties and shall conduct its operations in accordance therewith. Decisions of the Design Review Board shall take into account and be founded upon the nature, kind, shape, color, size, material and location of any construction, improvements, buildings, structures or development and the quality of workmanship planned, the design and harmony of external design and relation to surrounding structures, topography and elevation of such construction, improvements, buildings, structures and development and the Community-Wide Standard. The Design Guidelines shall be binding upon and enforceable against all Owners. The provisions hereof shall not be applicable to any of the Additional Property, provided such shall be applicable to those portions of the Additional Property annexed to this Declaration. From and after the time that the Board appoints the members of the

Design Review Board, any Design Guidelines proposed by the Design Review Board and any approvals or denials by the Design Review Board shall first be approved by the Board before their being effective

9.5 Submissions to Design Review Board.

(a) No construction, improvements, buildings, structures or development of any kind whatsoever, shall be commenced, carried out on, constructed, altered, added to or maintained on any Lot or Residential Unit, other than as developed, constructed or altered by Declarant unless and until three (3) copies of the plans and specifications and related data (including, if required by the Design Guidelines, shall have been submitted to and approved in writing by the Design Review Board or if a Modifications Committee is established pursuant to the terms hereof, approved by the Design Review Board after recommendation from the Modifications Committee.

(b) For purposes of this Article 9 and specifically Section 9 3(a), above, "construction, improvements, buildings, structures or development" shall include by way of example and not limitation the construction, installation or alteration of Residential Units, sidewalks, driveways, parking areas, mailboxes, decks, patios, courtyards, swimming pools, greenhouses, playhouses, play equipment, awnings, walls, steps, stoops, yard equipment, fences, exterior lights, garages, landscaping, hardscaping, lawns, guests or servants quarters, or other outbuildings Plans, specifications and related data as submitted for any such construction, improvements, buildings, structures or development requested for approval shall show the nature, color, type, shape, height, materials and location of the same One (1) copy of such plans, specifications and related data so submitted shall be retained in the records of the Design Review Board and the other copy shall be returned to the Owner marked "approved by the Design Review Board," or "approved as noted by the Design Review Board," or "disapproved by the Design Review Board " Until the members of the Design Review Board are appointed by the Board, the Design Review Board shall have the sole discretion to determine whether the plans and specification submitted for approval are acceptable to the Design Review Board in connection with the approval rights Any disapproval by the Design Review Board may be based upon any ground whatsoever so long as such disapproval is consistent with the objectives and purposes of this Declaration, including, but not limited to purely aesthetic considerations, provided that such disapproval is not arbitrary or capricious

(c) Any and all plans submitted for the construction of a Residential Unit on a Lot, shall depict thereon the proposed Residential Unit in such detail as requested by the Design Review Board, including all driveways, parking areas, mailboxes, basketball goals, decks, patios, courtyards, swimming pools, tennis courts, greenhouses, playhouses or equipment, walls or fences, awnings, steps, stoops, yard equipment, lighting, garages, out buildings, landscaping, hardscaping, lawns, guest or servants quarters and such other structures, out buildings and items as determined by the Design Review Board or as contemplated by the applicant to be a part of the improvements on the Lot Any and all requests for alterations or additions to a Lot or Residential Unit, including alterations or additions to existing structures or improvements or the addition of additional structures, items or improvements shall depict thereon the proposed addition or alteration in its proposed location with all height, material, location and other specifics as may be requested by the Design Review Board

(d) The Design Review Board shall have the right to establish a maximum percentage of a Lot which can be cleared or graded and a maximum percentage of a Lot which may be covered by Residential Units, buildings, structures or other improvements, which standard shall be promulgated on the basis of topography, percolation data, soil types and conditions, vegetation cover and other environmental factors taken into account by the Design Review Board. Following approval of any plans and specifications by the Design Review Board, representatives of the Design Review Board shall have the right, without notice, during reasonable hours to enter upon and inspect any Lot, Residential Unit or other improvements or structures with respect to which construction is underway to determine whether or not the plans and specifications thereof have been approved and are complied with. In the event that Design Review Board shall determine that such plans and specifications have not been approved or are not being complied with, the Design Review Board, acting in the name and at the expense of the Association, shall be entitled to enjoin further construction and to require the removal or correction of any work, improvement or structure in place which does not comply with the approved plans and specifications. The Design Review Board, acting in the name and at the expense of the Association, shall be entitled to set applicable fines for non-compliance of Architectural and Design Guidelines requirements and criteria.

(e) In the event that the Design Review Board fails to approve or disapprove in writing any proposed plans and specifications within sixty (60) days after such plans and specifications have been submitted, such plans and specifications will be deemed to have been expressly approved, provided the proposed improvements are generally in harmony with the Community Wide Standard and comply with the provisions of the Design Guidelines. Upon the approval of plans and specifications by the Design Review Board, no further approval under this Article 9 shall be required with respect thereto, unless construction has not substantially commenced within one hundred eighty (180) days of approval of such plans and specifications or unless such plans and specifications are materially altered or changed. For purposes of this section, "substantially commenced" shall mean any clearing, grading, pouring of footing or any other type of affirmative action to commence with the construction of a Residential Unit. After one hundred eighty (180) days without substantial commencement of construction, all plans and specifications must be re-submitted and additional applicable fees paid.

(f) No landscaping, grading, excavation or filling of any nature whatsoever shall be implemented and installed on a Lot, other than by Declarant, unless and until the plans therefor have been submitted to and improved in writing by the Design Review Board. The provisions of this Article 9 regarding the time for approval of plans, the right to inspect, the right to enjoin and/or require removal, etc. shall also be applicable to any proposed landscaping, clearing, grading, excavation or filling. The Design Review Board shall be permitted to promulgate Design Guidelines with regard to any such landscaping, grading, excavation or filling as set forth in the Design Guidelines.

(g) Before construction of any Residential Unit on any Lot begins and as part of the approved plan regarding such Residential Unit as submitted to the Design Review Board, the Design Review Board shall be provided a general landscape design which shall be reviewed and approved by it before commencement of the installation of landscape with respect to such

Residential Unit. The landscaping as shown on such landscape design plan shall be installed and in place as part of the construction of the Residential Unit

9.6 The Modifications Committee.

(a) By way of example and not limitation of the terms of this Article 9, the Design Review Board shall have the right to approve upon submission of a request pursuant to the terms of this Article and any and all modifications, additions or alterations made on or to a Lot. Notwithstanding this authority of the Design Review Board, the Design Review Board, may authorize, continue and discontinue a Modifications Committee to review any and all proposed modifications, additions or alterations to a Lot on which a Residential Unit has been completed, or affecting the exterior portion of the Residential Unit thereon

(i) If such Modifications Committee is established, such Committee's authority shall be limited to review of proposed modifications, additions or alterations made on or to such Lot or affecting the exterior portion of the Residential Unit thereon, following (a) completion of the construction of the initially proposed Residential Unit and the improvements thereon as approved by the Design Review Board (b) occupancy of such Residential Unit and (c) issuance of a certificate of occupancy if such is issued by the local jurisdiction. The Modifications Committee shall not have authority to review modifications, additions or alterations made by the Declarant or by Builder/Owners, which modifications, additions or alterations shall be subject, at all times, only to review and approval of the Design Review Board.

(ii) The results of any and all review by the Modifications Committee shall be submitted to the Design Review Board with a recommendation, in writing, by the Modifications Committee for approval, approval as noted with comments, or disapproval. The recommendation of the Modifications Committee shall not be binding until adopted by the Design Review Board, who may accept, accept with comment or reject such recommendation. If any recommendation of the Modifications Committee is rejected by the Design Review Board, the Design Review Board may substitute its own response to any such proposed modification, addition or alteration, which shall then be binding.

(iii) Review and recommendation by the Modifications Committee shall be based upon the terms of this Declaration and the Design Guidelines

(b) The Modifications Committee shall, if established, consist of at least three (3) and no more than five (5) members, all of whom shall be appointed by the Declarant until such time as the members of the Design Review Board are appointed by the Board of Directors. At such time that the members of the Design Review Board are appointed by the Board of Directors, the Board of Directors shall also appoint the members of the Modifications Committee, if existing. If the Design Review Board determines that it has jurisdiction over and in respect to any submission to the Modifications Committee, the Design Review Board shall be authorized to review and approve such submission to the exclusion of Modifications Committee. The Modifications Committee shall, as soon as practical after receipt by it of any submission hereunder review the same and deliver its recommendation to the Design Review Board. If the Design Review Board fails to approve or disapprove, in writing, any proposed modification, addition or alteration within sixty (60) days after

such have been submitted, such plans and specifications will be deemed expressly approved, provided the proposed modification, addition or alteration is in general harmony with the Community Wide Standard. The provisions hereof shall not be applicable to the Additional Property provided such shall be applicable to those portions of the Additional Property as have been annexed to this Declaration

(c) Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her Residential Unit or to paint the interior of his or her Residential Unit any color desired, so long as the same is not visible from outside the Residential Unit

9.7 Commencement of Construction and Occupancy of Residential Units Residential Units may not be temporarily or permanently occupied until the exteriors thereof and the landscaping of the Lot on which the Residential Unit is located have been completed and a certificate of occupancy for such Residential Unit, if issued by the local jurisdiction, has been issued. Once commenced, the construction of a Residential Unit and original improvements contemplated therewith on a Lot shall diligently be continued and shall be completed within twelve (12) months from the date of commencement. For the purposes of this Section 9.5, commencement of construction shall mean that (a) all plans for such construction have been approved by the Design Review Board, (b) a building permit has been issued for the Lot by the appropriate jurisdiction, and (c) construction of a structure has physically commenced beyond site preparation. Completion of a structure shall mean that a certificate of occupancy has been issued by the appropriate jurisdiction for the Lot. During the continuation of construction of any Residential Unit, structure or improvements respecting a Lot or any modifications, additions or alterations thereto, any and all contractors in respect to the construction thereof shall maintain the Lot, the Residential Unit, and the surrounding Common Area in a reasonably clean and uncluttered condition and, to the extent possible, all construction trash and debris shall be kept within refuse containers. Upon completion of construction, the Owner of the Lot shall cause such contractors to immediately remove all equipment, tools and construction material and debris from the Lot and Residential Unit on which such construction has been completed.

9.8 Approval of Plans. No approval of plans and specifications and no publication of Design Guidelines pursuant to the terms of this Declaration by the Design Review Board shall be construed as representing or implying that such plans, specifications or standards will, if followed, result in properly designed improvements. Such approvals and standards shall in no event be construed as representing or guaranteeing that any Residential Unit or other improvement built in accordance therewith will be built in a good workmanlike manner. The Declarant, the Association, the Design Review Board and the Modifications Committee, if acting, shall not be responsible or liable for (i) any defects in any plans or specifications submitted, revised, or approved pursuant to the terms of this Declaration, (ii) any loss or damages to any person rising out of the approval or disapproval of any plans or specifications, (iii) any loss or damage arising from the non-compliance of such plans and specifications as with any governmental ordinances and regulations, nor (iv) any defects in construction undertaken pursuant to such plans and specifications

9.9 Construction Criteria and Requirement of Compliance With Law. All Residential Units and other structures and improvements shall be constructed, modified, altered or added to in compliance with any and all applicable state, county and municipal zoning and building restrictions

and any applicable regulations and restrictions as might apply to the real estate. All grading, clearing, construction of impervious surfaces, building and other construction activity performed on Lots or Residential Units that are subject to the rules, regulations, guidelines and restrictions of any regulatory authority shall be performed in accordance with such rules, regulations, guidelines and restrictions.

9.10 Land Use and Building Type. Unless otherwise set forth by Declarant in a Supplemental Declaration applicable to a Phase, the following shall be applicable to all Lots

(a) Structures and Improvements. For purposes of lending assistance to define structures and improvements as required to be approved by the Design Review Board, such structures and improvements shall include, but shall not be limited to, staking, clearing, excavation, grading and other site work; initial construction of any Residential Unit or accessory building; exterior alteration of existing improvements; installation or replacement of mailboxes, swing sets and similar sports and play equipment, garbage cans, wood piles, swimming pools, gazebos or playhouses, hot tubs, wells, satellite dishes or any other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind, hedges, walls, dog runs or fences of any kind, including invisible fences, artificial vegetation or sculpture, and planting or removal of landscaping materials. Notwithstanding the foregoing, the Declarant and the Association shall regulate size and placement of antennas, satellite dishes, or any other apparatus for the transmission or reception of television, radio, satellite or other signals of any kind only in strict compliance with all federal laws and regulations

(b) In addition to the foregoing activities requiring prior approval, the following items are strictly regulated, and the Design Review Board shall have the right, in its sole discretion, to prohibit or restrict these items within the Properties subject to the restrictions as set forth in the Governing Documents. Each owner must strictly comply with the terms of this Section 9.8 unless approval or waiver in writing is obtained from the Design Review Board. The Design Review Board may, but is not required to, adopt specific guidelines as part of the Design Guidelines or rules and regulations which address the following items.

(i) Signs No sign of any kind shall be erected by an Owner without the prior written consent of the Design Review Board, except (1) such signs as may be required by legal proceedings, and (2) not more than one (1) professional security sign of such size deemed reasonable by the Design Review Board in its sole discretion. No signs, banners, or marketing identifications items, including but not limited to: For Sale, For Rent, For Lease, are permitted on any home site, in windows of homes or structures, on any deck or any road right of way unless placed at the direction of the Declarant. The Declarant and the Design Review Board reserve the right to adopt additional restrictions with respect to the size, content, color, lettering, design and placement of any approved signs. All signs must be professionally prepared. This provision shall not apply to entry, directional, or other signs installed by the Declarant or its duly authorized agent as may be necessary or convenient for the marketing and development of the Properties

(ii) Tree Removal. No trees that are more than six (6) inches in diameter at a point three (3) feet above the ground shall be removed without the prior written

consent of the Design Review Board, *provided, however*, any trees, regardless of their diameter, that are located within ten (10) feet of a drainage area, a sidewalk, a residence, or a driveway, or any diseased or dead trees needing to be removed to promote the growth of other trees or for safety reasons may be removed without the written consent of the Design Review Board and subject to restrictions as set forth in the Governing Documents. The Design Review Board may adopt or impose requirements for, or condition approval of, tree removal upon the replacement of any tree removed. Additional clearing or pruning of tree canopies may be required on some home sites as per fire ordinance recommendations.

(iii) Lighting. Exterior lighting visible from the street shall not be permitted except for: (1) approved lighting as originally installed on a Lot; (2) one (1) approved decorative post light; (3) pathway lighting; (4) street lights in conformity with an established street lighting program for the Properties; (5) seasonal decorative lights during the usual and common season, or (6) front house illumination of model homes pursuant to criteria set forth in the Design Guidelines or any other Governing Documents.

(iv) Accessory Structures. With the approval of the Design Review Board, detached accessory structures may be placed on a Lot to be used for a playhouse, swimming pool, tool shed, dog house, garage or other approved use. A garage may also be an attached accessory structure. Such accessory structures shall conform in exterior design and quality to the dwelling on the Lot. With the exception of a garage that is attached to a dwelling and except as may be provided otherwise by the Design Review Board, an accessory structure placed on a Lot shall be located only behind the dwelling as such dwelling fronts on the street abutting such Lot or in a location approved by the Design Review Board. All accessory structures shall be located within side and rear setback lines as may be required by the Design Review Board, Carolina Centers, LLC deed restrictions, Clean Water of NC, LLC Conservation Easement or by applicable zoning law.

