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Franklin County North Carolina
Linda H. Stone Register of Deeds

BK 1563 PG 125-201

by: Carolyn Coley
Asst.

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR HIDDEN LAKE

EACH PERSON ACQUIRING A LOT IN HIDDEN LAKE IS BOUND BY ALL OF THE TERMS AND PROVISIONS OF THIS DECLARATION AND MUST READ IT IN ITS ENTIRETY IN ORDER TO BE FULLY AWARE OF ALL REQUIREMENTS IMPOSED. AMONG SUCH REQUIREMENTS ARE THE FOLLOWING:

- THAT EACH OWNER OF A LOT BE A MEMBER OF, AND PAY ASSESSMENTS TO, HIDDEN LAKE COMMUNITY ASSOCIATION, INC.
- THAT APPROVAL OF THE ARCHITECTURAL CONTROL COMMITTEE BE OBTAINED BEFORE COMMENCEMENT OF ANY IMPROVEMENTS UPON OR DISTURBANCE OF A LOT, OR CONSTRUCTION OF ANY PIER, OR SIMILAR IMPROVEMENT, AS MORE PARTICULARLY SET FORTH IN ARTICLE VIII OF THIS DECLARATION.
- THAT THE DECLARANT HEREUNDER HAS RESERVED A RIGHT OF FIRST REFUSAL WITH RESPECT TO UNIMPROVED LOTS, AS SET FORTH IN ARTICLE XI OF THIS DECLARATION.

THE RECITATION OF CERTAIN REQUIREMENTS OF THIS DECLARATION ABOVE DOES NOT RELIEVE ANY OWNER OF A LOT IN HIDDEN LAKE FROM THE REQUIREMENTS OF ALL PROVISIONS OF THIS DECLARATION AND ANY AMENDMENTS TO THIS DECLARATION WHICH MAY HEREAFTER BE RECORDED.

AS SET FORTH IN THIS DECLARATION, THE DECLARANT RESERVES TO ITSELF THE RIGHT TO MODIFY, ALTER OR CHANGE THE DEVELOPMENT PLAN FOR HIDDEN LAKE, CONSISTENT WITH THE UNIFORM SCHEME OF DEVELOPMENT FOR HIDDEN LAKE. DECLARANT HAS RESERVED CERTAIN RIGHTS TO UNILATERALLY AMEND THIS DECLARATION, AS PROVIDED IN ARTICLE XII, SECTION 3 HEREOF. DECLARANT HAS ALSO RESERVED THE RIGHT TO ANNEX ADDITIONAL PROPERTY INTO HIDDEN LAKE.

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STATE OF NORTH CAROLINA

COUNTY OF FRANKLIN

Prepared by and Held for:
Kathryn S. Drake
Attorney at Law

**DECLARATION OF COVENANTS,
 CONDITIONS AND RESTRICTIONS
 FOR HIDDEN LAKE**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (this "Declaration") is made this 10th day of August, 2006, by **HIDDEN LAKE CRESCENT, LLC**, a Delaware limited liability company (the "Declarant"). All capitalized terms used herein shall have the meanings set forth in Article I or elsewhere in this Declaration.

Declarant is the owner of that certain real property located in Franklin County, North Carolina, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (the "Property"), which Property, together with such portions of the Additional Property as may be subjected to this Declaration, is being developed by Declarant as a residential community and amenity facility as a portion of the development known as Hidden Lake.

Declarant desires to provide for the preservation of the property values, amenities and opportunities in the Project and for the maintenance of the Property and improvements thereon, and to this end desires to subject the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and/or described.

Declarant further desires to create a North Carolina non-profit corporation to be known as **HIDDEN LAKE COMMUNITY ASSOCIATION, INC.** to which will be delegated and assigned the powers of owning, maintaining and administering the Common Areas, administering and enforcing the covenants and restrictions contained herein, and collecting and disbursing the Assessments and charges hereinafter created, in order to efficiently preserve, protect and enhance the value of the Project, to ensure, for the benefit of each Owner, the specific rights, privileges and easements in the Common Areas, and to provide for the maintenance and upkeep of the Common Areas, as provided in this Declaration and the Bylaws.

Although Declarant contemplates that separate easements, covenants, conditions and restrictions (which may include easements, covenants, conditions and restrictions similar to those herein contained) may be imposed with regard to the various phases or sections of the Project,

Declarant desires to impose pursuant hereto easements, covenants, conditions and restrictions upon all of the Property, with the understanding that, at the option of Declarant, additional restrictions may be imposed with regard to the various phases or sections of the Project.

NOW, THEREFORE, Declarant hereby subjects the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and hereby declares that (subject to certain rights of amendment, as hereinafter described) all of the Property shall be held, sold and conveyed subject to such easements, covenants, conditions, restrictions, charges and liens, all of which are for the purpose of protecting the value, desirability and attractiveness of the Project. Subject to the above-described rights of amendment, such easements, covenants, conditions, restrictions, charges and liens shall run with the Property and be binding on all parties having or acquiring any right, title or interest in the Property, or any part thereof and shall inure to the benefit of each owner of the Property or any part thereof.

ARTICLE I

DEFINITIONS

Section 1. "Accessory Structure" or "Accessory Structures" shall mean and refer to such accessory structures other than the primary Dwelling Unit as are approved in advance in writing by the Architectural Control Committee pursuant to the Guidelines, including, without limitation, to the extent allowed by applicable law, accessory structures incidental to the use of the primary Dwelling Unit such as housing for domestic employees of the Owner of the primary and any other Dwelling Units, secondary Dwelling Units, carriage houses containing residential quarters, cabins, studios, garages, pavilions, gazebos, potting sheds, storage sheds, tree houses, playhouses and guest cottages for guests of the Owner of the primary and any other Dwelling Unit.

Section 2. "Additional Declaration" shall mean and refer to any Declaration of Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Franklin County, North Carolina, with regard to a certain Phase, section or portion of the Property, as more particularly described in Article II, Section 2 hereof.

Section 3. "Additional Property" shall mean and refer to additional real estate near or contiguous to the Property, or within eight thousand (8000) feet of any of the Property, which may be made subject to the terms of this Declaration in accordance with the provisions of Article II of this Declaration, including, without limitation, the real property, whether or not within eight thousand (8,000) feet of the Property, described on Exhibit "B" attached hereto and incorporated herein by this reference.

Section 4. "Amenity Area" or "Amenity Areas" shall mean and refer to the parcel or parcels of land labeled "Amenity Area," "Amenity Site," or a similar term, on a Plat, together with any parking area, Lake House, Boathouse, outdoor pavilion, fishing pier, or other recreational amenity or facility constructed or placed thereon for the common use and enjoyment of all Owners.

Section 5. "Architectural Changes Committee" shall have the meaning set forth in Article VIII hereof.

Section 6. "Architectural Control Committee" shall mean and refer to the committee appointed by the Board to oversee the development and enforcement of architectural control standards and restrictions with respect to the Project and to perform certain other functions described in the Declaration.

Section 7. "Articles of Incorporation" shall mean and refer to the Articles of Incorporation for the Association attached as Exhibit "C" hereto and incorporated herein by reference.

Section 8. "Association" shall mean and refer to HIDDEN LAKE COMMUNITY ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and assigns.

Section 9. "Audubon Preserve" shall mean and refer to the area of land located within the Project and designated on the Plat as "Audubon Preserve" for the common recreational use, benefit, and enjoyment of the Owners, their families, guests and invitees.