(v) Garages. Garages having courtyard, side or rear entry based upon lot type and grade are preferred. See Design Guidelines for front entry garage parameters. All garages must have doors and each garage door must be coordinated in design and color with the Residential Unit to which it is appurtenant pursuant to the Design Guidelines. Each Owner shall provide in respect to each of such Owner's Residential Units parking of at least two (2) automobiles within garages. The garage shall be constructed at the same time that the Residential Unit is constructed and occupancy of the Residential Unit shall not be authorized until the garage is complete without Design Review Board approval for a variance.

(vi) Utility Lines. Overhead utility lines, including lines for cable television, are not permitted except for temporary lines as required during construction and lines installed by or at the request of Declarant.

(vii) Minimum Dwelling Size. Each Residential Unit located on any Lot shall have established in the Design Guidelines a minimum square footage of enclosed, heated and cooled living space and as may also be set forth in the Carolina Centers, LLC deed restrictions. Upon written request of an Owner, the Design Review Board may waive the square footage requirement if, in the Design Review Board's sole discretion, the resulting appearance of

such Residential Unit will preserve and conform to the overall appearance, scheme, design, value and quality within the Properties.

(viii) Sight Distance at Intersections. All property located at street intersections or driveways shall be landscaped and improved so as to permit safe sight across such areas. No fence, wall, hedge or shrub shall be placed or permitted to remain where it would cause a traffic or sight problem. The Design Guidelines may include additional sight line limitations.

(ix) Air Conditioning Facilities. No window or wall type air conditioners shall be permitted to be used, erected, placed, or maintained on or in any Residential Unit, building, improvement or structure within the Properties.

(x) Utility Location. The Owners shall ascertain the location of utility service lines and keep the area over the route, if underground, of said service drops free of excavations and clear of structures, trees and other obstructions; it being understood that the lighting and power company may install, maintain, repair, replace and remove said underground service drops, if any, and open the ground for any such purpose or purposes, and no payment will be due or made by any utility for such use or activity.

(xi) Walls, Fences, and Hedges. No walls or fences shall be erected or maintained on any Lot nearer to the street front than the front building line as set forth and as may be shown on the Subdivision Plat unless approved, in writing, by the Design Review Board. All fences and walls shall be approved by the Design Review Board pursuant to standards adopted by it prior to installation and subject to any other restrictions as may be established in the Governing Documents. All walls and fences on any Lot must be no higher than as might be approved and must be of a material the same as the house (i.e. brick, stone or stucco) or as otherwise approved by the Design Review Board. No fence may be installed which will impede the natural flow of water across the Lot. All fences, walls and hedges must be approved by the Design Review Board. Ownership of any wall, fence, or hedge erected as a protective screening on a Lot shall pass with title to the Lot. Each Owner shall be responsible for maintaining any wall, fence or hedge as may exist on his or her Lot and must not block site views for safe vehicular ingress and egress to the Lot.

(xii) Parking. Each Lot shall have provided thereon adequate off street parking as determined by the Design Review Board.

(xiii) Mailboxes. Only one (1) mailbox may be located on each Lot, which mailbox shall be uniform as to style and materials consistent with the Design Guidelines. Each mailbox shall be located and thereafter maintained in a location approved by the Design Review Board consistent with the requirements, if any, of the United States Postal Service. In the event the United States Postal Service will not provide individual mail delivery to lots, then, in such event, Declarant shall provide for secure community mail delivery in a common area location to be approved by the United States Postal Service.

(xiv) Driveway Construction. No driveway shall be placed on any Lot nor be connected to any street or road within the Properties until the location and materials on the

Lot and street access of such driveway are approved by the Design Review Board. In the event there are any concrete curbs in the Properties and such curbs are chipped, cracked and/or broken on the street front side as a result of driveway installation or otherwise such shall be repaired or replaced at the expense of the Owner of the Residential Unit prior to occupancy of the Residential Unit on said Lot.

(c) Building Setback Requirements Setback requirements which govern specific home site sections as referenced in all recorded plats, the Design Guidelines, the Carolina Centers, LLC restrictions and the Clean Water of NC conservation easement shall apply

9.11 No Waiver of Future Approvals. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval. Non-compliance will result in the levy of fines by the Design Review Board as set forth in the Design Guidelines.

9.12 Variance The Design Review Board may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration, or (c) prevent the Design Review Board from denying a variance in other circumstances. For purposes of this Section 9.10, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.13 Limitation of Liability The standards and procedures established pursuant to this Article 9 are intended to provide a mechanism for maintaining and enhancing the overall aesthetics of the Properties only, and shall not create any duty on the part of the Declarant, the Association, the Board or the Design Review Board to any Person. Review and approval of any application pursuant to this Article 9 is made on the basis of aesthetic considerations only and neither the Declarant, the Association, nor the Design Review Board shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, the adequacy of soils or drainage, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board, the Design Review Board or any committee, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction or modifications to any Lot. In all matters, the committees and their members shall be defended and indemnified by the Association as provided in Section 4.9

9.14 Enforcement

(a) The Declarant, any member of the Design Review Board or the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon any Lot to inspect for the purpose of ascertaining whether any structure or

improvement is in violation of this Article 9. Any structure, improvement or landscaping placed or made in violation of this Article 9 shall be deemed to be nonconforming. Upon written request from the Design Review Board, Owners shall, at their own cost and expense, remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore the property as required, any authorized agent of Declarant, the Design Review Board or the Board shall have the right to enter the property pursuant to Section 11 4, remove the violation, and restore the property to substantially the same condition as previously existed. Entry for such purposes and in compliance with this Section 9 12 shall not constitute a trespass. In addition, the board may enforce the decisions of the Declarant, and the Design Review Board by any means of enforcement described in Section 4 4. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Specific Assessment.

(b) Unless otherwise specified in writing by the Design Review Board, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. If, after commencement, any Person fails to diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the By-Laws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Specific Assessment.

(c) Neither the Design Review Board, the Association, the Declarant, nor their respective members, officers or directors shall be held liable to any Person for exercising the rights granted by this Article 9. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article 9 or the Design Guidelines may be excluded by the Design Review Board from the Properties, subject to the notice and hearing procedures contained in the By-Laws.

(d) In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article 9 and the decisions of the Design Review Board.

ARTICLE 10 USE RESTRICTIONS

10 1 Use Restrictions This Article 10 sets out certain use restrictions which must be complied with by all Owners and occupants of any Lot. The Properties shall be used only for single family residential, recreational, and related purposes (which may include, without limitation, model homes, sales offices, an information center and/or a sales office for any real estate broker retained by the Declarant to assist in the sale of property described on Exhibit A, offices for any property manager retained by the Association, business offices for the Declarant or the Association or related parking facilities) consistent with this Declaration and any Supplemental Declaration.

10.2 Occupants Bound. All provisions of the Declaration, By-Laws, and of any rules and regulations, use restrictions or Design Guidelines governing the conduct of Owners and establishing sanctions against Owners shall also apply to all occupants even though occupants are not specifically mentioned.

10.3 Leasing. Lots with a completed home may be leased for residential purposes of a single family only and must be for a lease period of not less than three (3) months and all leases must be in writing. All leases shall require, without limitation, that the tenant acknowledge receipt of a copy of the Declaration, By-Laws, use restrictions, and rules and regulations of the Association. The lease shall also obligate the tenant to comply with the foregoing. The Board may require notice of any lease together with such additional information deemed necessary by the Board. The Board may also adopt rules regarding the leasing of homes. Such rules may include a limitation on the maximum number of times a home may be leased in any calendar year as well as minimum lease terms (e.g., three (3) months).

10.4 Residential Use

(a) Subject to the rights of Declarant as set out herein, Lots may be used only for residential purposes of a single family, and for ancillary business or home office uses so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the dwelling unit; (ii) the business activity conforms to all zoning requirements for the Properties, (iii) the business activity does not involve regular visitation of the Property by clients, customers, suppliers or other business invitees or door-to-door solicitation of residents of the Properties, (iv) the business activity does not involve any service or delivery business in which more than one vehicle used in such business would be parked overnight on the Property, or for which any parts, equipment, supplies, raw materials, components or tools are stored on the Property; and (v) the activity is consistent with the residential character of the Properties and does not constitute an unreasonable disturbance or nuisance to adjoining land owners or others, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties.

(b) Subject to the rights of Declarant set out herein, no other business, trade, or similar activity shall be conducted upon a Lot. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

(c) The leasing of a Lot shall not be considered a business or trade within the meaning of this Section 10.4. This Section 10.4 shall not apply to any activity conducted by the Declarant with respect to its development and sale of the Properties or its use of any Lots which it owns within the Properties, including the operation of a timeshare or similar program.

(d) No garage sale, moving sale, rummage sale, or similar activity shall be conducted upon a Lot without the prior written consent of the Board and, if approved, may not be held on the Property more than once in any six month period

(e) No activity shall be conducted upon a Lot which violates any local, state or federal law or regulation;

(f) Lots may not be used for any institutional or multi-family purposes, including but not limited to day care centers, churches, temples or shrines, rest homes, schools, medical care facilities, lodges, inns, beds and breakfasts and group homes,

10.5 Vehicles. All vehicles shall be subject to such reasonable rules and regulation as the Board of Directors may adopt. In addition, the following shall apply

(a) Automobiles and non-commercial trucks and vans shall be parked only in the garages or in the driveways, if any, serving the Lots unless otherwise approved by the Design Review Board, provided however, the Declarant and/or the Association may designate certain on-street parking areas for visitors or guests subject to reasonable rules. No automobile or non-commercial truck or van may be left upon any portion of the Properties, except in a garage, if it is unlicensed or if it is in a condition such that it is incapable of being operated upon the public highways. Such vehicle shall be considered a nuisance and may be removed from the Properties. No motorized vehicles shall be permitted on trails, paths, or unpaved Common Area except for public safety vehicles and as specifically authorized by the Board. For purpose of the foregoing, a non-commercial truck shall be deemed to be a truck upon which there is contained no commercial lettering, phone numbers, or business advertisement on the exterior thereof and which does not contain commercial license tags.

(b) Recreational vehicles belonging to Owners or occupants of the Lots shall be parked only in the garage serving the Lot. Guests of an Owner or occupant may park a motor home on the driveway serving the Owner's or occupant's Lot for a period not to exceed seven (7) Days each calendar year. The term "recreational vehicles", as used herein, shall include, without limitation, motor homes, boats, "jet skis" or other watercraft, trailers, other towed vehicles, motorcycles, minibikes, scooters, go-carts, golf carts, campers, buses, and camper trucks and vans. Any recreational vehicle parked or stored in violation of this provision in excess of seven (7) Days shall be considered a nuisance and may be removed from the Properties. Fees and costs for removal and storage under this provision shall be assessed against the Lot as a Specific Assessment.

(c) Service and delivery vehicles may be parked in the Properties during daylight hours for such periods of time as are reasonably necessary to provide service or to make a delivery within the Properties.

(d) Without prior written approval and authorization of the Board of Directors, no boats, boat trailers, campers, canoes, motorcycles, mopeds, all terrain vehicles, vehicles used primarily for recreational purposes, vehicles primarily used for commercial purposes, abandoned vehicles, vehicles which are either dismantled, partially dismantled, inoperative, discarded or one which does not have a valid license plate attached thereto, shall be stored, allowed to remain, or

repeatedly parked on the Properties subject to this Declaration, except in any area, if any, constructed or designated for such storage by the Board of Directors. No vehicles shall be parked on the Common Area other than in authorized parking areas or authorized storage areas. No vehicles shall be parked or stored on blocks or other such devices on the Common Area or other portion of the Properties visible from the Common Area. No vehicles shall be parked so as to obstruct the fire lanes or roadways within the Properties. If permitted, boat trailers, boats, campers, motorcycles, mopeds, all terrain vehicles, vehicles primarily used for recreational or commercial purposes, travel trailers or inoperative automobiles are to be stored out of view from the streets and shall not be stored in any street right-of-way or on driveways. The Association is expressly authorized to remove, by towing or other methods, at the Owner's expense, any unlawful or prohibited vehicle in violation hereof.

(e) All vehicular traffic on the private streets and roads within the Properties shall be subject to the provisions of the laws of the State of North Carolina and County concerning operation of motor vehicles on public streets. The Board is hereby authorized to promulgate, administer, and enforce reasonable Rules and Regulations governing vehicular and pedestrian traffic, including reasonable safety measures and speed limits including modifications of those in force on public streets, within the Properties. The Association shall be entitled to enforce same by establishing such enforcement procedures as it deems appropriate, including levying fines for the violation thereof. In the event of a conflict between such provisions of the laws of the State of North Carolina and County and such Rules and Regulations promulgated by the Association, the Rules and Regulations of the Association shall control unless the laws of the State of North Carolina or County are determined by the Board to be more restrictive. Only drivers licensed to operate motor vehicles by the State of North Carolina or by any other state in the United States may operate any type of motor vehicle, including golf carts, mopeds, all terrain vehicles, motorcycles, motor driven bicycles within the Properties. All vehicles of any kind and nature which are operated on the streets of the Properties shall be operated in a careful, prudent, safe, and quiet manner with due consideration for the rights of all Owners within the Properties.

10.6 Use of Common Area

(a) There shall be no obstruction of the Common Area, including without limitation any recreational vehicle and boat storage area, nor shall anything be kept, parked or stored on any part of the Common Area without the prior written consent of the Association, except as specifically provided herein. With the prior written approval of the Board of Directors, and subject to any restrictions imposed by the Board, an Owner or Owners may reserve portions of the Common Area for use for a period of time as set by the Board. Any such Owner or Owners who reserve a portion of the Common Areas as provided herein shall assume all risks associated with the use of the Common Area and all liability for any damage or injury to any person or thing as a result of such use. The Association shall not be liable for any damage or injury resulting from such use unless such damage or injury is caused solely by the willful acts or gross negligence of the Association, its agents or employees.

(b) Owners of Lots, as well as their families, tenants, guests, invitees, and pets shall refrain from any actions which deter from the enjoyment by other Owners of areas within the Properties designated as Common Area. Prohibited activities shall include without

limitation, maintenance of dogs or other pets under conditions which interfere with the use of the specified areas by other Owners, playing of loud radios or musical instruments, holding of large gatherings without advance approval of the Board, and use of portable outdoor grills, cooking facilities, tents or other temporary structures, stages, vending machines or facilities, except for events approved in advance by the Board. The Board may promulgate other rules and restrictions for the use of these areas.