Section 10. "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association, which shall be elected and shall serve pursuant to the Bylaws.

Section 11. "Boathouse" shall mean and refer to the boathouse located on the Lake for the common use, benefit, and enjoyment of the Owners.

Section 12. "Boatlift Maintenance and Operation Costs" shall have the meaning set forth in Article IV hereof.

Section 13. "Bylaws" shall mean and refer to the Bylaws for the Association attached as Exhibit "D" hereto and incorporated herein by reference.

Section 14. "Caretaker" shall mean and refer to the individual (if any) employed by the Association, or by the independent manager of the Project for the benefit of the Association, to perform certain maintenance services with respect to the Common Area and improvements located thereon, and to administer certain activities of the Association, all as may be set forth in any agreement entered into by such Caretaker and the Association or independent manager of the Property, which agreement shall be subject to review and approval of the Association.

Section 15. "Cemetery" shall mean and refer to that certain cemetery located in the Common Area of a future Phase of the Project and designated on the Plat as "Cemetery." To the extent required by N.C.G.S. §65-74 and §65-75, non-Owners shall be permitted to enter the Project and access the Cemetery pursuant to those easements described in Article X, Section 9 of this Declaration.

Section 16. "Certificate of Occupancy" shall mean and refer to any required certification issued by the appropriate governmental authorities as a prerequisite to occupancy of any structure on the Property.

Section 17. "Common Area" or "Common Areas" shall mean and refer to the Amenity Area, Parking Area(s), uplighting and landscape lighting installed by Declarant on the Property, the Community Pressure System component of the S.T.E.P. System, the Trail System, the Common Boatslips, the Common Pier(s), the Lake, the Dam, the Audubon Preserve, the Gates and the Roadways, including hard and soft-surface surface trails, bike paths, a fishing pier, drainage facilities, monumentation, street signs, and other improvements located therein, collectively, and any other property specifically shown and designated on any Plat as "Common Area," "Common Open Area," "Common Open Space," "Open Space," "Park," "COS," or "OS." The Common Areas shall be initially owned by the Declarant and ultimately owned by the Association (except as otherwise provided herein) for the common use, benefit and enjoyment of the Owners. The Declarant reserves the right, but not the obligation, to provide additional Common Areas within the Project. Future Phases of the Project may include Ponds and the Cemetery as part of the Common Area.

Section 18. "Common Boatslip" or "Common Boatslips" shall mean and refer to the boatslips located or to be located adjacent to the Amenity Area, together with any additional Common Boatslips which Declarant may cause to be constructed in accordance with the terms of Article II, Section 2 of this Declaration, which may be available for common use by Owners, subject to the terms of this Declaration.

Section 19. "Common Pier" or "Common Piers" shall mean and refer to the pier or piers containing the Common Boatslips which may be constructed in and over the waters of the Lake together with any additional Common Piers which Declarant may cause to be constructed in accordance with the terms of Article II of this Declaration.

Section 20. "CPI" shall mean and refer to the Consumer Price Index, All Urban Consumers, United States, All Items (1982-84 = 100) (hereinafter "CPI") issued by the U.S. Bureau of Labor Statistics.

Section 21. "Dam" shall mean and refer to that certain concrete barrier built to impound water and create the Lake. The Dam is located on the northeasterly side of the Lake on the Common Area and designated on the Plat as "Dam."

Section 22. "Declarant" shall mean and refer to Hidden Lake Crescent, LLC, a Delaware limited liability company, its successors in title and assigns, provided that any such successor-in-title or assign shall acquire for the purpose of development and/or sale all or substantially all of the remaining undeveloped or unsold portions of the Property and, provided further, that in the instrument of conveyance to any such successor-in-title or assign, such successor-in-title or assign is designated as the "Declarant" hereunder by the grantor of such conveyance, which grantor shall be the "Declarant" hereunder at the time of such conveyance. Provided further, that upon such designation of such successor Declarant, all rights, duties and obligations of the former Declarant in and to such status as "Declarant" hereunder shall cease, it being understood that as to all of the Property, there shall be only one person or legal entity entitled to exercise the rights and powers of the "Declarant" hereunder at any time.

Section 23. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions as same may be amended and/or supplemented from time to time as herein provided.

Section 24. "Dwelling Unit" shall mean a room or combination of rooms designed for year-round habitation, containing a bathroom and kitchen facilities, and designed for or used as a residence by a family or household unit.

Section 25. "Entrance Monument Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association in Article X hereof over, across and under certain areas of the Property, for the installation and maintenance of entrance monuments, landscaping and related improvements for the Project, all as more particularly described in Article X.

Section 26. "Gate(s)" shall mean and refer to one or more electric or electronic gates or similar devices to control and limit access to the Project.

Section 27. "Guidelines" shall mean and refer to "Hidden Lake Architectural and Landscape Design Guidelines" as more particularly described in Article VIII hereof.

Section 28. "Guild Builder" shall have the same meaning as set forth in Article VIII hereof.

Section 29. "Improvement" shall have the same meaning as set forth in Article VIII hereof.

Section 30. "Lake" shall mean and refer to that certain body of water commonly known as Hidden Lake, located on the Common Area of the Project, and labeled as "Hidden Lake" on the Plats.

Section 31. "Lake House" shall be a part of the Amenity Area and shall mean and refer to the community center which may contain a kitchen, library, sitting room and TV, porch, and the Caretaker's office. Declarant, in its sole discretion, may use a portion of the Lake House as Declarant's sales center.

Section 32. "Lot" shall mean and refer to any numbered or lettered tract of land (excluding any Common Area) shown on any Plat which is a part of the Property and which shall be restricted for such uses as are consistent with this Declaration and any other restrictions covering the area wherein the tract of land is located. No tract of land shall become a "Lot" as that word is used herein until a Plat of the area in which the same is located is recorded in the Office of the Register of Deeds of Franklin County, North Carolina.

Section 33. "Maintenance Areas" shall have the meaning as set forth in Article X hereof.

Section 34. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 35. "Mortgage" shall mean any mortgage or deed of trust constituting a first lien on a Lot.

Section 36. "Mortgagee" shall mean the owner and holder of a Mortgage at the time such term is being applied. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

Section 37. "Occupant" shall mean and refer to any person occupying all or any portion of a Lot or the Property for any period of time, regardless of whether such person is a tenant of the Owner of such Lot or portion of the Property.

Section 38. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot or other portion of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Section 39. "Parking Area" shall mean and refer to the parking lot or lots which may be constructed over certain portions of the Common Area(s), including, without limitation, the Amenity Area, for the common use, benefit and enjoyment of the Owners, their families, guests and invitees.

Section 40. "Period of Declarant Control" shall have the meaning set forth in Article IV hereof.

Section 41. "Person" shall mean and refer to any natural person, corporation, joint venture, partnership (general or limited), limited liability company, association, trust or other legal entity.

Section 42. "Phase" shall mean and refer to any phase, section or portion of the Property for which a separate Plat or Plats are recorded in the Office of the Register of Deeds of Franklin County, North Carolina.

Section 43. "Plat" shall mean and refer to any plat of the Property or any part of it which is recorded from time to time in the Office of the Register of Deeds of Franklin County, North Carolina, and any and all revisions thereof.