(c) There is reserved unto the Declarant, the Association and their respective, successors and assigns the right and privilege, but not the obligation, to maintain guarded or electronically –monitored gates controlling vehicular access to and from the Development, provided that access to the Property may be granted to any person who gives reasonable evidence satisfactory to entry guards, if there are any, that entry is with the specific permission of the Owner, or his duly authorized agent. Neither the Declarant nor the Association will be responsible, in the exercise of its reasonable judgment, for the granting or denying of access to the Property in accordance with the foregoing

NEITHER THE DECLARANT NOR THE ASSOCIATION SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF ANY GATE OR CONTROLLED ACCESS TO THE PROPERTY OR SAFETY MEASURES UNDERTAKEN WITH RESPECT THERETO BY EITHER OR BOTH OF THEM, NOR SHALL EITHER OR BOTH BE LIABLE FOR ANY LOSS OR DAMAGE RESULTING FROM ANY FAILURE TO PROVIDE CONTROLLED ACCESS OR SAFETY MEASURES OR FROM LEAVING ANY GATE OPEN OR FROM A FAILURE OR INEFFECTIVENESS OF ANY SUCH CONTROLLED ACCESS OR SAFETY MEASURES UNDERTAKEN BY EITHER OR BOTH OF THEM. NO REPRESENTATION, WARRANTY OR COVENANT IS GIVEN TO ANY OWNER OR OCCUPANT BY EITHER OR BOTH OF THE DECLARANT AND THE ASSOCIATION THAT ANY CONTROLLED ACCESS OR SAFETY MEASURES INSTALLED OR UNDERTAKEN CANNOT BE BYPASSED OR COMPROMISED, OR THAT THEY WOULD, IN FACT, AVERT DAMAGE OR LOSS RESULTING FROM THAT WHICH THEY ARE DESIGNED TO PREVENT, AND EACH OWNER BY ACCEPTANCE OF A DEED TO A LOT AND EACH OCCUPANT THEREOF SHALL INDEMNIFY AND HOLD THE DECLARANT AND THE ASSOCIATION HARMLESS FROM ANY DAMAGE AND COSTS AND EXPENSES, INCLUDING ATTORNEY FEES, INCURRED BY EITHER OR BOTH OF THEM AS A RESULT OF ANY SUCH ASSERTION OR DETERMINATION

10.7 Animals and Pets No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Lot nor within any Residential Unit, except that dogs, cats or other usual household pets may be kept by the respective Owners on their respective Lots and within their respective Residential Unit, provided that they are not kept, bred or maintained for any commercial purpose and do not endanger the health of or unreasonably disturb the Owner of any Lots within the Community, provided that the Board of Directors may, by adoption of Rules and Regulations, (i) prohibit from the Properties animals which are determined by the Board to be dangerous or detrimental to the health, safety or welfare of the Owners and (ii) prohibit any respective pet from travel upon or use of the Common Area unless the owner of such pet pays a user fee to the Association in an amount determined by the Board. In addition, Rules and Regulations may include but not be limited to the prohibition of animals as to size, weight or type No more than three (3)

dogs or cats may be kept on any Lot at any time. No pet enclosure shall be erected, placed or permitted to remain on any Lot subjected to this Declaration except as approved pursuant to Article 9. No dog runs shall be constructed and maintained on any Lot. In the event a pet or pets become a nuisance in the opinion of the Declarant or the Board, they shall be removed from the Properties. All animals, as are permitted herein, shall be kept and maintained in accordance with the Rules and Regulations established by the Board. All pets must be registered, licensed and inoculated as may be required by law.

10.8 Nuisance It shall be the responsibility of each Owner and occupant to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her property. The Properties shall not be used, in whole or in part, for the storage of any property or thing that will cause such Lot to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or noxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person within the Properties. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes or as approved by the Design Review Board, shall be located, installed or maintained upon the exterior of any Lot unless required by law. Any siren or device for security purposes shall contain a device or system which causes it to shut off automatically within a reasonable period of time. The reasonable and normal development, construction and sales activities conducted or permitted by the Declarant shall not be considered a nuisance or a disturbance of the quiet enjoyment of any Owner or occupant.

10.9 Storage of Materials, Garbage, Dumping, Etc

(a) All garbage cans shall be located or screened so as to be concealed from view of neighboring streets and property. All rubbish, trash, and garbage shall be regularly removed and shall not be allowed to accumulate. There shall be no dumping of grass clippings, leaves or other debris, rubbish, trash or garbage; petroleum products, fertilizers, or other potentially hazardous or toxic substances on wetlands or in any drainage ditch or stream within the Properties, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff. No lumber, metals, bulk materials, refuse, trash or other similar materials shall be kept, stored, or allowed to accumulate outside the buildings on any Lot, except as may be permitted during any period of construction of improvements to a Lot.

(b) Each Owner shall maintain its Lot in a neat and orderly condition throughout construction of a residential dwelling or accessory structure and not allow trash and debris from its activities to be carried by the wind or otherwise scattered within the Properties. Storage of construction materials on the Lot shall be subject to such conditions, rules, and regulations as may be set forth in the Design Guidelines. Each owner shall keep roadways, easements, swales, and other portions of the properties clear of silt, construction materials and

trash from its activities at all times. Trash and debris during construction shall be contained in standard size dumpsters or other appropriate receptacles and removed regularly from Lots and shall not be buried or covered on the Lot. All Lots on which construction is in progress must be inspected by the Owners or their builders prior to each weekend, and during the weekend all materials shall be neatly stacked or placed and any trash or waste materials shall be removed. In addition, Owners shall remove trash and debris from the Lot upon reasonable notice by Declarant in preparation for special events.

10.10 Combustible Liquid. Storage of gasoline, propane, heating or other fuels is prohibited, except for a reasonable amount of fuel that may be stored in containers appropriate for such purpose on each Lot for emergency purposes and operation of lawn mowers and similar tools or equipment and except as may be approved in writing by the Design Review Board. The Association shall be permitted to store fuel for operation of maintenance vehicles, generators and similar equipment.

10.11 Guns. The discharge of firearms on the Properties is prohibited. The term "firearms" includes without limitation "B-B" guns, pellet guns, and firearms of all types. The Board may impose fines, and exercise other means of enforcement as set forth in this Declaration, but shall have no obligation to exercise self-help to prevent or stop such discharge.

10.12 Subdivision of Lot. Without the Declarant's prior written consent, no Lot shall be subdivided or its boundary lines changed after a subdivision plat depicting the Lot has been approved and filed in the Public Records. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

10.13 Drainage and Grading

(a) Catch basins and drainage areas are for the purpose of natural flow of water only. No improvements, obstructions or debris shall be placed in these areas. No Owner or occupant may obstruct or rechannel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains.

(b) Each Owner shall be responsible for maintaining all drainage areas located on its Lot, and for controlling the natural and man-made water flow from its Lot subject to any regulations and restrictions as set forth in Section 10.16 below. Required maintenance shall include, but not be limited to, maintaining natural ground cover in drainage areas and removing any accumulated debris from catch basins and drainage areas. No Owner shall be entitled to overburden the drainage areas or drainage system within any portion of the Properties with excessive water flow from its Lot. Owners shall be responsible for all remedial acts necessary to cure any unreasonable drainage flows from Lots. Neither the Association nor the Declarant bears any responsibility for remedial actions to any Lot.

(c) No Person shall alter the grading of any Lot without prior approval pursuant to Article 9 of this Declaration. The Declarant hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and

water flow. The exercise of such an easement shall not materially diminish the value of or unreasonably interfere with the use of any Lot without the Owner's consent

(d) During the period of initial subdivision road construction, Declarant reserves a twenty five (25) foot temporary grading easement along the margin of all reserved road rights of ways as set forth in Section 11 12 herein.

10 14 Irrigation Wells will be allowed for irrigation purposes only. Locations must be in the rear of the lot and not within street view and must be buried or located within the main structure so as not to be visible. Landscape screening is required if a well is located outside the main structure on the lot. Owners shall not install irrigation systems which draw upon surface waters nor from any stream or other bodies of water within the Properties. However, the Declarant and the Association shall have the right to draw water from such sources for the purpose of irrigating the Area of Common Responsibility.

10 15 Streams. With the exception of any activities undertaken by Declarant, no streams which run across any Lot may be dammed, or the water therefrom impounded, diverted, or used for any purpose without the prior written consent of the Board.

10.16 Wetlands. Declarant is committed to insuring that all streams and wetlands within the Settings of Lake Rhodhiss are protected and generally left in their natural state. All lake front lots are subject to buffers as shown on recorded plats and as further set forth in the Governing Documents and as may be established by the Design Review Board. Certain lots may also include a portion of those areas subject to the Clean Water of NC, LLC Conservation Easement and such lots would be subject to the restrictions set forth therein.

10.17 Temporary Structures. Subject to the Declarant's and Builder/Owner's rights reserved herein, and other than for temporary facilities as might be installed by Declarant or the Association for purposes of administration of the Properties, no structure of a temporary character, whether trailer, basement, tent, shack, garage, barn, or other outbuilding shall be permitted, maintained or used on any Lot at any time as a residence or for any other purpose, either temporarily or permanently. No garage, servants' quarters, or other permitted accessory structure shall be erected, placed, or maintained on any Lot until construction of a main Residential Unit has commenced. Subject to Article 9, any structure on which construction has commenced must be completed within a reasonable length of time.

10 18 Garbage Cans, Woodpiles, etc. All garbage cans, woodpiles, and other similar items shall be located or screened so as to be concealed from view of neighboring Lots, Residential Units, streets, Common Area and the Additional. All rubbish, trash, and garbage shall be regularly removed from the Lot and shall not be allowed to accumulate thereon. Subject to Declarant's reserved rights, no Lot shall be used or maintained as a dumping ground for rubbish, trash or garbage. Trash, garbage, or other rubbish shall not be kept on any Lot, except in sanitary containers constructed of metal, plastic, or masonry materials with sanitary covers or lids. All such sanitary containers shall be kept in a clean and sanitary condition. No Lot shall be used for the open storage of any materials whatsoever, which storage is visible from the street, except that new building materials used in the construction of improvements erected upon any Lot may be placed upon such

Lot at the time construction is commenced and may be maintained thereon for a reasonable time, so long as the construction progresses without undue delay, until the completion of the improvements, after which these materials shall either be removed from the Lot or stored in a suitable enclosure of the Lot. Exterior clotheslines are expressly prohibited on any Lot

10.19 Solar Devices No artificial or man made device which is designated or used for collection of or heating by solar energy or other similar purposes shall be placed, allowed, or maintained upon any portion of the Properties, including upon any Lot or Residential Unit unless approved in accordance with Article 9.

10.20 Above-Ground Pools. Above ground swimming pools shall be strictly prohibited from the Properties.

10.21 Oil and Mining Operations. No oil drilling or development operation, soil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations, or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil, natural gas, or minerals shall be erected, maintained, or permitted upon any Lot.

10.22 Transmission and Reception Devices. No towers, antennas, or other apparatus for the transmission or reception of television, radio, satellite, or their signals of any kind which are located outside of the dwelling on the Lot are allowed except as approved by the Design review board and in no event may any device be approved other than a satellite dish no larger than eighteen inches (18") in diameter which shall require prior Design Review Board approval as to location

ARTICLE 11. EASEMENTS

11.1 Reserved Easements. Declarant hereby reserves the following easements and rights in respect to the Properties which reservation is in addition to the other easements reserved in this Declaration

(a) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant and its successors and assigns and, subject to regulation by the Declarant, to the benefit of Builder/Owners, to enter and travel upon, over, and across the Common Area for the purpose of completion and repair of improvements within the Properties or Additional Property, including Residential Units and for all reasonable purposes to further assist and enhance the marketing and sale of the Properties, Lots or Residential Units together with the easement in and to the Common Area and Lots not conveyed to an Owner for the maintenance of signs, sales offices, construction offices, business offices, and model Residential Units, together with such other facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the completion, improvement and/or marketing and sale of Lots, Residential Units or the Additional Property, so long as Declarant or any Builder/Owner owns any Lot or Residential Unit primarily for the purpose of sale or has the unexpired option to add the Additional Property or any portion thereof to the Property;

(b) Notwithstanding the foregoing reserved easements and rights, the beneficiaries of any rights or easements hereinabove set forth for purposes of travel, entry, access, ingress or egress waive all rights of uncontrolled and unlimited travel, entry, access, ingress or egress across the Common Area and acknowledge and agree that such travel, entry, access, ingress or egress shall be limited to roads, streets, sidewalks, pathways, parking lots, walkways and trails located within or upon the Common Area.

11.2 Owner's Right to Ingress, Egress, Use and Support

(a) Every Owner (and their business invitees and licensees) shall have and is hereby granted the right and easement of ingress and egress over, upon, and across the Common Area necessary for access to his or her Lot and shall furthermore have and is hereby granted the right and easement to lateral support. Such rights shall be appurtenant to and pass with the title to each Lot and shall be subject to the terms of this Declaration. However, all Owners, by accepting title to Lots, waive all rights of uncontrolled and unlimited access, ingress and egress to and from each such Lot and acknowledge and agree that such access, ingress and egress shall be limited to roads, streets, sidewalks, walkways, parking lots and trails located within the Properties from time to time, provided that pedestrian and vehicular access to and from all Lots shall be provided at all times.

(b) There is reserved unto (i) the Declarant and (ii) the Association, the right and privilege, but not the obligation to maintain gates controlling vehicular access to and from the Properties provided, however, that no such gates shall prohibit or unreasonably interfere with the use and enjoyment of the reserved rights and easements set forth in this Article 11 and, provided further, that no such gates controlling vehicular access to the Properties shall impede or otherwise interfere with (i) Declarant to market, sell and develop the Community inclusive of the Additional Property or any portions thereof or, (ii) to the extent determined by Declarant the right of Builder/Owners to market, sell, and develop Lots within the Properties, including the Additional Property.

11.3 Easement for Additional Property There is hereby reserved to Declarant, its successors, assigns and successors-in-title to the Additional Property and all parts thereof for the benefit of and as an appurtenance to the Additional Property and as a burden upon the Properties, a perpetual, alienable and transferable right and easement for (i) pedestrian and vehicular ingress, egress and parking, across, within, and on all roads, sidewalks, trails and parking facilities, from time to time located within the Common Area (ii) the installation, maintenance, repair, replacement, connection and use of security systems and utility facilities and distribution lines, including, without limitation, drainage systems, storm sewers, and electrical, gas, telephone, water, sewer and master television antennas and/or cable system lines, and (iii) drainage and discharge of surface water onto and across the Properties, provided that such drainage and discharge shall not unreasonably interfere with the use and enjoyment of the Lots, the Properties or any improvements from time to time located thereon.

11.4 Easement for Association. There is hereby reserved for the benefit of the Association, its officers, agents and employees, including, but not limited to, any manager employed by the Association and any employees of such manager, a general right and easement to

enter upon any Lot or portion thereof in the performance of its respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practical, only upon advance notice and with permission of the Owner or occupant of the Lot directly affected thereby.

11.5 Maintenance Easement Subject to the provisions regarding maintenance set forth herein there is hereby reserved for the benefit of the Declarant, the Association, and their respective agents, employees, successors and assigns, an alienable, transferable and perpetual right and easement to enter upon any Lot for the purpose of providing insect or reptile control, mowing, removing, clearing, cutting or pruning landscape covering, grass, underbrush, weeds, stumps, or other unsightly growth and removing trash, so as to maintain the Community Wide Standard and reasonable standards of health, fire safety, and aesthetic appearance within the Properties; provided that such easement shall not impose any duty or obligation upon the Declarant or the Association to perform any such action. Furthermore, it is hereby reserved for the benefit of the Declarant and the Association a perpetual right and easement, but not the obligation, to enter upon any unimproved portions of a Lot which is located within fifty feet (50') from the water's edge of any lagoon, pond or other body of water within the Community for the purpose of (A) keeping said area clear and free from unsightly growth and trash, (B) maintaining such bodies of water, such maintenance to include, without limitation, the maintenance of reasonable water quality standards, and (C) installing, constructing, repairing, replacing and maintaining erosion control devices, providing that the foregoing reservation of easements will not be deemed to limit the responsibility therefore by Owners under Section 5.2 hereof. The costs thereof incurred as a result of the action or inaction of any Owner will be paid by such Owner, and until paid will be a continuing lien upon the Owner's Lot pursuant to Article 8 herein. Exercise of these easement rights shall not constitute a trespass upon any lot.

11.6 Alterations in Boundaries, Additions to Common Area. There is hereby reserved in Declarant the right to alter, modify and realign the boundaries of the Common Area and any Lots owned by Declarant, including the realignment of boundaries between adjacent Lots owned by Declarant and the alteration, modification and realignment of any and all rights of ways for ingress, egress and regress. Any such alteration may be shown on an amendment to the Subdivision Plat adopted and recorded by Declarant.

11.7 Easement of Encroachment If any portion of the improvements constructed on the Common Area encroaches upon a Lot or any improvement constructed on a Lot unintentionally encroaches upon the Common Area as a result of construction, reconstruction, repair, shifting, settlement, or movement of any portion of the improvements, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists, provided, however, if any improvement on a Lot or Common Area is knowingly and willfully constructed, reconstructed, or repaired so as to encroach, respectively, on the Common Area or a Lot, no such easement shall exist.

11.8 Use of Common Area Other than for the right of ingress and egress and the normal intended use as interpreted by the Declarant until expiration of the Development Period and thereafter as interpreted by the Association, the Owners are hereby prohibited and restricted from using any of the Common Area except as may be allowed by the Board or as may be expressly

permitted in this Declaration or any amendment or Supplemental Declaration applicable to all or a portion of the Properties. By way of explanation and not limitation, no planting or gardening shall be done upon the Common Area without prior approval of the Board, and no fences, hedges, walls or structures shall be erected or maintained upon the Common Area, except as are installed or modified by Declarant or as approved by the Board or their designated representatives. It is expressly acknowledged and agreed by all parties concerned that this Section 11 8 is for the mutual benefit of all Owners and is necessary for the protection of said Owners.

11 9 Acknowledgment of Rights of Use. Each Owner, and each Member of the Association, by acceptance of a deed or contract for deed to any Lot or Residential Unit is deemed to accept the reservations, rights of use, licenses, easements, and permits existing in, through, and over the Common Area.

11.10 Conveyance of Common Area The Association covenants to accept title to all or portions of the Common Area when conveyed by the Declarant

11 11 Construction and Sale Period Despite any provisions contained in this Declaration to the contrary, including the Use Restrictions of Article 10, herein, it shall be expressly permissible for Declarant and its assigns (which may include Builder/Owners as approved by Declarant) to maintain and carry on upon such portion of the Properties as the Declarant may deem necessary, including, but not limited to, the Common Area, such facilities and activities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to construction upon or sale and marketing of any of the Properties or Additional Property, including, without limitation, business offices, signs, model homes, and sales offices, so long as construction on or offering for sale by Declarant or a Builder/Owner of all or any portion of the Properties or Additional Property, including Lots continues. The right to maintain and carry on such facilities and activities shall include specifically the right to use Lots and Residential Units owned by Declarant or Builder/Owners as models and sales offices and to authorize sales and construction personnel to travel upon and enter the Common Area. Furthermore, Declarant reserves the right, during installation of streets or other facilities, as shown on any Subdivision Plat or plat of any Phase, to enter onto any Lot or Lots for the purpose of disposing of excavation, if necessary, provided that such Lot or Lots have not been conveyed to and/or contracted for or by any other Owner or Owners.

11 12 Easements for Utilities, Road Grading, etc. Subject to specific easements as may be noted on any recorded plat, easements twenty (20) feet in width are reserved on all front, side street, rear lot lines and along all lot lines along the exterior subdivision property boundary, ten (10) feet in width along all other side lot lines and also within all right of way easement areas for the installation, maintenance and repair of any utility services or drainage facilities, including but not limited to, water, sewer, telephone, gas, cable television, electricity and drainage ditches or swales. An temporary grading and construction easement twenty five (25) feet in width is reserved within all lots adjacent to and along the margins of all reserved subdivision road right of way easements for any additional grading which may be necessary during the initial construction of said rights of ways to provide for a reasonable grading transition from the margin of the road way to the adjacent lot and to provide for proper ditching and water run off between the margin of the road and the lot. In addition to the above referenced reserved easements, there is hereby reserved to the Declarant for as long as the Development Period continues and thereafter to the Association, a blanket easement and

the power to grant blanket easements, upon, across, over, and under all of the Properties, including Lots, for ingress, egress, installation, replacing, repairing, and maintaining master television antenna or cable systems, security, and similar systems, walkways, and all utilities, including, but not limited to, water, sewers, telephones, gas, cable television, and electricity; provided this easement shall not authorize entry into or cause physical damage to any structure as might exist unless owned by Declarant if the Declarant is so acting or the Association if the Association is so acting. In furtherance of this easement, from and after such time as the Association is empowered as referred to herein, the Board shall, upon written request of Declarant, grant such easements as may be reasonably necessary for the development of any property described in Exhibit "A" or the Additional Property. In addition, Declarant reserves the easements and rights-of-way as shown on any Subdivision Plat or the plat of any Phase or any of the Properties, including Lots, for the purpose of constructing, maintaining, and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, gas, sewers, or any other utility Declarant determines to install in, across, and/or under the Properties, provided, however, Declarant reserves the right to relocate, make changes in and additions to the above easements for the purpose of most efficiently and economically installing the improvements. To the extent possible, all utility lines and facilities serving the Properties and located therein shall be located underground. By virtue of any such easement and facilities, it shall be expressly permissible for the providing utility company or other supplier or servicer, with respect to the portions of the Properties so encumbered, (i) to erect and maintain pipes, lines, manholes, pumps and other necessary equipment and facilities and to construct and maintain roads, (ii) to cut and remove any trees, bushes or shrubbery, (iii) to grade, excavate, or fill, or (iv) to take any other similar action reasonably necessary to provide economical and safe installation, maintenance, repair, and use of such utilities and systems and roads, provided, however, that such utility company or other supplier or servicer shall take reasonable actions to repair any damages caused by such utility company or other supplier or servicer during the exercise of any rights conveyed under any easement granted hereunder.

11.13 Easement for Law Enforcement and Fire Protection. Declarant hereby grants to the County, Town or such other governmental authority or agency as shall from time to time have jurisdiction over the Properties with respect to law enforcement and fire protection or other activities consistent with the public safety and welfare, the perpetual, alienable and transferable right and easement upon, over and across all of the Common Area for purposes of performing such duties and activities related to law enforcement and fire protection or other activities consistent with the public safety and welfare in these Properties as shall be required or appropriate from time to time by such governmental authorities under applicable law.

11.14 Assignment of Declarant Rights. Declarant may assign its rights as Declarant and by such assignment create the status of each such assignee as Declarant to all or any portion of the Properties or Additional Property to any party or parties who take title to all or any portion of the Properties or Additional Property for the purpose of development and sale. Declarant, however, unless otherwise specifically assigned, shall, so long as it owns any interest in the Community, retain its Declarant status to such portion of the Properties retained by it and retain all Class "B" votes despite any such transfer or assignment.

11.15 Easement for Walks, Trails, Signs and Perimeter Walls. It is hereby reserved for the benefit of Declarant, the Association, and their respective successors and assigns, the alienable,

transferable and perpetual right and easement upon, over, and across (1) those strips of land ten (10) feet in width located along and adjacent to the exterior boundaries of all Lots, such strips to be bounded by the exterior boundaries adjacent to streets and roads and by lines in the interior of such Lots which are ten (10) feet from and parallel to such exterior boundaries, for the installation, maintenance, and use of sidewalks, traffic directional signs, and related improvements, provided that Declarant shall have no obligation to construct any such improvements. There is further reserved for the benefit of the Declarant, the Association, and their respective successor and assigns, the alienable, transferable and perpetual right and easement upon, over, and across those strips of land fifteen (15) feet in width located along those boundaries of all Lots that constitute part of the perimeter boundary of the Properties, such easement to be for the purpose of constructing, installing, replacing, repairing and maintaining a greenway walking trail, perimeter wall or fence around the perimeter boundary of the Properties, provided that Declarant nor the Association shall have any obligation to construct any such greenway walking trail, perimeter wall or fence.

11.16 Easements for Lateral Support. Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, reciprocal, appurtenant easements over every portion of the Common Area, every Lot, and any improvement which contributes to the lateral support of another portion of the Common Area or of another Lot shall be burdened with an easement for lateral support, and each shall also have the right to lateral support which shall be appurtenant to and pass with title to such property.

11.17 Easement for Special Events Declarant reserves, creates, establishes, promulgates and declares for itself, its successors, assigns and designees a perpetual, non-exclusive reciprocal, appurtenant easement over the Common Area for the purpose of conducting educational, cultural, entertainment, or sporting events, and other activities of general community interest at such locations and times as Declarant, in its sole discretion, deems appropriate. Each Owner, by accepting a deed or other instrument conveying any interest in a Lot, acknowledges and agrees that the exercise of this easement may result in a temporary increase in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the occupants of its Lot to take no action, legal or otherwise, which would interfere with the exercise of such easement or to recover damages for or as the result of any such activities.

11.18 Easement for Park and Walking Trail Access Declarant hereby grants to the Owners a perpetual, non-exclusive easement over and across any areas designated as parks, recreation areas, walking trails or paths on any recorded Subdivision Plat of the Properties. Use of such facilities shall be governed by reasonable rules and regulation promulgated by the Association.

11.19 Liability for Use of Easements No Owner shall have a claim or cause of action against the Declarant, its successors or assigns, arising out of the exercise of any easement reserved hereunder or shown on any Subdivision Plat for the Properties, except in cases of willful or wanton misconduct.

11.20 Duke Energy Easement and Contract The Declarant reserves the right to subject the Subdivision to a contract with Duke Energy for the installation of underground electric cables.

and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Duke Energy by the Association.

11 21 Environmental Easement: There is hereby reserved for the benefit of Declarant and the Association a perpetual right and easement on, over and across all unimproved portions of lots or property subject to this Declaration for the purpose of taking any action necessary to effect compliance with environmental rules, regulations, and procedures from time to time promulgated or instituted by any governmental or regulatory entity or by the Declarant or the Association, such easement to include, without limitation, the right to implement erosion control procedures and practices, the right to drain standing water and the right to dispense pesticides

ARTICLE 12. MORTGAGEE'S RIGHTS

The following provisions are for the benefit of holders, insurers, or guarantors of First Mortgages in the Community To the extent applicable, necessary, or proper, the provisions of this Article apply to both this Declaration and to the By-Laws of the Association. Where indicated, these provisions apply only to "eligible holders," as hereinafter defined

12 1 Notice of Action So long as required by the Federal National Mortgage Association but only provided that the Community is a planned development approved by or seeking approval by such Association (and such is approved by the Declarant, in writing) an institutional holder, insurer, or guarantor or a First Mortgagee who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the unit number), (therefore becoming an "eligible holder"), will be entitled to timely written notice of.

- (a) any proposed termination of the development,
- (b) any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Lot or Residential Unit on which there is a first mortgage held, insured, or guaranteed by such eligible holder,
- (c) any delinquency in the payment of assessments or charges owed by an Owner of a Lot or Residential Unit subject to the mortgage of such eligible holder, insurer, or guarantor, where such delinquency has continued for a period of sixty (60) days;
- (d) any lapse, cancellation, or material modification of any insurance policy maintained by the Association, or
- (e) any proposed action which would require the consent of eligible holders, as required in Sections 2 and 3 of this Article

12 2 Other Provisions For First Lien Holders.

- (a) Any restoration or repair of the Common Area after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with this Declaration and

the original plans and specifications unless approval is obtained of the eligible holders of First Mortgages to which at least fifty-one (51%) percent of the votes of Lots and Residential Units, subject to mortgages held by such eligible holders are allocated.

(b) Any election to terminate the development after substantial destruction or a substantial taking in condemnation must require the approval of the eligible holders of First Mortgages to which at least fifty-one (51%) percent of the votes of Lots and Residential Units, subject to mortgages held by such eligible holders, are allocated.

12.3 Amendments to Documents. The following provisions do not apply to amendments to the constituent documents or termination of the development made as a result of destruction, damage, or condemnation pursuant to (a) and (b) above, or to the addition of land in accordance with Article 7 which might occur pursuant to any plan of expansion or phased development previously approved by the agencies and corporations, to the extent such approval was required under the applicable programs of the agencies and corporations.

(a) The consent of at least sixty-seven (67%) percent of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of the eligible holders of First Mortgages to which at least sixty-seven (67%) percent of the votes of such subject to a mortgage appertain, shall be required to terminate the development

(b) So long as required by the Federal National Mortgage Association but only provided that the Community is a planned development approved or seeking approval by the Federal National Mortgage Association (and such is approved by the Declarant, in writing) the consent of at least sixty-seven (67%) percent of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of eligible holders of First Mortgages to which at least fifty-one (51%) of the votes of Residential Units and Lots subject to a mortgage appertain, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation of the Association, or to add any material provisions thereto, which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area,
- (iv) insurance or Fidelity Bonds;
- (v) rights to use of the Common Area, subject to the allowances herein contemplated,
- (vi) responsibility for maintenance and repair of the Properties,

- (vii) other than as in this Declaration provided, expansion or contraction of the Properties, or the addition, annexation, or withdrawal of property to or from the regime,
- (viii) other than as in this Declaration provided or contemplated, boundaries of any Lot,
- (ix) leasing of Residential Units;
- (x) imposition of any right of first refusal or similar restriction on the right of any Owner to sell, transfer, or otherwise convey his or her Lot;
- (xi) establishment of self-management by the Association where professional management has been required by any of the agencies or corporations, or
- (xii) any provision included in the Declaration, By-Laws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first mortgages on Lots and Residential Units

12.4 Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation (The Mortgage Corporation), but only provided that the Community is a planned development approved by or seeking approval by The Mortgage Corporation (and such is approved by the Declarant, in writing), the following provisions apply in addition to and not in lieu of the foregoing. Unless two-thirds (2/3) of the First Mortgagees or Owners give their consent, the Association shall not

- (a) by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this clause),
- (b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner,
- (c) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Lots or Residential Units and of the Common Area,
- (d) fail to maintain fire and extended coverage insurance, as required by this Declaration; or
- (e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property

12.5 Payment of Taxes. First Mortgagees may, jointly or individually, pay taxes or other charges which are in default and which may or have become a charge against any Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for such Common Area. First Mortgagees making such payments shall be owed immediate reimbursement therefore from the Association.

12.6 No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or any other party priority over any rights of the First Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of Common Area.

12.7 Notice of Default. Notwithstanding anything contained herein which might otherwise be construed to the contrary, a First Mortgagee, upon request, will be entitled to written notification from the Association of any default in the performance by an Owner of a Lot or Residential Unit in which such Mortgagee has an interest of any obligation under this Declaration, the By-Laws, or the Articles of Incorporation which is not cured within sixty (60) days.

ARTICLE 13 DECLARANT'S RIGHTS

13.1 Transfer or Assignment. Any or all of the special rights and obligations of the Declarant set forth in the Governing Documents may be transferred or assigned in whole or in part to the Association or to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which the Declarant has under this Declaration or the By-Laws. Upon any such transfer, the Declarant shall be automatically released from any and all liability arising with respect to such transferred rights and obligations. No such transfer or assignment shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Public Records.