Section 44. "Ponds" shall mean and refer to those ponds of water (if any) located on the Common Areas of the Project and designated on the Plat as "Pond(s)."

Section 45. "Project" shall mean and refer to the residential development and amenity facility being developed by Declarant on the Property and commonly known as Hidden Lake.

Section 46. "Property" shall mean and refer to that certain real property located in Franklin County, North Carolina, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, as well as such additional property as may be made subject to the provisions of this Declaration pursuant to the provisions of Article II hereof.

Section 47. "Roadways" shall mean and refer to the roads, streets, entranceways and cul-de-sacs (if any) in the Project, shown on the Plats, and any other roads, streets, entranceways and cul-de-sacs on the Property, all to be privately maintained as Common Area by the Association.

Section 48. "S.T.E.P. System" shall mean and refer to the tanks, pipes, pumps, and other facilities and equipment for storage and transport of sewage within the Project, comprised collectively of (a) a "S.T.E.P. Unit" serving each Lot upon which a Dwelling Unit is located, comprised of a tank, pipes, pump, and related apparatus, including a connection to the "Community Pressure System" described in subparagraph (b) below, to be installed, operated, maintained, repaired, and replaced by the Lot Owner at such Owner's expense, except as specifically otherwise provided herein, and (b) the "Community Pressure System," comprised of all pipes, air vents, manholes, and other apparatus and facilities transporting sewage from each S.T.E.P. Unit to the final outfall connection of Franklin County, to be installed by Declarant and operated, maintained, repaired and replaced as Common Area by the Association.

Section 49. "Supplemental Declaration" shall mean and refer to any Supplemental Declaration of Covenants, Conditions and Restrictions filed in the office of the Register of Deeds of Franklin County, North Carolina, to bring additional property within the coverage of this Declaration and the jurisdiction of the Association, as more particularly described in Article II hereof.

Section 50. "Trail System" shall mean and refer to all hard surface or soft surface sidewalks, trails, biking, walking or jogging paths, or similar pathways located upon those portions of the Common Area designated by Declarant as part of a system of hard surface or soft surface sidewalks, trails, biking, walking or jogging paths including all trail related signs and structures within the Common Area.

Section 51. "Waterfront Lots" shall mean and refer to Lots 16-20, 30-35, 38-41, 43-49 as shown on the Plat, and any other Lot so designated in any supplement or amendment to this Declaration, and which may have, as an appurtenance to the Lot, the opportunity to construct and use a private side-long fixed pier as more particularly set forth in Article IV of this Declaration.

Section 52. "Waterfront Lot Side-long Fixed Piers" shall mean and refer to any side-long fixed pier that is constructed by a Waterfront Lot Owner adjacent to his or her Waterfront Lot.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION AND WITHIN THE JURISDICTION OF THE ASSOCIATION

Section 1. Property Made Subject to this Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association, each Owner and each party owning

record title to any of the Property subject to this Declaration and the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration.

Section 2. Additions to the Property.

(a) Declarant may cause Additional Property (including Common Areas), including without limitation all or a portion of the Additional Property described on Exhibit B attached hereto, to be made subject to the terms and scheme of this Declaration by filing one or more Supplemental Declarations in the Office of the Franklin County Register of Deeds, containing a description of the Additional Property and a statement by the Declarant of its intent to extend the operation and effect of this Declaration to the Additional Property. Declarant may also cause or permit additional Common Piers and/or Common Boatslips to be constructed and made subject to the terms and scheme of this Declaration by the filing of one or more Supplemental Declarations describing the location and number of Common Piers and/or Common Boatslips to be added and containing a statement by Declarant of its intent to extend the operation and effect of this Declaration to the additional Common Piers and/or Common Boatslips and. Notwithstanding the foregoing, the covenants and restrictions established herein as applied to, or imposed upon, the Additional Property may be altered or modified by the filing of one or more Supplemental Declarations as provided in Subparagraph (b) below. Any such Supplemental Declaration need only be executed by Declarant and the owner of the Additional Property being subjected to this Declaration, and shall not require the execution, joinder or consent of any other party whatsoever. The right set forth in this subsection (a) may be exercised by Declarant at any time and from time to time until December 31, 2026.

(b) Any Supplemental Declaration may contain complementary additions to the covenants and restrictions contained herein as may be necessary in the judgment of the Declarant to reflect the different character of the Additional Property. Such complementary additions may include provisions that limit the rights of Owners of such Additional Property to use certain facilities located on or adjacent to the Common Areas (such as the Common Boatslips), and provisions for reduced assessments for such Owners to take into account that such Owners will not have the right to use certain of the facilities located on or adjacent to the Common Areas. Any such limitation on use of the Common Area or reduced assessments shall be at the sole option of Declarant. In no event, however, shall any Supplemental Declaration revoke, modify or add to the covenants and restrictions contained herein with respect to the Property initially subjected hereto, nor revoke, modify, change or add to the covenants and restrictions established by previously filed Supplemental Declarations, without meeting the requirements for amendment set forth in this Declaration.

(c) In addition to the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration, Declarant shall have the right, at its election without the consent of any Owner or Owners, to subject any Phase, section or portion of the Property owned by Declarant to additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens, by filing an Additional Declaration in the Office of the Register of Deeds of Franklin County covering only such Phase, section or portion of the Property. Such an Additional Declaration may or may not provide for the establishment of a property owners' association to govern the ownership and/or maintenance

of the Property affected by and the enforcement of the provisions of such Additional Declaration. Whether or not a property owners' association is formed pursuant to such Additional Declaration, the Association shall have the right and authority to enforce all controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens imposed by such Additional Declaration and any amendments thereto, whether or not such right and authority is expressly provided for in such Additional Declaration.

(d) Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that, so long as Declarant owns any part of the Property, the prior written consent of Declarant shall be required for any parties to modify, change and/or amend, in whole or in part, the terms and provisions of this Declaration, any Supplemental Declaration and/or any Additional Declaration or to impose new or additional covenants, conditions, restrictions or easements on any part of the Property.

ARTICLE III

PROPERTY RIGHTS

Section 1. Ownership of Common Areas. Except as otherwise provided herein, Declarant shall convey to the Association the Common Areas to be owned and maintained by the Association or, if said Common Areas are not owned in fee by Declarant but are easement rights, Declarant shall transfer said easement rights to the Association. Any portion of the Property shown as Common Area or by similar designation on a Plat or designated as Common Area in this Declaration or any Supplemental Declaration shall be deemed "common elements" under the North Carolina Planned Community Act whether owned by Declarant or owned by the Association, from such time as it is initially so shown or designated. Declarant reserves the right (but shall not be obligated) to construct within the Common Areas, among other things: (a) uplighting and landscape lighting, other lighting, signage and irrigation facilities, (b) the Trail System and related structures, (c) the Roadways (including sidewalks, drainage facilities and other improvements), (d) certain improvements within the Amenity Area, (e) the Common Boatslips and Common Piers, and (f) certain additional recreational amenities and facilities, for the use and enjoyment of the Owners who are entitled to the use of such Common Areas as provided in this Declaration. Notwithstanding the recordation of any Plat or any other action by Declarant or the Association, all Common Areas shall remain private property and shall not be considered as dedicated to the use and enjoyment of the public. At such time as Declarant shall convey the Common Areas to the Association, no acceptance or consent by the Association shall be necessary and the recordation of a deed from Declarant to the Association shall be deemed conclusive evidence of the Association's acceptance of such conveyance of such Common Areas in their "as-is, where is" condition, and subject to all matters of record, but free and clear of all deeds of trust or other monetary encumbrances. Such conveyance shall take place no later than the expiration of the Period of Declarant Control.