13.2 Development and Sales. The Declarant may maintain and carry on upon the Properties such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Lots, such as sales activities, tournaments, charitable events, and promotional events, and restrict Members from using the Common Area during such activities. Such activities shall be conducted in a manner to minimize (to the extent reasonably possible) any substantial interference with the Members' use and enjoyment of the Common Area. In the event that any such activity necessitates exclusion of Owners from Common Areas, such activities shall not exceed seven (7) consecutive Days. The Declarant has easements over the Properties for access, ingress and conducting such activities. In addition, the Declarant may establish within the Properties, including any clubhouse, such facilities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of the Lots, including, but not limited to, business offices, signs, model Lots, tents, sales offices, sales centers and related parking facilities. During the Development Period, Owners may be excluded from use of all or a portion of such facilities in the Declarant's sole discretion. The Declarant shall have easements over the Properties for

access, ingress, and egress and use of such facilities. During the Development Period, Declarant may permit the use of any facilities situated on the Common Area by Persons other than Owners without the payment of any use fees.

13.3 Improvements to Properties. The Declarant and its employees, agents and designees shall have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion. The Declarant and its employees, agents and designees shall also have a right and easement over and upon each and every Lot, the boundary line or lines of which form a portion of the perimeter of the Properties, if deemed appropriate by the Declarant, in its sole discretion.

13.4 Additional Covenants. No Person shall record any declaration of covenants, conditions and restrictions, declaration of condominium, easements, or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed by the Declarant and recorded in the Public Records. No such instrument recorded by any Person, other than the Declarant pursuant to Section 13.6, may conflict with the Declaration, By-Laws or Articles.

13.5 Amendments. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any use restrictions and rules or Design Guidelines made after termination of the Class "B" membership shall be effective during the Development Period without prior notice to and the written consent of the Declarant. This Article 13 may not be amended without the written consent of the Declarant. With the exception of the rights described in Section 13.7, the rights contained in this Article 13 shall terminate upon the earlier of (a) twenty (20) years from the date this Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

13.6 Additional Covenants and Easements by Declarant. The Declarant may unilaterally subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through General Assessments, Parcel Assessments or Specific Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrently with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Declarant. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

13.7 Water and Sewer Systems. All Lots will be serviced by public water services ("Water System") and public sewer services ("Sewer System"). The Town of Valdese has annexed the subdivision into the Town corporate boundaries and water and sewer services shall be provided by the Town of Valdese. Owners shall be obligated to connect to the water and sewer systems and shall be obligated to pay any impact fee, connection fee or other service fee.

assessed by The Town of Valdese to connect to the Water System and Sewer System. Declarant shall have the right to charge Owners and the Association for any water system and sewer system connection fees, impact fees or other fees related to the Water System and Sewer System charged to the Declarant by The Town of Valdese. The Declarant and the Association shall have a blanket easement over the Community, including Lots, for the purpose of installing, operating, maintaining and repairing the Water System and Sewer System. The Declarant shall have the right to sell, lease or otherwise convey or transfer the Water System and Sewer System to The Town of Valdese or any other third party, including an affiliated company. Under no circumstances shall the exercise of any of the rights pursuant to this Section 13.7 require the consent or approval of the Association or the Owners. No individual water well shall be permitted on a Lot unless said well is approved by Declarant and is for irrigation purposes only. No individual private septic system shall be constructed on any lot.

13.8 Annexation by Town of Valdese Declarant reserves the right, without joinder of any Lot Owner or the Association, to petition the Town of Valdese requesting the annexation of the subdivision or any part thereof to the Town of Valdese and the right to petition on behalf of any lot Owner or the Association in any future annexation proceeding.

13.9 Reservation of Rights under the Act Declarant specifically reserves those Special Declarant Rights as defined in Chapter 47F-1-103 (28) of the North Carolina Planned Community Act.

ARTICLE 14: RIGHT OF FIRST REFUSAL

14.1 Applicability Except for sales and conveyances by the Declarant, no unimproved lot may be sold by any Owner except in compliance with the provisions of this Article 14. For the purposes of this Article 14, a Lot shall be considered unimproved unless and until any proposed improvements to such Lot have been approved by the Design Review Board pursuant to the provisions of Article 9 herein and the good faith commencement of the construction of such approved improvements (i.e. at a minimum, completion of footings and foundation of the approved residence and bona fide evidence of total expenditures for improvements to the lot of at least \$50,000.00) shall have occurred.

14.2 Right of First Refusal Before any unimproved lot (or any ownership interest therein) may be sold to any Person other than Declarant or its successors, the Owner of such lot shall first offer in writing to sell the Lot to the Declarant or its successors at a price equal to that agreed upon pursuant to a bona fide written offer to purchase the lot. Upon receipt by an Owner of a bona fide written offer to purchase an unimproved lot, such Owner shall send to Declarant a copy of such bona fide offer along with written notification that such Owner is offering the Lot for sale to Declarant pursuant to this right of first refusal at the same price as set forth in said offer. If the Declarant or its successor does not accept or reject in writing said offer of sale within three business (3) days from the date of receipt of the same, then the Owner of such Lot shall have the right to sell the Lot to the third party making such bona fide offer pursuant to such bona fide offer, without any further additional obligation to offer the Lot to Declarant. Declarant shall

have this right of first refusal with regard to each bona fide offer which an Owner receives for the purchase of an unimproved Lot. Any Owner who buys an unimproved lot from another Owner shall be governed by the provisions of this Article 14 and the waiver of the right of first refusal with respect to any sale shall not limit Declarant's rights of first refusal with respect to any subsequent sale of any unimproved Lot. Provided, however, that the right of first refusal reserved to the Declarant pursuant to this Article 14 shall be valid and enforceable with respect to any unimproved Lot only for a period of five (5) years from the date of the first conveyance of such Lot from Declarant to an Owner other than the Declarant, and upon the expiration of said five (5) year period, the Owner of such Lot shall have the right to sell the unimproved Lot to any third party without the obligation to offer the Lot to Declarant. Further provided that this Article 14 shall not be applicable with respect to any foreclosure sale of a deed of trust on an unimproved lot or deed in lieu of foreclosure which is made and delivered in good faith. In each instance where an offer to purchase an unimproved lot is presented to Declarant by an Owner pursuant to the right of first refusal granted herein, Declarant shall determine in its sole discretion and on a case by case basis whether to exercise its right of first refusal, and such determination may be made on such basis and for such reason as Declarant in its sole discretion shall choose. Should an Owner fail to comply with the provisions of this Article 14 and sell an unimproved Lot without first offering said Lot to Declarant in accordance with the terms hereof, then the purchaser of such unimproved Lot shall purchase such Lot subject to the right of first refusal herein granted, and Declarant shall thereafter at any time have the right to purchase such Lot, whether or not it is subsequently improved, from the purchaser thereof at the price as set forth in the bona fide offer to purchase upon which said sale was based and shall also be entitled to any other rights and remedies available at law or in equity for the violation of this Article 14.

14.3 Death of an Owner; Gift The personal representative, heirs, successors and assigns of any Owner who dies while owning any unimproved Lot, or the donee of a gift of a Lot from an Owner, shall become an Owner subject to the terms and conditions of this Declaration and any subsequent sale, transfer and conveyance of such Lot shall be governed by the provisions of this Article 14.

14.4 Transfers to Declarant In the event that Declarant exercises its right of first refusal pursuant to this Article 14, the closing of the conveyance of such Lot shall occur within sixty (60) days after receipt by the Owner of written notice from Declarant or its successors that it elects to exercise its right of first refusal with respect to such Lot. At the closing, Declarant shall make payment to such Owner of the Purchase price as described in the bona fide written offer, in cash or cash equivalent. The Owner shall deliver to Declarant a general warranty deed conveying fee simple marketable title to the Lot free and clear of all exceptions except those that existed at the time of the acquisition of the Lot by such Owner, the lien of ad valorem taxes for the current year and any other exceptions that may be approved by Declarant. In the event the closing occurs after the death of an Owner, Declarant may, in its discretion, require the personal representative of the Owner to post such bonds or other assurances as the Declarant may deem reasonable in order to protect Declarant from any loss which might be caused by the failure to pay any federal or state inheritance tax or the failure to pay the claims of any creditors who may have a lien on the Lot superior to Declarant's rights as a purchaser of said Lot.

14.5 No Further Documentation Required The right of first refusal reserved by the Declarant in this Article 14 shall run with the title to each Lot in the Community which is subject to (or hereinafter subjected to) this Declaration, and be binding upon each purchaser of a Lot from Declarant or its successors and upon any subsequent Owner, whether such Owner purchased such Lot from Declarant or from a third party. The provisions of this Article 14 shall constitute record notice to all purchasers of Lots in the Subdivision subject to (or hereinafter subjected to) these Restrictions of the right of first refusal herein reserved, and no additional language in any deed of conveyance of a Lot and no recording of additional instruments shall be required to make all Owners of such Lots in the Community subject to the provisions of this Article 14.

ARTICLE 15. Plan of Development Along Adjacent Lake

15.1 Construction of Docks and Bulkheads. Owners of Lots fronting on a navigable, freshwater lake or waterway may be permitted to erect docks and bulkheads where appropriate in the discretion of the Declarant, Association, Duke Power Company and any governmental authority with jurisdiction thereof) upon their lots between the outer boundary of their lots and the high water mark of contiguous navigable waters upon complying with the following terms and conditions

15.2 Plans and Specifications Siting Complete plans and specifications including, color, allowable materials and finish must be submitted to the Design Review Board in writing for approval in accordance with Article 9, and must conform to the applicable architectural standards adopted by the Design Review Board in conformity with construction, siting and other conditions established by Duke Power Company and any governmental authority with jurisdiction thereof, including, but not limited to, requirements concerning permitted roof structures, lighting, maximum lengths and square footage

15.3 Governmental Approval of Docks Owners shall comply with all applicable rules, regulations, laws and ordinances for obtaining approval from entities having approval authority, including, but not limited to Duke Power Company and the U S Army Corps of Engineers. No representation is made by Declarant that any such entity approval will be granted, nor shall any such representation be inferred from the matters set forth herein. Any plan or plat of proposed dock development or siting does not constitute a covenant, guaranty or warranty to any Owner that required entity approval will be granted

15.4 Alteration of Docks Any alteration of the plans and specifications or of the completed structure must also be submitted to the Design Review Board in writing and the DRB's approval in writing must be similarly secured prior to construction, the DRB being granted the same right to disapprove alterations as it retains for disapproving the original structures. Any required Duke Power or governmental approval of any such alteration shall be undertaken and completed as may be required by the original permit therefore and by applicable regulations

15.5 Docks into Lake Rhodhiss Encroaching Upon View Pursuant to the Laws of the State of North Carolina, there is no implied easement of view by any Owner of a Lot. No

Owner or Occupant of a Lot or Dwelling shall have any view easement over and across the adjacent waters of Lake Rhodhiss. Any subdivision or site plans which may show lots adjacent to Lake Rhodhiss do not grant to any Lot Owner any ownership in and to such waters and the lake bottom, or the exclusive use and enjoyment of such adjacent waters or view across such adjacent waters.

15.6 Private Dock Access Easements Declarant may establish shared dock easements over Lots for access to private shared docks for the benefit of specific lots. Use of such shared docks shall be governed by individual dock easement agreements which shall be an appurtenant easement to those lots benefited and burdened by such dock easement. The cost of construction, maintenance, insurance, utilities, and other expenses related to the dock and the dock access easement shall be shared equally among the Lots as described in such dock easement agreement.

ARTICLE 16 GENERAL PROVISION

16.1 Duration.

(a) Unless terminated as provided in this Section 14.1, or unless otherwise limited by North Carolina law, this Declaration shall have perpetual duration. If North Carolina law limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of twenty (20) years each.

(b) Pursuant to §47F-2-118 of the North Carolina Planned Community Act the planned community may be terminated by agreement of Lot Owners to which at least eighty percent (80%) of the votes in the Association are allocated. The agreement shall be drafted, executed or ratified, and recorded pursuant to the terms of §47F-2-118 of the North Carolina Planned Community Act.

(c) Nothing in this Section 15.1 shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

16.2 Amendment

(a) By Declarant Until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant, during the Development Period, may unilaterally amend this Declaration at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination, (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots, (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Department of Veteran Affairs, the Federal Housing Administration, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Lots, or (iv) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent in writing. In addition,

during the Development Period, Declarant may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(b) By the Board. The Board shall be authorized to amend this Declaration without the consent of the Members to correct scriveners' errors and other mistakes of fact, provided that amendments under this provision have no material adverse effect on the rights of the Owners. During the Development Period, any such amendment shall require the written consent of the Declarant.

(c) By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members holding sixty-seven percent (67%) of the total Class "A" votes in the Association, including sixty-seven percent (67%) of the Class "A" votes held by Members other than the Declarant, and, during the Development Period, the written consent of the Declarant. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(d) Validity and Effective Date. Any amendment to the Declaration shall become effective upon recording in the Public Records, unless a later effective date is specified in the amendment. No challenge to the validity of an amendment adopted pursuant to this Section 15.2 may be brought more than one year after recordation of such amendment. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration. No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, or the assignee of such right or privilege.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

16.3 Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

16.4 Dispute Resolution. It is the intent of the Association and the Declarant to encourage the amicable resolution of disputes involving the Properties and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, the Association, the Declarant and each Owner covenants and agrees that it shall attempt to resolve all claims, grievances or disputes involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents through alternative dispute resolution methods, such as mediation and arbitration. To foster the amicable resolution of disputes, the Board may adopt alternative dispute resolution procedures. Participation in alternative dispute resolution procedures shall be

voluntary and confidential. Should either party conclude that such discussions have become unproductive or unwarranted, then the parties may proceed with litigation.

16.5 Litigation. Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of members holding seventy-five percent (75%) of the total Association vote. This Section 14.5 shall not apply, however, to (a) actions brought by the Association to enforce the provisions of the Governing Documents (including, without limitation, the restrictive covenants, Design Guidelines and Foreclosure of liens); (b) the imposition and collection of assessments as provided in Article 8, (c) proceedings involving challenges to ad valorem taxation; (d) counter-claims brought by the Association in proceedings instituted against it or (e) actions brought by the Association against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies. This Section 14.5 shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

16.6 Non-Merger. Notwithstanding the fact that Declarant is the current owner of the Properties, it is the express intention of Declarant that the easements established in the Declaration for the benefit of the Properties and Owners shall not merge into the fee simple estate of individual lots conveyed by Declarant or its successors, but that the estates of the Declarant and individual Lot Owners shall remain as separate and distinct estates. Any conveyance of all or a portion of the Properties shall be subject to the terms and provisions of this Declaration, regardless of whether the instrument of conveyance refers to this Declaration.

16.7 Grants. The parties hereby declare that this Declaration, and the easements created herein shall be and constitute covenants running with the fee simple estate of the Properties. The grants of easements in this Declaration are independent of any covenants and contractual agreements undertaken by the parties in this Declaration and a breach by either party of any such covenants or contractual agreements shall not cause or result in a forfeiture or reversion of the easements granted in this Declaration.

16.8 Cumulative Effect; Conflict. The provisions of this Declaration shall be cumulative with any additional covenants, restrictions, and declarations, and the Association may but shall not be required to, enforce such additional covenants, conditions, and provisions; provided however, in the event of a conflict between or among this Declaration and such covenants or restrictions, and/or the provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, this Declaration, the By-Laws, Articles, and use restrictions and rules of the Association shall prevail. The foregoing priorities shall apply, but not be limited to, the lien for assessments created in favor of the Association. Nothing in this Section 14.8 shall preclude any Supplemental Declaration or other recorded declaration, covenants and restrictions applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

16.9 Use of Protected Words "The Settings of Lake Rhodhiss". No Person shall use the words "The Settings of Lake Rhodhiss" or any derivative in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the words "The Settings of Lake Rhodhiss" in printed or promotional matter where such terms are used solely to specify that particular property is located within The Settings of Lake Rhodhiss and the Association shall be entitled to use the word "The Settings of Lake Rhodhiss" in its name.

16.10 Compliance. Every Owner and occupant of any Lot shall comply with the Governing Documents. Failure to comply shall be grounds for an action by the Association or by any aggrieved Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.7.

16.11 Notice of Sale or Transfer of Title. Any Owner desiring to sell or otherwise transfer title to a Lot shall give the Board at least seven (7) Days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title. The transferor shall continue to be jointly and severally responsible with the transferee and for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

16.12 Variances and Waiver of Restrictions. So long as permitted by North Carolina law and so long as Declarant owns any Lot or interest in property subjected to this Declaration, Declarant may waive or otherwise allow and authorize variances from the terms and restrictions hereof or the terms and restrictions of any Supplemental Declaration as might hereafter be relevant to the Property or any part thereof.

16.13 Merger and Subdivision of Lots. Upon application in writing by an Owner of adjoining Lots, the Declarant and, upon assignment of such right, the Board of Directors, may authorize the merger of adjoining Lots or the subdivision of a Lot, subject to the consent of such Mortgagees as may have an interest in the affected Lot. Such merger or subdivision shall be in conformance within the provisions of the Governing Documents and any Supplemental Declaration that may be applicable to such Lots, including provisions which may further regulate merger or subdivision and use provisions regulating use of Lots. Such plats and plans as may be necessary to show the merged or subdivided Lots shall be thereafter prepared at the expense of the requesting Owner, who shall additionally be responsible for all costs, including legal fees, associated with the merger or subdivision of such Lots. The Declarant (or Board of Directors, as the case may be) may impose conditions for use of the merged or subdivided Lot as a condition precedent to granting approval for such a merger or subdivision. From and after the time a merger or subdivision of Lots is approved, such resulting Lots shall, for all purposes, be considered Lots in accordance with their new boundaries.

16.14 Reservation From Lot Conveyance. It is expressly agreed and understood that the title conveyed by Declarant to any Lot, Common Area or other parcel of land within the Properties by contract, deed, or other conveyance shall be subject to an easement affecting same for roadways or drainage, access, ingress, egress, water, gas, sewer, storm sewer, electric light, electric power, telegraph, telephone, or cable television purposes and shall convey no interest in any pipes, lines,

poles, or conduits, or in any utility facility or appurtenances thereto, constructed by or under authority of Declarant or any easement owner, or their agents through, along, or upon the premises affected thereby to serve said land or any other portion of the Properties, and where not affected, the right to maintain, repair, sell, or lease such appurtenances to any municipality or other governmental agency or to any public service corporation or to any other party is hereby expressly reserved

16.15 Incorporation by Reference. All dedications, limitations, restrictions, and reservations shown on any recorded Subdivision Plat of the Community as recorded by the Declarant or any recorded plat of a Phase as recorded by Declarant are incorporated herein and made a part hereof as if fully set forth herein and shall be construed as being adopted in each and every contract, deed, or conveyance executed or to be executed by or on behalf of Declarant and, thereafter, each successive Owner, conveying any of the Properties, whether specifically referred to therein or not

16.16 Interpretation. In all cases, the provisions set forth and provided for in this Declaration shall be construed together and given that interpretation or construction which, in the opinion of the Class B member, if such membership exists, or directors of the Association if the Class B member is terminated, will best affect the intent of the general plan of the Properties. The provisions hereof shall be liberally interpreted and, if necessary, they shall be so extended or enlarged by implication as to make them fully effective. The effective date of this Declaration shall be the date of its filing for record on the records of the Superior Court of Burke County, North Carolina.

16.17 Captions The captions of each article and section hereof as to the contents of each article and section are inserted only for convenience and are in no way to be constructed as defining, limiting, extending or otherwise modifying or adding to the particular article or section to which they refer.

16.18 Gender and Grammar The singular wherever used herein shall be construed to mean the plural when applicable, and the use of the masculine pronoun shall include the neuter and feminine

ARTICLE 17· CONDEMNATION

Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, the award made for such taking shall be payable to the Association, as Trustee for all Owners, to be disbursed as follows

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant, for so long as Declarant owns a Lot for the primary purpose of sale or has the unexpired option to add the Additional Property or portion or portions thereof to the Properties, and at least seventy-five (75%) percent of the Class "A" members of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area,

to the extent lands are available therefore, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the above provisions in Article 6 hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award of funds or remaining net funds shall be disbursed to the Association and used for such purposes as the Board of Directors of the Association shall determine

If the taking or conveyance in lieu thereof includes all or any portion of a Lot also includes any part of the Common Area, then a Court of competent jurisdiction shall apportion such award or proceeds and such award or proceeds shall be disbursed to the Association and the Owner so affected so as to give just compensation to the Owners of any Lot, providing, however, such apportionment may instead be resolved by the agreement of (i) the Board of Directors, (ii) the Owners of all Lots, wholly or partially taken or sold, together with the Mortgagees for each such Lot, and (iii) Declarant, for so long as Declarant owns a Lot for the primary purpose of sale or has the unexpired option to add the Additional Property or any portion or portions thereof to the Development

In the event that all or any part of a Lot is taken (or conveyed in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, and in further event that the Owner of such Lot responsible for the maintenance and repair of such Lot as the case may be, elects not to restore the remainder then such Owner making such election shall promptly clear away any remaining improvements damaged or destroyed by such taking or conveyance and shall leave such Lot and any remaining undamaged improvements thereon in a clean, orderly, safe, and sightly condition. In addition, if the size or configuration of such Lot remaining after such taking or conveyance is insufficient to permit the restoration of the remaining improvements thereon or therein to their condition prior to such taking or conveyance in compliance with all applicable standards, restrictions and provisions of this Declaration and all applicable zoning, subdivision, building, and other governmental regulations, then such Owner shall have the option, after clearing away all remaining improvements or portions thereof and placing the remainder in a clean, orderly, safe, and sightly condition referred to above, of deeding their remaining portion of the Lot as part of the Common Area, and thereafter any such Owner shall not have any further voting rights or membership rights or privileges in the Association or with respect to the Properties and shall not be subject to any further assessments imposed by the Association and payable after the date of such conveyance. Further, in the event that any part of a Lot is taken (or in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, and if the Owner of such Lot responsible for the maintenance and repair of such, as the case may be, elects to restore the remainder of the Lot, such Owner making such election shall restore such remainder of such Lot as nearly as practicable to the same condition it was in prior to such taking or conveyance and in accordance with all applicable standards, restrictions, and provisions of this Declaration, including Article 9 hereof, and all applicable zoning, subdivision, building and other governmental regulations. All such work or restoration shall be commenced promptly following such taking or conveyance and shall be carried through diligently to conclusion within a reasonable time.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 20th day of February, 2007.

DECLARANT:

**THE SETTINGS OF LAKE RHODHISS,
LLC,
a Georgia limited liability company**

By: _____

Richard McWhorter, Manager

STATE OF GEORGIA
COUNTY OF Forsyth

I, Scott R. Vanderhoff, a Notary Public of Forsyth County, Georgia do hereby certify that Richard McWhorter personally appeared before me this day and being personally known by me he acknowledged that he is the Manager of The Settings of Lake Rhodhiss, LLC, Georgia limited liability company (the "Company") and that by authority duly given, he voluntarily executed the foregoing instrument on behalf of and as the act of the manager of the Company.

WITNESS my hand and notarial seal at office, this 20th day of February, 2007

Scott R. Vanderhoff, Notary Public

SCOTT R. VANDERHOFF
Print Name here

NOTARY SEAL

My Commission expires. June 5, 2010

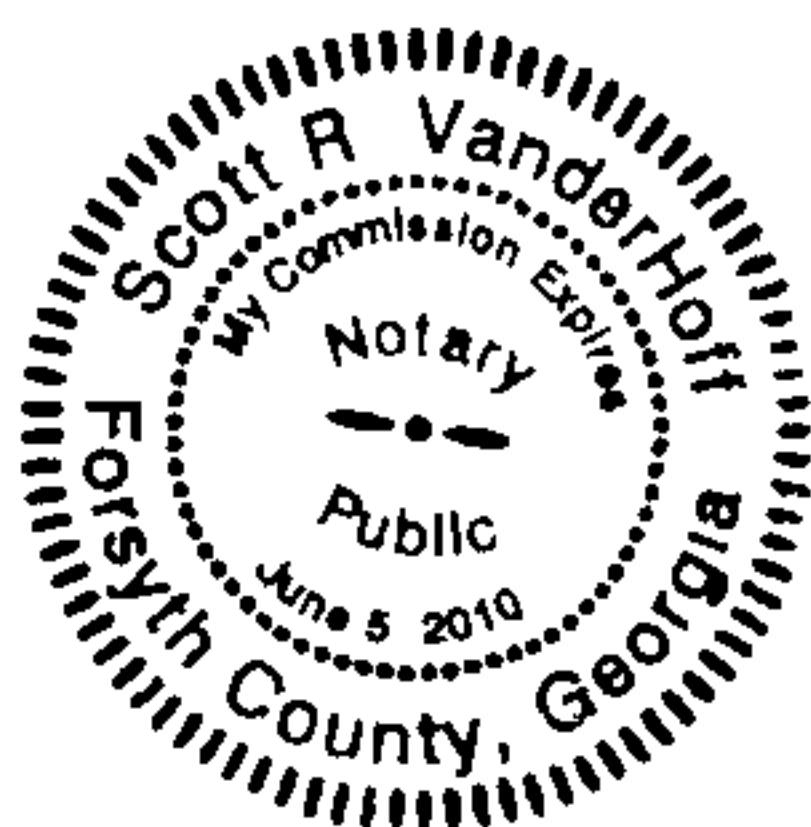


EXHIBIT A
Land Initially Submitted

BEING all of that property included within Phase One of the Settings of Lake Rhodhiss, as shown on plats entitled "The Settings of Lake Rhodhiss, Phase 1, as shown in a series of plats recorded in Plat Book 43, at Pages 59-70 of the Burke County, NC Registry, reference to said series of plats being made for a more particular description of said property.

TOGETHER WITH AND SUBJECT TO all easements, restrictions, setbacks and buffers and rights of ways of record and to a non-exclusive appurtenant easement for ingress, egress and regress is conveyed over and upon all private subdivision right of way easements for The Settings of Lake Rhodhiss as shown on the above-described plats and to these restrictions.

TOGETHER WITH AND SUBJECT TO the terms and conditions of that Deed of *Conservation Easement* recorded in Deed Book 1632, at Page 129 of the Burke County, NC Registry and also subject to the terms and conditions of those restrictions as set forth in Deed from Carolina Centers, LLC, et al, Grantor to The Settings of Lake Rhodhiss, LLC as recorded in Deed Book 1632, at Page 148 of said registry, which said easements and restrictions are incorporated herein by reference.

BEING a portion of that property conveyed to The Settings of Lake Rhodhiss, LLC, a Georgia limited liability company by deed recorded in Book 1632, Page 148 of the Burke County, NC Registry

EXHIBIT "B"

CONSENT OF MORTGAGEE

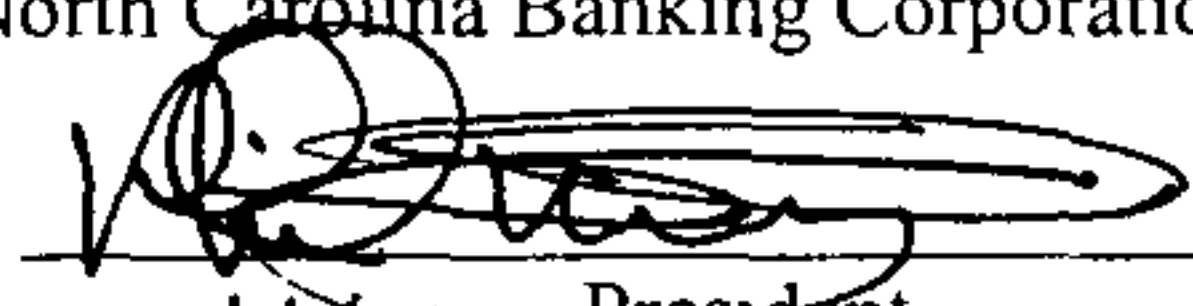
THE SETTINGS OF LAKE RHODHISS

Branch Banking and Trust Company, the Beneficiary under that certain Deed of Trust from The Settings of Lake Rhodhiss, LLC to BB&T Collateral Service Corporation, Trustee, recorded in Deed of Trust Book 1632, at Page 164 of the Burke County, NC Public Registry ("Deed of Trust"), conveying the property described therein, hereby (a) consents to the recordation of this Declaration and the imposition of the provisions of the North Carolina Planned Community Act to the real property described in the Deed of Trust (the "Property"); and (b) subordinates the lien and operation of the Deed of Trust to this Declaration and the provisions contained herein, except that the Deed of Trust is not subordinated to any liens or assessments created by or arising from the Declaration. In the event of foreclosure of the Deed of Trust, or the transfer of any portion of the Property in lieu of foreclosure, Beneficiary and Trustee agree that the purchaser at any such foreclosure or the transferee under any such deed in lieu of foreclosure shall take title to the Property together with and subject to all of the terms of this Declaration. The execution of this Consent of Mortgagee by the Beneficiary shall not be deemed or construed to have the effect of creating between the Beneficiary and Declarant the relationship of partnership or of joint venture, nor shall it be deemed to impose upon the Beneficiary any of the liabilities, duties or obligations of the Declarant under these Restrictions nor does Beneficiary consent to the subordination of the Deed of Trust to any liens or assessments created by or arising from the Declaration. Beneficiary executes this Consent of Mortgagee solely for the purposes set forth above. The Trustee also joins in and executes this Consent of Mortgagee at the request of Beneficiary, and for the purposes set forth above, and in the ordinary course of business.