Section 2. Owners' Rights to Use and Enjoy Common Areas. Each Owner shall have the non-exclusive easement and right to use and enjoy the Common Areas, and such right shall be appurtenant to and conveyed with title to such Owner's Lot, subject to the following:

(a) the right of the Association and the Board to promulgate and enforce reasonable rules and regulations governing the use of the Common Areas to insure the availability of the right to use the Common Areas to the Owners and the safety of all Owners within the Common Areas;

(b) the right of the Association to suspend the voting rights of an Owner in the Association and the right of the Association to suspend the right to use certain or all of the Common Areas by an Owner for any period during which any assessment or charge against said Owner's Lot remains unpaid for a period of thirty (30) days or longer, and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Declarant or the Association to grant or reserve utility, drainage and other easements across the Common Areas;

(d) the right of the Declarant or the Association to grant or reserve easements for the Trail System across the Common Areas;

(e) any limitation on use of certain facilities on the Common Area established by Declarant in a Supplementary Declaration, as contemplated in Article II, Section 2, above;

(f) the right of the Declarant to use a portion of the Lake House for Declarant's exclusive use as a sales center until such time as Declarant, in its sole discretion, ceases to use said sales center and converts same into an activity center to be used in common by Owners as part of the Amenity Area;

(g) Any rights of access of non-Owners to the Cemetery, as more particularly described in Article X, Section 9, below;

(h) The right and easement, hereby reserved by Declarant, to use the Roadways for ingress and egress to and from all portions of the land marked as "Future Phase" on the Plats, whether or not such Future Phases are subjected to this Declaration, as an appurtenance to such Future Phase land; and

(i) any and all other applicable provisions of this Declaration, including, without limitation, the provisions of Article III, Section 4 below.

Section 3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his or her right of enjoyment to the Common Areas and facilities located thereon to the members of his or her family, his or her guests, invitees, or his or her tenants.

ARTICLE IV

THE ASSOCIATION

Section 1. Membership. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot, and shall be governed by the Bylaws attached as Exhibit "D" hereto. In addition, as long as Declarant owns any part of the Property, Declarant shall be a Member of the Association.

Section 2. Classes of Voting Members. The Association shall have two (2) classes of voting membership:

(a) Class I. The Class I Association Members shall be all Association Members with the exception of Declarant. Class I Association Members shall be entitled to one (1) vote for each Lot owned by such Association Member. When more than one Person owns an interest (other than a leasehold or security interest) in any Lot, all such Persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

(b) Class II. The Class II Association Member shall be Declarant. The Class II Association Member shall be entitled to twenty (20) votes for each Lot owned by the Class II Association Member.

Section 3. Period of Declarant Control. "Period of Declarant Control" means the period of time during which the Declarant shall at all times be entitled to appoint and remove the Association's Board of Directors and the officers of the Association, and during which the Class I Association Members shall have no right to nominate, elect, or remove, or exercise any vote to nominate, elect, or remove, the Board of Directors, such period of time beginning on the date that the Association is incorporated and ending at such time as Declarant does not own any portion of the Property, or at such earlier time as Declarant terminates such right by execution of a written instrument of termination. Anything to the contrary in this Declaration, the Bylaws, the Articles of Incorporation, or the North Carolina Planned Community Act notwithstanding, if not sooner ended or terminated, the Period of Declarant Control shall end on December 31, 2026.

During the Period of Declarant Control occurs, the Board shall have the sole and exclusive authority to exercise all powers and rights of and to act in all instances on behalf of the Association, and the Members shall have no authority to exercise such powers or rights or to act by exercise of their votes, except as determined by the Board in its sole and absolute discretion, and except as provided with respect to the commencement of judicial or administrative proceedings as provided in Article XII, Section 5, of this Declaration, and those acts that the Planned Community Act or other applicable laws provide may not be undertaken unilaterally by the Board, such as, to the extent required, ratification of the budget as provided in Article V, Section 3 of this Declaration, borrowing of funds to pay operational costs of the Association as provided in Article VI, Section (e) of the Bylaws and conveying fee simple title to all or any part of the Common Area as provided in Article VI, Section (t) of the Bylaws.

Section 4. Availability of Documents. The Association shall maintain current copies of the Declaration, the Bylaws and other rules concerning the Project as well as its own books, records, and financial statements available for inspection by all Owners, Mortgagees and insurers and guarantors of Mortgages that are secured by Lots, provided the Association shall have no responsibility to distribute such documents. All such documents shall be available upon reasonable notice and during normal business hours, provided the Association shall have the right to charge the requesting party reasonable costs incurred by the Association in complying with such request, including, without limitation, copy charges. In addition, any Mortgagee may, at its own expense, have an audited statement prepared with respect to the finances of the Association.

Section 5. Management Contracts. The Association is authorized and empowered to engage the services of any person, firm or corporation to act as managing agent of the Association at a compensation level to be established by the Board and to perform all of the powers and duties of the Association. The Association is also authorized and empowered to enter into agreements (and to assume agreements entered into by Declarant) with caretakers, natural resource managers, and activities and program directors to perform certain maintenance functions and perform other services relating to the administration of the Common Area, the Property, and the Association. Declarant has entered into a Management Agreement with East West Partners Camp Management, Inc. dated May, 2006 and shall assign such agreement to the Association, which shall assume all obligations thereunder. Declarant has also entered into an Operation and Management Contract with Tri-County Wastewater Management dated July, 2006 for the operation of the S.T.E.P. System and shall assign such contract to the Association, which shall assume all obligations thereunder.

Section 6. Maintenance. The Roadways shall be maintained by the Association. Such maintenance shall include repair and reconstruction of the Roadways, when necessary, including, but not limited to the swales, medians, bridges and associated landscaping and related improvements along and within the Roadways. However, notwithstanding anything to the contrary set forth in this Declaration, each Owner shall maintain all areas within the Roadway right-of-ways between such Owner's Lot boundary adjoining such right-of-way to the edge of the Roadway pavement, to the extent not maintained by the Association, including without limitation mowing grass and keeping ditches and swales free from debris. Maintenance of the Roadways shall conform to the standard of maintenance (if one is ascertainable) which would be required by the North Carolina Department of Transportation or other governmental entity.

The Common Areas and the Maintenance Areas, together with all utilities, easements and amenities located therein and not otherwise maintained by public entities or utilities or any other party as provided herein, shall be maintained by the Association as more particularly described below:

(a) Maintenance of the entryways to the Project shall include maintenance, repair and reconstruction, when necessary, of the entrance monuments, signage, irrigation, planters and lighting located thereon and providing and paying for landscaping, utility charges for irrigation and lighting of the entrance monuments and signage located thereon.

(b) Maintenance of the Parking Area(s) (if any) shall include repair, maintenance and reconstruction, when necessary, of the pavement (if paved) and payment of the costs of lighting.

(c) Maintenance of the Common Boatslips and the Common Pier(s) shall include the maintenance, repair and reconstruction, when necessary, of such Common Piers and Common Boatslips, including all lighting, water lines and other fixtures, wire, railings, and other facilities located thereon, and providing and paying for utility charges therefor.

(d) Maintenance of the Gate(s) shall include repair, maintenance and replacement, when necessary, of said Gates.

(e) The swales and medians and associated landscaping and related improvements along and within the Roadways shall be maintained so as to facilitate proper drainage of water through such swales, and providing such landscaping maintenance as the Board deems in its discretion necessary so as to maintain an appearance in keeping with the remainder of the Project.

(f) The Common Areas and Maintenance Areas, including, without limitation, the Amenity Area, shall be clean and free from debris and maintained in a safe and orderly condition, together with the landscaping thereon (if any), in accordance with the highest standards for first-class residential developments located in the Raleigh, North Carolina, metropolitan area, including any removal and replacement of any landscaping, utilities, or improvements located thereon. Notwithstanding the foregoing, the Association's obligation to maintain the Common Area shall not require the Association to seed, sod, mow, or otherwise maintain those Common Areas that are open and unimproved, and such open and unimproved Common Areas may be left in their natural state.

(g) Maintenance of any improvement within the Amenity Area (including, without limitation, any fencing, parking area, outdoor pavilion, fishing pier, Lake House, Boathouse, or other recreational amenity or facility located therein) shall include, but not be limited to, any and all interior and exterior maintenance (including, where necessary, repair and/or reconstruction), landscaping and payment of all utility charges related to any such improvement.

(h) The Association shall not be responsible for the maintenance of any Lot or any portion of any Lot or the improvements within the boundaries thereof, including, without limitation, any Waterfront Lot Side-long Fixed Pier adjacent to any Waterfront Lot. The Owners of such Lots shall be solely responsible for same.

(i) Maintenance of the Community Pressure System shall include maintaining all pipes, pumps, tanks, and all other apparatus in good working order and repair in accordance with all applicable governmental requirements and permits and all specifications for such equipment and apparatus. Maintenance of the Community Pressure System shall also include those matters described in Article VII, Sections 21 and 22, below.

(j) The Lake and Dam shall be maintained in accordance with all applicable laws and regulations and in accordance with sound engineering and environmental practices and standards.

Section 7. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of all or a portion of the Common Areas or Maintenance Areas (including without limitation the Roadways and the Common Boatlips and the Dam) and in order to fund unanticipated expenses of the Association or to acquire equipment or services deemed necessary or desirable by the Board of Directors. Such reserve fund shall be collected and maintained out of the Annual Assessments, as hereinafter defined. Assessments collected as reserves shall not be considered to be advance payments of Annual Assessments.

Section 8. Piers and Boatslips. Declarant shall have the exclusive right to construct some or all of the Common Boatslips and the Common Piers (including all improvements located thereon), in its sole and absolute discretion, in the approximate locations shown on the Plat(s) or as otherwise shown in any Supplemental Declaration or other document which may be filed pursuant to the provisions of this Declaration. Common Boatslips, and the Common Piers, are Common Areas available for common use and enjoyment by all Owners of Lots, subject to the terms of this Declaration. Certain Common Boatslips designated by Declarant or the Association may be used by any Owner owning a boat for the docking of such boat for such limited periods of time as shall be described in the rules and regulations promulgated by the Association, and for the docking of boats owned by the Association and made available for use by certain Owners pursuant to rules and regulations promulgated by the Association.

(a) The use of all Common Piers, Common Boatslips, and Waterfront Lot Side-long Fixed Piers shall be subject to each of the following:

- a. all federal, state and local governmental bodies having jurisdiction thereon; and
- b. any rules and regulations adopted by the Board of Directors.

(b) The Board of Directors, pursuant to the Bylaws attached hereto as Exhibit "D", may adopt rules and regulations governing the use, operation and maintenance of the Common Boatslips, the Piers in which they are located, and the personal conduct thereon of the Members as to the Common Boatslips.

Section 9. Parking Area. Declarant may construct, and the Association shall maintain, repair and, if destroyed, replace, as a common expense of the Association, Parking Areas, which may be paved or unpaved, located on the Amenity Area and other Common Areas. The Parking Areas shall be constructed and maintained in order to provide parking for the Owners, and may be used by Declarant and its assigns and the Owners, their families, guests and invitees, in connection with their use of the Amenity Area.

Section 10. Liability Limitations. Neither Declarant, nor any Association Member, nor the Board, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Association Member, whether or not such other Association Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other person, firm or association making such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof. The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Board of its duties and obligations, except for any such loss, cost, expense,

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damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

ARTICLE V

COVENANT FOR ANNUAL AND SPECIAL ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Annual, Supplemental Annual, Special, Special Individual, and S.T.E.P. System Assessments. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance document, is deemed to covenant and agrees to pay to the Association Annual Assessments, Supplemental Annual Assessments, Special Assessments, Special Individual Assessments, and Special S.T.E.P. System Assessments (collectively, the "Assessments"), as hereinafter defined, established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner, at the time when the assessment fell due, of the Lot against which such assessment or charge is made. The personal obligation for delinquent assessments or charges shall not pass to an Owner's successors in title unless expressly assumed by them, provided such assessments or charges, together with interest, costs, and reasonable attorneys' fees, shall, as set forth above, be a continuing lien upon the Lot against which such assessments or charges are made.

Section 2. Purpose of Annual Assessments. The assessments to be levied annually by the Association ("Annual Assessments") shall be used as follows:

(a) to repair, operate, maintain, reconstruct (when necessary) and keep clean and free from debris the Common Areas (including without limitation the Amenity Area, the Lake House and Boathouse facilities and all other improvements located thereon, and the Dam), the Community Pressure System, and the Maintenance Areas and any improvements located thereon (including the Common Boatlips), and to maintain the landscaping in accordance with the highest standards for first-class residential developments located in the Raleigh, North Carolina, metropolitan area, including any necessary removal or replacement of landscaping;

(b) to maintain and repair the Roadways to the standards of the maintenance (if one is ascertainable) for residential streets in developments similar to the Project prevailing in the Raleigh, North Carolina, metropolitan area;

(c) to maintain, operate, repair and reconstruct, when necessary, the entryways to the Project, including the entrance monuments, signage, irrigation, planters, landscaping and lighting located thereon;

(d) to maintain and repair the swales and medians, and landscaping and related improvements along and within the Roadways;

(e) to pay all costs associated with the operation of any uplighting and landscape lighting initially installed by Declarant, including utility costs;

(f) to pay all ad valorem taxes levied against the Common Areas and any other property owned by the Association;

(g) to pay the premiums on all insurance carried by the Association pursuant hereto or pursuant to the Bylaws;

(h) to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws;

(i) to pay for all costs associated with the performance of the S.T.E.P. System inspections more particularly described in Article VII, Section 22 hereof;

(j) to carry out all other purposes and duties of the Association, the Board of Directors and the Architectural Control Committee as stated in the Articles, the Bylaws and in this Declaration;

(k) to maintain contingency reserves for the purposes set forth in Article IV hereof in amounts as determined by the Board of Directors;

(l) to clean, maintain, repair and reconstruct, when necessary, the Common Boatlips and the Common Piers, including all lighting and other fixtures, wires, railings and other facilities located thereon (if any);

(m) to provide and pay for lighting of and water service (if any) to the Common Boatlips and the Common Piers to the extent necessary for the safety and enjoyment of the users thereof;

(n) to pay all fees, costs, compensation and other charges accruing under any management agreement and operation and management contract entered into by, or assumed by, the Association, including without limitation that certain Management Agreement originally entered into by and between Declarant and East West Partners Camp Management, Inc., dated May, 2006, and the Operation and Management Contract between Declarant and Tri-County Wastewater Management, dated July, 2006;

(o) to pay the salary of and all other costs associated with the employment of any Caretaker, and any other persons who may be employed by the Association;

(p) to pay all costs incurred with respect to any resource manager or other consultant engaged to assist with the preservation of flora and fauna within the Property; and

(q) to maintain, operate, repair and replace, when necessary, the Gates.