TRUSTEE

BB&T Collateral Service Corporation,
a North Carolina Banking Corporation

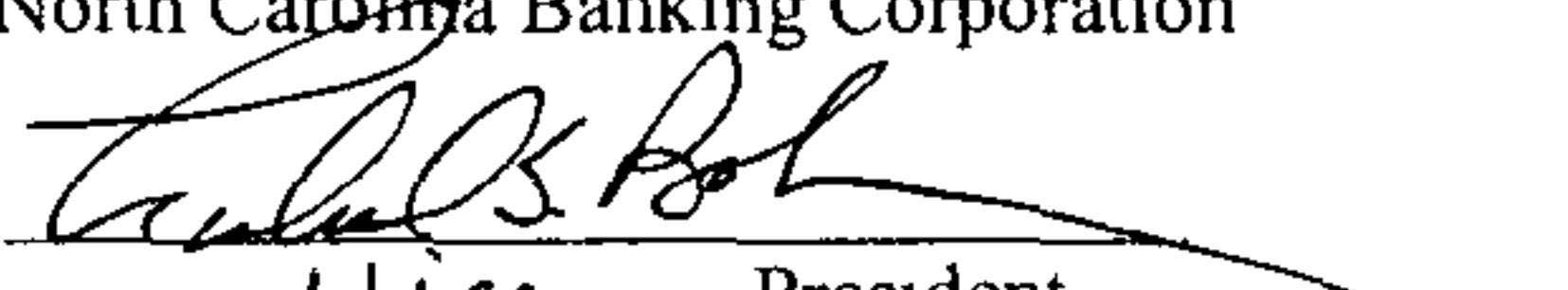
By


Vice President

BENEFICIARY

Branch Banking and Trust Company,
A North Carolina Banking Corporation

By


Vice President

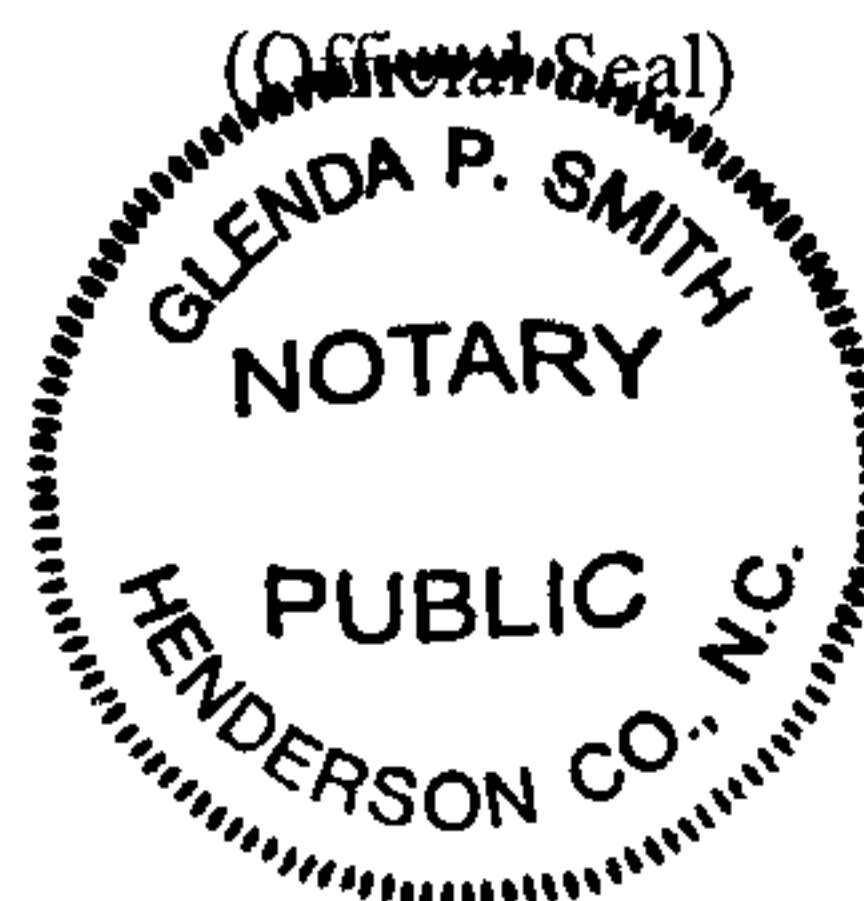
STATE OF NORTH CAROLINA
COUNTY OF Buncombe

I, A Notary Public of said State and County, do hereby certify that
Phillip C. Rumsey, personally appeared before me this day and
acknowledged that is Vice, President of BB&T Collateral Service Corporation, A North
Carolina Banking Corporation, Trustee, and that by authority duly given and as the act of the
corporation, the foregoing instrument was voluntarily signed in its name by its Vice President

Witness my hand and official stamp or seal, this 1 day of March, 2007

Glenda P. Smith
Notary Public GLEND A P SMITH

My Commission Expires 11-6-2010



STATE OF NORTH CAROLINA
COUNTY OF Buncombe

I, A Notary Public of said State and County, do hereby certify that
Michael S. Bohan, personally appeared before me this day and acknowledged that
 is Vice, President of Branch Banking and Trust Company, a North Carolina Banking
Corporation, Beneficiary, and that by authority duly given and as the act of the corporation, the
foregoing instrument was voluntarily signed in its name by its Vice President

Witness my hand and official stamp or seal, this 1 day of March, 2007

Glenda P. Smith
Notary Public GLEND A P SMITH

My Commission Expires 11-6-2010

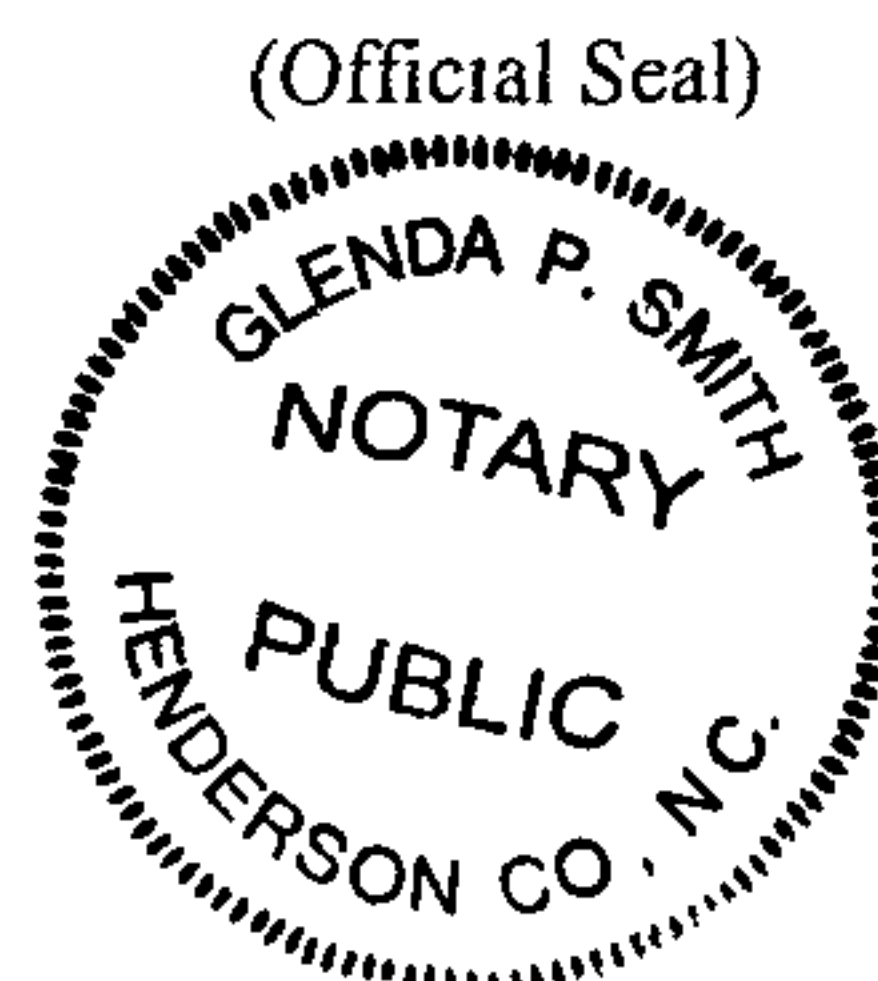


EXHIBIT C

BY-LAWS

OF

**THE SETTINGS OF LAKE RHODHISS ASSOCIATION, INC.,
A NORTH CAROLINA NON-PROFIT CORPORATION**

- TABLE OF CONTENTS -

	<u>PAGE</u>
I. NAME, MEMBERSHIP, APPLICABILITY, AND DEFINITIONS.	1
1. Name	1
2. Membership	1
3. Definitions	1
II. ASSOCIATION MEETINGS, QUORUM, VOTING, PROXIES....	1
1. Place of Meetings	1
2. Annual Meetings	1
3. Special Meetings.....	2
4. Notice of Meetings	2
5. Waiver of Notice....	2
6. Adjournment of Meetings....	2
7. Voting	2
8. Proxies	3
9. Majority.	3
10. Quorum	3
11. Conduct of Meetings	3
12. Record Date	3
13. Action by Written Ballot	3
III. BOARD OF DIRECTORS. NUMBER, POWERS, MEETINGS	4
A. <u>Composition and Selection</u>	4
1. Governing Body; Composition	4
2. Directors During Declarant Control.	4
3. Veto	4
4. Number of Directors	5
5. Nomination of Directors	5
6. Election and Term of Office..	6
7. Removal of Directors	6
B. <u>Meetings</u>	6
8. Organization Meeting	6
9. Regular Meetings	6
10. Special Meetings.....	7
11. Waiver of Notice	7

- TABLE OF CONTENTS -

	<u>PAGE</u>
12 Quorum of Board of Directors	7
13 Compensation	7
14. Conduct of Meetings	7
15. Executive Session	8
16 Action Without a Formal Meeting	8
C. <u>Powers and Duties</u>	8
17. Powers	8
18 Management Agent.	8
19 Borrowing	9
20. Rights of the Association	9
 IV OFFICERS	 9
1. Officers	9
2 Election, Term of Office, and Vacancies	9
3 Removal	9
4 Powers and Duties	9
5. Resignation	10
6 Agreements, Contracts, Deeds, Leases, Checks, Etc.	10
 V COMMITTEES	 10
1. General	10
2. Covenants Committee	10
3 Parcel Committees	10
 VI MISCELLANEOUS	 11
1 Fiscal Year	11
2. Parliamentary Rules	11
3. Conflicts	11
4 Books and Records	11
5. Notices	13
6. Audit	13
7 Amendment	14

BY-LAWS
OF
THE SETTINGS OF BLACK MOUNTAIN ASSOCIATION, INC.
A NORTH CAROLINA NON-PROFIT CORPORATION

Article I
Name, Membership, Applicability, and Definitions

Section 1. Name The name of the Association shall be The Settings of Lake Rhodhiss Association, Inc. (hereinafter sometimes referred to as the "Association").

Section 2. Membership The Association shall have two (2) classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration of Covenants, Conditions, and Restrictions for The Settings of Lake Rhodhiss (said Declaration, as amended, renewed, or extended from time to time, being hereinafter sometimes referred to as the "Declaration"), the terms of which pertaining to membership are specifically incorporated by reference herein

Section 3 Definitions. The words used in these By-Laws shall have the same meaning as set forth in said Declaration of Covenants, Conditions, and Restrictions for The Settings of Lake Rhodhiss to be recorded in the Office of Burke County, North Carolina Register of Deeds, (hereinafter the "Declaration")

Article II
Association: Meetings, Quorum, Voting, Proxies

Section 1. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the members as may be designated by the Board of Directors in Burke County, North Carolina or as convenient thereto as possible and practical.

Section 2 Annual Meetings The first meeting of the members, whether a regular or special meeting, shall be held within one year (1) year from the date of incorporation of the Association. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the commencement or the close of the Association's fiscal year. Subsequent regular annual meetings of the members shall be held within sixty (60) days of the same day in each year

thereafter, at an hour set by the Board. Where directors or officers are to be elected by members, such election may be conducted by mail, if authorized by the Board of Directors and subject to such conditions as the Board may provide

Section 3. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of the Board of Directors or upon a petition signed by at least ten (10%) percent of the total votes of the Association. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice

Section 4. Notice of Meetings. Written notice of each annual and special meeting of the members shall be given by or at the direction of the Secretary or any person or persons authorized to call a meeting by mailing a copy of such notice, postage prepaid, at least ten (10) days, but not more than sixty (60) days, before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association or supplied by such member to the Association for the purpose of the notice

Section 5. Waiver of Notice. Waiver of notice of meeting of the members shall be deemed the equivalent of proper notice. Any member may, in writing, waive notice of any meeting of the members, either before or after such meeting. Attendance at a meeting by a member, whether in person or by proxy, shall be deemed waiver by such member of notice of the time, date, and place thereof, unless such member specifically objects to holding the meeting or transacting business at the meeting, at the beginning of the meeting. Attendance at a meeting shall also be deemed waiver of the objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member objects to considering the matter when it is presented

Section 6. Adjournment of Meetings. If any meetings of the Association cannot be held because a quorum is not present, a majority of the members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. If the new date, time, and place is announced at the original meeting before adjournment, then notice need not be given of the new date, time or place. If a quorum is present, any business which might have been transacted at the meeting originally called may be transacted at the adjourned meeting.

Section 7. Voting. The voting rights of the members shall be as set forth in the Declaration and Articles and such voting rights provisions are specifically incorporated herein.

Section 8 Proxies At all meetings of members, each member may vote in Person or by proxy, as further may be limited by the terms of the Declaration. All proxies shall be in writing and filed with the Secretary or other officer or agent authorized to tabulate votes before the appointed time of each meeting. Every proxy shall be revocable. Each proxy shall automatically cease upon a member's criteria for membership ceasing to exist or upon receipt of notice by the Secretary or other officer or agent authorized to tabulate votes of the death or judicially declared incompetence of a member, or of written revocation. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 9 Majority As used in these By-Laws, the term "majority" shall mean those votes, members, or other group, as the context may indicate, totaling more than fifty (50%) percent of the total number.

Section 10 Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence in person or by proxy of more than fifty (50%) percent of the total votes existing in the Association shall constitute a quorum at all meetings of the Association. In the event a 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 quorum required at the first meeting. In the event a 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-fifth (1/5) of the quorum required at the original meeting. Any provision in the Declaration concerning quorums is specifically incorporated herein.

Section 11. Conduct of Meetings The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring thereat.

Section 12. Record Date. The Association may establish such record dates for membership as may be authorized by the North Carolina Nonprofit Corporation Act or applicable North Carolina law.

Section 13. Action by Written Ballot. Any action to be taken at any annual, regular or special meeting of members may be taken without a meeting if approved by written ballot as provided herein. The Association shall deliver a written ballot to each member entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot of any action shall be valid when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting held to authorize such action and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes

cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall indicate the number of responses needed to meet the quorum requirement; state the percentage of approvals necessary to approve each matter other than election of directors; and specify the time by which a ballot must be received by the Association in order to be counted. A timely written ballot received by the Association may not be revoked without the consent of the Board of Directors. The results of each action by written ballot shall be certified by the Secretary and shall be included in the minutes of meetings of members filed in the permanent records of the Association.

Article III
Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

Section 1 Governing Body; Composition The affairs of the Association shall be governed by a Board of Directors. Except as provided in Section 2 of this Article, the directors shall be members or spouses of members; provided, however, that no person and his or her spouse may serve on the Board at the same time.

Section 2 Directors During Declarant Control The initial Directors shall be selected by the Declarant, acting in its sole discretion, and shall serve at the pleasure of the Declarant so long as the Class "B" membership exists as set forth in the Declaration unless the Declarant shall earlier surrender this right to select Directors. The Directors selected by the Declarant need not be members of the Association nor owners or residents in the Community. The names of the initial Directors selected by the Class "B" members are set forth in the Articles of Incorporation of the Association.

Section 3. Veto From the termination of the Class "B" membership or the relinquishment otherwise of Declarant's right to appoint directors, the Declarant shall have a veto power over all actions of the Board, as is more fully provided below. This power shall expire when waived in writing by the Declarant or fifteen (15) years from the date of recording of the Declaration, whichever first occurs. This veto power shall be exercisable only by Declarant, its successors, and assigns who specifically take this power in a recorded instrument. The veto shall be as follows:

No action authorized by the Board of Directors shall become effective, nor shall any action, policy, or program be implemented until and unless:

- (a) Declarant shall have been given written notice of the meeting at which an action is to be

taken by certified mail, return receipt requested or by personal delivery, at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies with Article III, Sections 9 and 10, of the By-Laws as to regular and special meetings of the Directors, and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting, and

(b) Declarant shall be given the opportunity at any such meeting, if Declarant so desires, to join in, or to have its representatives or agents join in, discussion from the floor of any prospective action, policy, or program to be implemented by the Board. Declarant and its representatives or agents shall make its concerns, thoughts, and suggestions known to the members of the Association and/or of the Board. At such meeting, Declarant shall have, and is hereby granted, a veto power over any such action, policy, or program authorized by the Board of Directors and to be taken by said Board, the Association, or any individual member of the Association if Board approval is necessary for said member's action. Said veto may be exercised by Declarant, its representatives, or agents at the meeting held pursuant to the terms and provisions hereof or in writing within ten (10) days of written notice of the proposed action. Any veto power shall not extend to the requiring of any action or counteraction on behalf of the Board or Association. If Declarant so desires, Declarant may construe this veto power as Declarant, being a member of the Board of Directors, existing in a class of directors independent from the other Board members with a term equal to the term of the veto power and with the Powers as described herein

Section 4. Number of Directors. The number of Directors in the Association shall be not less than three (3) as the Board of Directors may, from time to time, determine by resolution. The initial Board shall consist of three (3) members

Section 5. Nomination of Directors. Except with respect to Directors selected by the Declarant, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members to serve from the time of appointment until the close of the annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. Nominations shall also be permitted from the floor. All candidates shall have a reasonable opportunity, if they so desire, to communicate their qualifications to the members and to solicit votes

Section 6. Election and Term of Office

(a) Declarant appointees shall serve for terms equal to the time of existence of the Class "B" members or such shorter term as determined by Declarant. The initial terms of the Directors elected after termination of the Class "B" membership shall be fixed as provided herein, to wit: initially, the term of one (1) Director shall be fixed at one (1) year, the term of one (1) Director shall be fixed at two (2) years, and the term of one (1) Director shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years. If additional directors shall exist their initial terms shall be fixed so as to create a staggered term thereafter. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association or until they resign, whichever first occurs.

(b) At the first annual meeting of the membership after the termination of the Class "B" membership, and at each annual meeting of the membership thereafter, Directors shall be elected by members of the Association in accordance with their voting powers, as further specified in the Declaration and Articles of Incorporation. Members shall vote on all directors to be elected, and the candidates receiving a plurality of votes shall be elected.

Section 7 Removal of Directors Upon the termination of the Class "B" membership, at any regular or special meeting of the Association duly called, any one or more of the members of the Board of Directors may be removed, with or without cause, by a majority of the members authorized to vote for directors and a successor may then and there be elected to fill the vacancy thus created. A Director whose removal has been proposed shall be given at least ten (10) days notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting.

B Meetings.

Section 8. Organization Meeting. The first meeting of the members of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 9 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of the regular schedule shall constitute sufficient notice of such meetings.

Section 10 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President on his own motion or when requested by the Vice President or Secretary of the Association, or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery, (b) written notice by first class mail, postage prepaid, (c) by telephone communication, either directly to the Director or to a person at the Director's home or office who would reasonably be expected to communicate such notice promptly to the Director, or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least twenty-four (24) hours before the time set for the meeting.

Section 11 Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present signs a written waiver of notice. The waiver of notice need not specify the purpose of the meeting. A Director's attendance at or participation in a meeting waives any required notice to him of the meeting unless the Director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 12 Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 13 Compensation. No Director shall receive any compensation from the Association for acting as such unless approved by a majority vote of the total vote of the Association at a regular or special meeting of the Association.

Section 14. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board of Directors recording

therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings Robert's Rules of Order (current edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with North Carolina law, the Declaration, these By-Laws, direction of the President or Board resolution.

Section 15. Executive Session. The Board may with approval of a majority of a quorum of the Board members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature.

Section 16 Action Without a Formal Meeting Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if such action is evidenced by written consents, setting forth the action so taken, signed by at least a majority of the Directors; provided that such action is taken in accordance with the North Carolina Nonprofit Corporation Act.

C. Powers and Duties

Section 17 Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these By-Laws directed to be done and exercised exclusively by the members.

Section 18 Management Agent.

(a) The Board of Directors may employ for the Association a professional management agent or agents, at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these By-Laws. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of three (3) years. Any management contract must permit termination by either party, without cause and without termination fee, on ninety (90) days' or less written notice.

Section 19 Borrowing. The Board of Directors shall have the power to borrow money for the purpose of improving, acquiring, repairing, modifying, or restoring the Common Area without the approval of the members of the Association.

Section 20 Rights of the Association. With respect to the Common Areas, or other areas of Association responsibilities, and in accordance with the Articles of Incorporation and By-Laws of the Association, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other homeowners' or residents' associations, both within and without the properties. Such agreements shall require the assent of two-thirds (2/3) of the total votes of all Directors of the Association.

Article IV **Officers**

Section 1 Officers. The officers of the Association shall be a President, one (1) Vice President, a Secretary, and a Treasurer. The Board of Directors may elect such other officers' including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person. The President, Vice President and Treasurer shall be elected from among the members of the Board of Directors.

Section 2 Election, Term of Office, and Vacancies. The Officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the members as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3 Removal. Any officer may be removed by a majority vote of the Board of Directors, a quorum being present, whenever in its judgment the best interests of the Association will be served thereby.

Section 4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be chief executive officer of the Association. In addition, the President shall have the responsibility for preparing and executing any amendments to the Declaration on behalf of the

Association The Secretary shall have the responsibility of certifying and recording any amendments to the Declaration executed on behalf of the Association The Treasurer shall have primary responsibility for the preparation of the budget, as provided for in the Declaration, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 5. Resignation Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective

Section 6 Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

Article V

Committees

Section 1 General. Committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present are hereby authorized. Such committees shall perform such duties and have such powers as may be provided in the resolution Each committee shall be composed and shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section 2. Covenants Committee. The Board of Directors may appoint a Covenants Committee consisting of at least three (3) and no more than five (5) members Acting in accordance with the Provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee may act as a hearing tribunal of the Association for covenant violations

Section 3. Parcel Committees. In addition to other committees as provided in Section 1 of this Article V, there may be established a Parcel Committee for each of the parcels contained in The Settings of Black Mountain. Each Parcel Committee shall consist of three (3) members; provided, however, that by vote of at least fifty (50%) percent of the residents of a Parcel this number may be increased to five (5). The Parcel Committees shall be appointed and elected in the manner provided for Directors in Article III, Sections 2 and 6. Any Association Director elected from a Parcel shall

be an ex officio member of the Committee. It shall be the responsibility of the Parcel Committee to determine the nature and extent of services, if any, to be provided to the Parcel by the Association in addition to those provided to all members of the Association in accordance with the Declaration. A Parcel Committee may advise the Board on any other issue but shall not have the authority to bind the Board of Directors. Each Parcel Committee shall elect a chairman from among its members who shall preside at its meetings and who shall be responsible for transmitting any and all communications to the Board of Directors. A Parcel Committee shall be advisory in nature, and the Board of Directors shall at all times have superior jurisdiction.

Article VI
Miscellaneous

Section 1. Fiscal Year. The initial fiscal year of the Association shall be set by resolution of the Board of Directors. Unless otherwise provided, the fiscal year shall be the calendar year.

Section 2. Parliamentary Rules. Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with North Carolina law, the Articles of Incorporation, the Declaration, these By-Laws, rulings of the President, or resolutions of the Board.

Section 3. Conflicts. If there are conflicts or inconsistencies between the provisions of North Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 4. Books and Records

(a) Inspection by Members. A member is entitled to inspect and copy, at any reasonable time and location specified by the Association, any of the records of the Association described below if the member gives the Association written notice or a written demand at least five (5) business days before the date on which the member wishes to inspect and copy. The following records are subject to this inspection right and the Association shall keep a copy of these records:

- (1) The Articles of Incorporation and all amendments thereto;
- (2) The By-Laws and all amendments thereto,
- (3) Resolutions adopted by either the members of the Association or the Board of

Directors which increase or decrease the number of Directors or the classification of Directors, or which relate to the characteristics, qualifications, rights, limitations and obligations of members or any class or category of members,

(4) The minutes of all meetings and records of all actions approved by the members for the past three years;

(5) All written communications to members generally within the past three years;

(6) A list of the names and business or home addresses of the current directors and officers of the Association, and

(7) The most recent annual report delivered to the North Carolina Secretary of State

(b) Further Rights of Inspection by Members. A member is entitled to inspect and copy, at a reasonable time and reasonable location specified by the Association, any of the following records of the Association if the member meets the requirements of Section 4(c) below and gives the Association at least five (5) business days before the date on which the member wishes to inspect and copy:

(1) Excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors while acting in place of the Board of Directors on behalf of the Association, minutes of any meeting of the members, and records of actions taken by the members or the Board of Directors without a meeting, to the extent not subject to inspection under Section 4(a) above;

(2) Accounting records of the Association, and

(3) A membership list; provided, however, if a member does not have the consent of the Board of Directors, then the membership list or any part thereof may not be obtained or used by the member for any purpose unrelated to the member's interest as a member.

(c) Limitations on Right of Inspection by Members. A member may inspect and copy the records identified in Subsection (b) of this Section 4 only if.

(1) The member's demand is made in good faith and for a proper purpose that is reasonably relevant to the member's legitimate interests as a member,

-
- (2) The member describes with reasonable particularity the purpose and the records the member desires to inspect;
 - (3) The records are directly connected with this purpose, and
 - (4) The records are to be used only for the stated purpose.
- (d) Rules for Inspection The Board may establish reasonable rules with respect to:
- (i) Hours and days of the week when such an inspection may be made; and
 - (ii) Payment of the cost of reproducing copies of documents requested by a member.
- (e) Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned by the Association. The right of inspection by a Director includes the right to make extra copies of documents at the reasonable expense of the Association.

Section 5 Notices Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by first class mail, first class postage prepaid

- (a) If to a Member, at the address which the Member has designated in writing and filed with the Secretary, or if no such address has been designated, at the address of the Residential Unit of such member; or
- (b) If to the Association, the Board of Directors or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by notice in writing to the members pursuant to this Section

Section 6 Audit. An audit of the accounts of the Association shall be made annually in such manner as the Board of Directors may decide; provided, however, that after having received the Board's audit at the annual meeting, the members, by a majority vote, may require that the accounts of the Association be audited as a common expense by a public accountant. Upon written request of any institutional holder of a first mortgage, such holder shall be entitled to receive a copy of the annual audited financial statements within ninety (90) days after the end of each fiscal year

Section 7 Amendment. These By-Laws may be amended only by the affirmative vote or written consent of a majority of the members of the Board of Directors of the Association

We, the undersigned, being all of the Directors of the Association do hereby certify

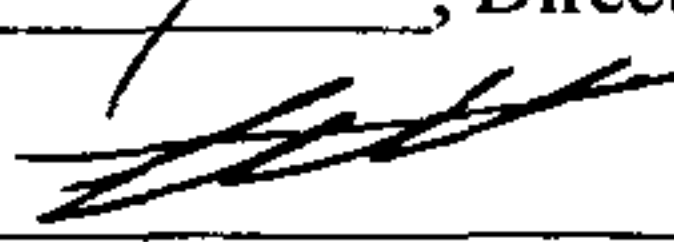
That we are entitled to exercise all of the voting power of said Association's Board of Directors,

That we hereby assent to the within and foregoing By-Laws and hereby adopt the same as the By-Laws of said Association.

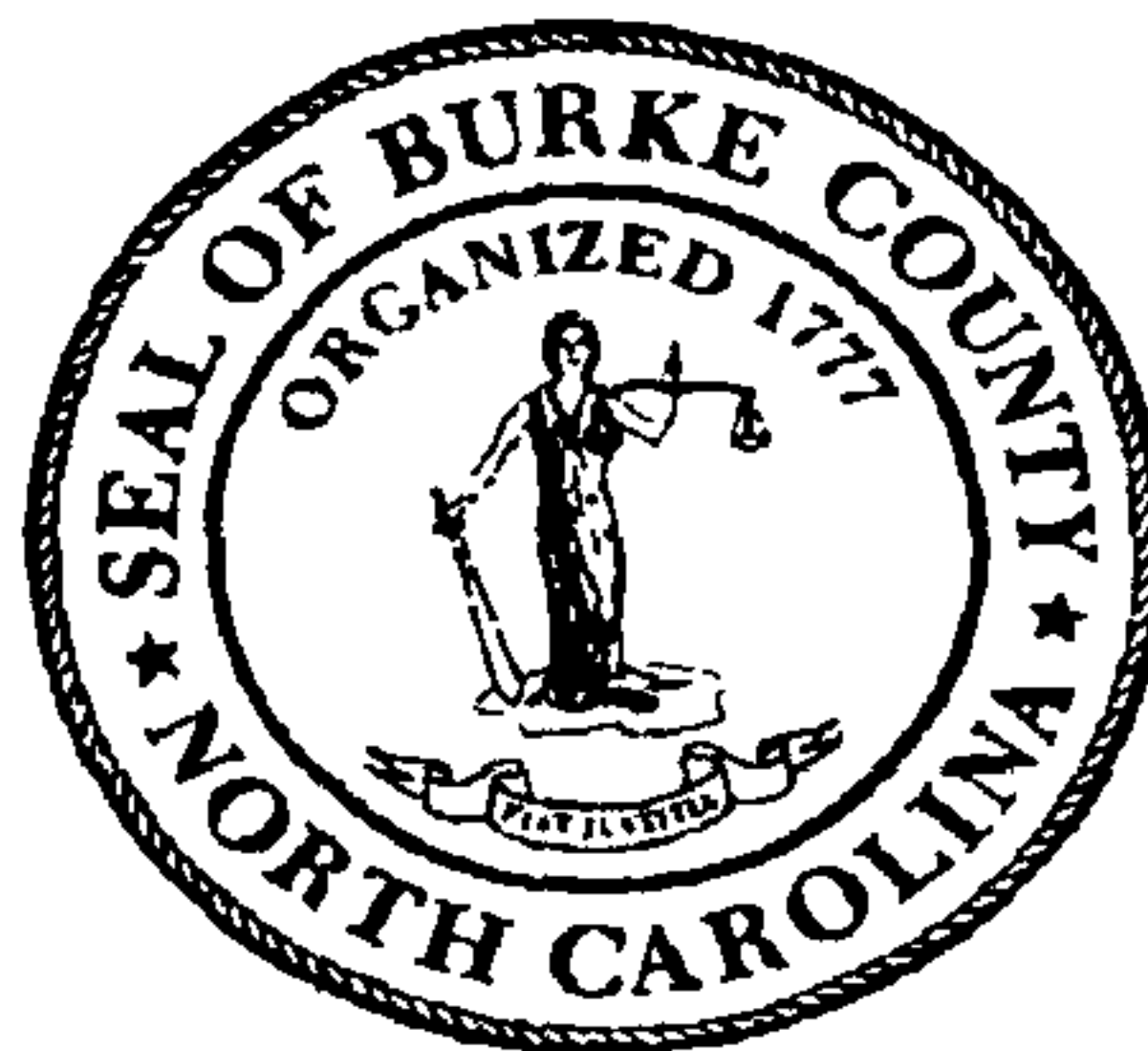
IN WITNESS WHEREOF, we have hereunto subscribed our names this 27 day of February, 2007

**THE SETTINGS OF LAKE RHODHISS
ASSOCIATION, INC., A NORTH CAROLINA
NON-PROFIT CORPORATION**


_____, Director


_____, Director


_____, Director



ELIZABETH T COOPER
REGISTER OF DEEDS, BURKE
JUDICIAL BUILDING
201 SOUTH GREEN STREET
MORGANTON, NC 28655

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