The expenses of the Association for the foregoing are sometimes referred to herein as "common expenses."

Section 3. Payment of Annual Assessments; Due Dates. Each Owner of a Lot shall pay to the Association Annual Assessments as hereinafter set forth.

(a) Annual Assessments provided for herein shall commence as to all Lots shown on a Plat of any Phase of the Property as of the date of the conveyance of the first Lot in such Phase by Declarant to an Owner (other than Declarant) of such Lot, or on January 1, 2007, whichever shall later occur. The Annual Assessment for the first year in which a Lot is subject thereto shall be prorated based upon the number of days remaining in the applicable billing period from the date of such conveyance. The Annual Assessment amount for the calendar year beginning January 1, 2007, shall be Three Thousand and No/100 Dollars (\$3000.00) per Lot. The Annual Assessment amount for each and every year thereafter shall be in an amount as set by the Board of Directors, in accordance with the terms of this Article V. Annual Assessments shall be due and payable in advance in equal installments on a quarterly basis on January 1, April 1, July 1 and October 1 of each calendar year. The Board of Directors shall prepare an annual budget and fix the amount of the Annual Assessments as to each Lot for any calendar year on or before December 1 of the prior calendar year, and the Association shall send written notice of the amount of the Annual Assessments, as well as the amount of the payment due, to each Owner on or before December 15 of the prior calendar year. To the extent required by North Carolina General Statutes 47F-3-103(c) or other applicable law, such notice shall include notice of a meeting of the Members to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. If such a meeting is required by N.C. General Statutes 47F-3-103(c), or other applicable law, the Board of Directors shall set a date for a meeting of the Members to consider ratification of the budget to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. The budget will be ratified unless: (a) if such vote is taken during the Period of Declarant Control, at such meeting Members exercising ninety percent (90.0%) of the votes in the Association reject the budget; (b) if such vote is taken after the Period of Declarant Control, at such meeting Members exercising a majority of the votes in the Association reject the budget.

(b) The failure of the Association to send, or of a Member to receive, such notice shall not relieve any Member of the obligation to pay Annual Assessments.

(c) If the Board of Directors shall, during any calendar year, determine that the important and essential functions of the Association cannot be funded by the Annual Assessment, the Board may, by vote in accordance with the Bylaws, levy a supplemental Annual Assessment ("Supplemental Annual Assessment"), subject to the procedures set forth in Article V, Section 3 above.

(d) With respect to any Lot conveyed by Declarant, the purchaser of such Lot shall pay to the Association at closing the amount of the Annual Assessment for the installment period in which the closing occurs on such Lot, prorated based upon the number of days remaining in such installment period. With respect to any Lot conveyed by any Owner other than Declarant, the amount of the Annual Assessment applicable to such Lot for the installment period in which such closing occurs shall be prorated between the buyer and seller thereof as of the date of closing of such conveyance.

Section 4. Special Assessments. In addition to the Annual Assessment authorized above, the Association may levy, in any assessment year, a special assessment ("Special Assessment") applicable to that year only for the purpose of defraying, in whole or in part, the

cost of (i) the construction of any Common Area and/or Maintenance Area improvements which are not originally constructed by Declarant or (ii) the reconstruction, repair or replacement of the Common Areas and/or Maintenance Areas, including any improvements located thereon, and including, without limitation, the Amenity Area, Roadways, and Gates. Provided, however, (a) Declarant shall not be obligated to pay any Special Assessments on Lots owned by Declarant except with Declarant's prior written approval, and (b) any Special Assessment must be approved by Declarant (so long as Declarant owns any part of the Property) and by a vote of a majority of the votes appurtenant to the Lots which are then subject to this Declaration.

Section 5. Special Individual Assessments. In addition to the Annual Assessments and Special Assessments authorized above, the Board of Directors shall have the power to levy a special assessment applicable to any particular Owner ("Special Individual Assessment") (i) for the purpose of paying for the cost of any construction, reconstruction, repair or replacement of any damaged component of the Common Areas and/or Maintenance Areas, including, without limitation, Roadways, Gates, and the Amenity Area, and any improvements located thereon, occasioned by any act or omission of such Owner(s), members of such Owner's family or such Owner's agents, guests, employees, tenants or invitees and not the result of ordinary wear and tear; or (ii) for payment of fines, penalties or other charges imposed against any particular Owner relative to such Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws or any rules or regulations promulgated by the Association or the Declarant pursuant to this Declaration or the Bylaws. Provided, however, Declarant shall not be obligated to pay any Special Individual Assessment except with Declarant's prior written approval. The due date of any Special Individual Assessment levied pursuant to this Section 5 shall be fixed in the Board of Directors resolution authorizing such Special Individual Assessment. Upon the establishment of a Special Individual Assessment, the Board shall send written notice of the amount and due date of such Special Individual Assessment to the affected Owner(s) at least thirty (30) days prior to the date such Special Individual Assessment is due.

Section 6. Collection Agent. At the option of the Board of Directors, any person or entity designated by the Board of Directors may act as collection agent for any and all assessments imposed by the Association and/or the Board against the Owners.

Section 7. Assessments Against Lots Owned by Declarant.

Anything to the contrary set forth in this Declaration notwithstanding, Assessments on each Lot owned by Declarant as the Class II Association Member shall be in the reduced amount of ten percent (10%) of the per Lot Assessment amount established by the Association for the Lots owned by Class I Association Members. Furthermore, Declarant shall be entitled to credit against any Assessments on Lots owned by Declarant any and all amounts which Declarant has paid directly for common expenses, or has paid or contributed to the Association for the Association's payment of common expenses.

ARTICLE VI

GENERAL ASSESSMENT PROVISIONS

Section 1. Certificate Regarding Assessments. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 2. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment (or installment thereof) not paid by its due date as set forth herein shall bear interest from such due date at the rate of eighteen percent (18%) per annum or the highest rate then permitted by law, whichever is less. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent Owner (or foreclose the lien against the applicable portion of the Property), and interest, late payment charges, court or collection costs, any fines imposed, and reasonable attorney's fees related to such action or foreclosure shall be added to the amount of such assessment and the lien securing such assessment. Additionally, the Association may accelerate all quarterly installments of the Annual Assessment for the calendar year in which the default occurs. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of his or her property or the Common Areas or otherwise.

Section 3. Subordination of the Lien to Mortgages. The lien of the assessments provided for in Article V and in Article VII of this Declaration shall be subordinate to the lien of any first Mortgage on a Lot or any mortgage or deed of trust to Crescent Resources, LLC or any affiliated entity. Sale or transfer of any Lot shall not affect the assessment lien. The sale or transfer of any Lot pursuant to a mortgage foreclosure under any first Mortgage on a Lot or any mortgage or deed of trust to Crescent Resources, LLC or any affiliated entity, or any proceeding in lieu thereof, however, shall extinguish the lien (but not the personal obligation of the mortgagor or any prior Owner) of such assessments as to payments which became due prior to such sale or transfer; provided, however, that the Board of Directors may in its sole discretion determine such unpaid assessments to be an Annual, Special or Special Individual Assessment or a Special S.T.E.P. System Assessment (as the case may be), as applicable, collectable pro rata from all Owners, including the foreclosure sale purchaser. Such pro rata portions are payable by all Owners. No sale or transfer shall relieve the purchaser of such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be subordinate to the lien of any first Mortgage on a Lot or any mortgage or deed of trust to Crescent Resources, LLC or any affiliated entity as above provided.

Section 4. Uniformity of Assessments. Except as otherwise specifically set forth herein, all Annual Assessments and Special Assessments shall be uniform as to all Lots. Notwithstanding the foregoing, the portion of the Annual Assessment levied and collected to pay the cost of annual S.T.E.P. Unit inspections shall only be levied and assessed against those Lots that have Dwelling Units on them. The following provisions of this Declaration provide for certain Lots to be assessed at other than a uniform rate with other Lots:

(a) Article II, Section 2(b), which allows for Declarant to establish by Supplemental Declaration a reduced assessment for certain Lots in portions of Additional Property subjected to this Declaration, based on limits on the rights of Owners of such Lots to use facilities located upon or adjacent to the Common Areas.

(b) Article V, Section 7, providing for reduced assessments against Lots owned by Declarant.

ARTICLE VII

RESTRICTIONS

Section 1. Residential Restrictions. Each Lot shall be used exclusively for single-family, non-transient residential purposes; provided, however, Declarant shall have the right to use the Lots designated from time to time by Declarant for the purpose of construction and operation of construction offices and sales/marketing offices (and for related uses) for the Project. No trade, business or business activity of any kind shall be conducted upon a Lot or any part thereof except by Declarant as described hereinabove or except with the written approval of the Board. Provided, however, the Board may permit a business or business activity to be conducted on a Lot so long as such business, in the sole discretion of the Board, does not otherwise violate the provisions of this Declaration, does not create a disturbance and does not unduly increase traffic flow or parking congestion on the Property or in the Project. The Board may issue rules regarding permitted business activities. Leasing of a Dwelling Unit on a Lot and occupancy of a Dwelling Unit by a caretaker or other domestic employee shall not be considered businesses or business activities under this Declaration.

Except those to be utilized by Declarant as described hereinabove, no structure shall be erected, placed, altered, used or permitted to remain on any Lot other than one primary attached or detached single-family Dwelling Unit, and such other secondary Dwelling Units and Accessory Structures as are approved in advance in writing by the Architectural Control Committee pursuant to the Guidelines. Each Lot Owner shall notify the Architectural Control Committee prior to the commencement of construction upon their respective Lots as to which structure on their Lot shall be the primary Dwelling Unit subject to the minimum heated floor area requirements in Section 2 of this Article VII. No Lot and no Improvements may be used for hotel or other transient residential purposes. Each lease relating to any Lot or any Improvements thereon (or any part of either thereof) must be for a term of at least six (6) months, must be in writing, and must provide that the tenant is obligated to observe and perform all of the terms and provisions hereof applicable to such Lot and/or Improvements. Copies of all lease agreements must be delivered to the Association promptly after the execution thereof. Nothing herein contained shall be construed to prohibit or prevent the construction, operation and use of any cottage, villa, lodge or other similar dwelling within the Amenity Area intended to be used for overnight stay by guests of an Owner entitled to use the same.

Subject to the requirements set forth herein and in the Guidelines, Waterfront Lot Side-long Fixed Piers incidental to the residential use of Waterfront Lots are expressly permitted in such locations, in such configuration, and of such design as are approved by the Architectural Control Committee, upon the condition that they are not rented, leased or otherwise used for

remuneration. Furthermore, no boat (including a houseboat), whether existing on a Lot, moored at a Waterfront Side-long Fixed Pier, docked at the Common Pier, or docked at any other any other fixed pier, may at any time be used as a residence.

Section 2. Primary Dwelling Unit Size. Any primary Dwelling Unit erected upon any Lot shall contain not less than 3,000 square feet of enclosed heated floor area as measured from the ground level up (said ground level being the first level of any primary Dwelling Unit as viewed from the Roadway fronting same) and exclusive of the areas in heated or unheated basements, vaulted ceiling areas and attics, unheated porches of any type, attached or detached garages, porte-cocheres and unheated storage areas, decks and patios. Notwithstanding the foregoing requirements, the Architectural Control Committee shall have the right (but not the obligation), because of restrictive topography, lot shape, dimensions or unusual site related conditions or other reasons, to allow variances from such minimum square footage requirements by granting a specific written variance.

Section 3. HVAC Equipment. No air conditioning or heating equipment or apparatus shall be installed on the ground in front of, or attached to any front wall of, any Dwelling Unit or Accessory Structure on a Lot. Additionally, air conditioning and heating equipment and apparatus shall be screened from view from Roadways by landscape improvements, as more particularly provided in the Guidelines.

Section 4. Exterior Lighting. Exterior lighting on Lots shall be subject to the applicable requirements and limitations in the Guidelines and shall be subject to the approval of the Association.

Section 5. Fences and Walls. In addition to the restrictions contained elsewhere in this Declaration, only fences or walls (including, without limitation, densely planted hedges, rows or similar landscape barriers) approved in advance by Declarant and/or the Architectural Control Committee, in their sole and absolute discretion, shall be used, installed and/or constructed along or near the front, side and/or rear boundary lines of each Lot within the Project. All fences and walls shall be maintained in a structurally sound and attractive manner. No fence or wall shall be erected on any Lot until the Architectural Control Committee has given its prior written approval of the color, size, design, materials and location for such fence or wall. The Architectural Control Committee may, in its sole and absolute discretion, refuse to allow any fences or walls on a Lot, even if fences or walls are allowed on other Lots.

Section 6. Mail and Newspaper Boxes; House Numbers. Each Lot Owner, at such Lot Owner's expense, shall purchase a mailbox/newspaper box of the standard type and from the vendor specified by Declarant, and shall install and maintain, at such Lot Owner's expense, such standard mailbox/newspaper box for such Owner's use on such Owner's Lot. No other mailbox or newspaper box shall be erected or maintained on any Lot. The location of the mailbox/newspaper box on a Lot must be approved in writing by the Architectural Control Committee. House numbers may be displayed on the Dwelling Unit and/or mailbox only as approved by the Architectural Control Committee. Declarant shall not be responsible for the installation or maintenance of any mailbox or newspaper box

Section 7. Animals. No animals, livestock or poultry, including horses, shall be raised, bred or kept on any portion of the Property, except that dogs, cats or other household pets may be kept, but not for any commercial purposes, provided they do not create a nuisance (in the judgment of the Board) such as, but without limitation, by noise, odor, damage or destruction of property or refuse. Any excrement deposited by an animal on any portion of the Property shall be promptly removed and appropriately disposed of by the owner of such animal. The number of household pets kept or maintained outside the Dwelling Unit on a Lot shall not exceed three (3) in number, except for newborn offspring of such household pets which are all under nine (9) months in age. Dogs shall at all times whenever they are outside of a Dwelling Unit be on a leash or otherwise confined in a manner acceptable to the Board. Animal control authorities shall be permitted to enter the Project and the Property to patrol and remove pets and wild animals. All pets shall be registered, licensed and inoculated as required by law. No fenced dog enclosure or other structure for pets may be constructed or maintained on any Lot unless the same has been approved in writing by the Architectural Control Committee.

Section 8. Signs. No sign of any kind shall be displayed on any Lot except for sign(s) approved in advance by the Architectural Control Committee. Notwithstanding the foregoing, Declarant shall be entitled to erect and maintain signs and billboards advertising the Property, the Project or portions of either, or for any other purpose, on any portion of the Property owned by Declarant or in the Common Areas or Maintenance Areas.

Section 9. Temporary Structures; Structure Materials. No residence or building of a temporary nature, including a construction trailer, shall be erected or allowed to remain on any Lot, and no metal, fiberglass, plastic or canvas tent, barn, carport, garage, utility building, storage building or other metal, fiberglass, plastic or canvas structure shall be erected on any Lot or attached to any residence unless approved by the Architectural Control Committee. Provided, however, nothing herein shall prohibit Declarant or a Guild Builder (subject to the prior written approval of Declarant) from erecting or moving temporary buildings onto Lots owned by Declarant or such Guild Builder to be used for storage, or for construction or sales offices.

Section 10. [Intentionally Omitted].

Section 11. Utilities. All utilities and utility connections shall be located underground, including electrical, telephone and cable television lines. Transformers, electric, gas or other meters of any type, or other apparatus shall be located at the rear of the buildings constructed on Lots or, if approved by the Architectural Control Committee in writing, located elsewhere on the Lot provided they are adequately screened as required by the Architectural Control Committee in accordance with the provisions of this Declaration.

Section 12. Sediment Control. Sufficient sediment control measures, including, but not limited to, installation and maintenance of silt fences, straw bale fences, storm water inlet protection and temporary seeding, to the extent deemed reasonably necessary by Declarant or the Architectural Control Committee, shall be taken by the Owner or Owner's builder to ensure that all sediment resulting from any land disturbance or construction operation is retained on the Lot in question. All sediment control measures must be maintained until such Lot has been permanently stabilized with respect to soil erosion.

Section 13. "Building Envelope". Unless approved in advance by the Architectural Control Committee, no construction activities, Dwelling Unit (whether primary or secondary), Accessory Structure, building or other Improvement on any Lot (including any stoops or porches, patios, decks, terraces, etc.) shall be erected or permitted to remain outside of the "Building Envelope" for that particular Lot as established by the Architectural Control Committee (as to each Lot, the "Building Envelope"). The Building Envelope approved for any Lot will be available from the Architectural Control Committee on a site illustration diagram. Provided, however, and notwithstanding the foregoing to the contrary, Waterfront Lot Side-long Fixed Piers appurtenant to a Waterfront Lot are exempt from this Building Envelope restriction, provided they are approved by the Architectural Control Committee in accordance with the applicable provisions of the Guidelines. The Architectural Control Committee shall have the right in its sole discretion to make exceptions to any Building Envelope to recognize any special topography, vegetation, Lot shape or dimension, or other site-related conditions. In the event any zoning or subdivision ordinance, floodway regulation or other ordinance, law or regulation applicable to a Lot shall prescribe greater setbacks, then all buildings erected during the pendency of such requirements shall conform thereto.

Section 14. Waste. No Lot shall be used or maintained as a dumping ground for rubbish, trash or garbage. During construction of Improvements on a Lot, all rubbish and debris shall be stored and disposed of in accordance with the rules and established by the Architectural Control Committee.

Section 15. Combination or Subdivision of Lots. Should the Owner of a Lot own an adjacent Lot(s) and desire that two (2) or more such Lots be considered as one Lot, then such Lots shall (except as provided herein) be considered as one Lot for the purposes of this Article VII upon the recordation in the Office of the Register of Deeds of Franklin County, North Carolina, of an instrument by such Owner expressing such intent (such instrument shall refer specifically to this section in this Declaration and shall identify the Lots to be considered as one Lot for purposes of this Article VII, and a copy of such recorded instrument shall be promptly delivered by such Owner to the Architectural Control Committee); and in each such case, Building Envelopes, setback lines, and easements reserved in this Declaration shall be adjusted accordingly by the Architectural Control Committee. The Owner of any Lot which combines with all or a portion of a contiguous Lot shall be solely responsible for any costs which may result from such combination, including the costs of relocating any existing easements. With respect to combined Lots, such lots shall be considered multiple Lots for purposes of payment of assessments. No Lot shall be subdivided by sale, lease or otherwise without the prior written consent of Declarant. Declarant reserves the right to change the size, boundaries or dimensions of any Lot owned by Declarant for any reason, and to determine in its sole discretion whether combined Lots are to be treated as one Lot or multiple Lots, including for assessment purposes.

Section 16. Restricted Activities in Common Areas and Maintenance Areas. No cutting of vegetation, dumping, digging, filling, destruction or other waste shall be committed on the Common Areas or the Maintenance Areas except as approved by the Association and Declarant. There shall be no obstruction of the Common Areas or the Maintenance Areas, nor shall anything be kept or stored in the Common Areas or the Maintenance Areas, nor shall anything be altered, or constructed or planted in, or removed from, the Common Areas or the Maintenance Areas, nor shall water from the Lake be drawn for irrigation or any other purpose,

without the prior written consent of the Declarant and the Association. Each Owner shall be liable to the Association and/or Declarant for any damage to any Common Area and/or the Maintenance Area caused by the negligence or willful misconduct of the Owner or his family, tenants, guests, agents, employees, or invitees. Provided, however, the provisions in this paragraph shall not apply to Declarant in connection with Declarant's construction activities on the Property.

Section 17. Unsightly or Unkempt Conditions. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken on any Lot, other than in enclosed garages.

Section 18. Rules of the Board. All Owners of any Lot shall abide by all rules and regulations adopted by the Board from time to time. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association and/or Declarant for all damages and costs, including attorneys' fees.

Section 19. Recreational and Other Equipment.

(a) No recreational equipment (including, but not limited to, basketball backboards and hoops, trampolines, swing sets, tree houses, children's climbing or play apparatus and other equipment associated with either adult or juvenile leisure or recreation) shall be attached to the exterior of any Dwelling Unit or Accessory Structure or otherwise placed or kept on any Lot, except in accordance with the requirements as set forth in the Guidelines and with the prior written approval of the Architectural Control Committee.

(b) No such recreational equipment shall be located in such a manner as to constitute a nuisance or unsightly condition to adjoining Owners.

(c) No such recreational equipment shall be located within two hundred feet (200') of the Lake or within one hundred feet (100') of any area designated as "Open Space," "Common Open Space," "OS," or "COS" (or similar designation) on a Plat.

(d) Children's play toys and other moveable equipment of any type (such as lawn mowers, garden tools, etc.) shall not remain repeatedly overnight within any front yard of any Lot, or within the side yards of any Lot located on a Roadway corner, in such number or for such a long period of time as to create a continuing, unsightly condition.

Section 20. Parking; Storage.

(a) No vehicles, trucks, vans, cars, trailers, construction equipment, etc. may be parked overnight on any Roadway within the Property.

(b) Commercial-use vehicles and trucks not involved with construction activity on the Property and having a carrying capacity and/or size designation greater than or equal to three-fourths (3/4th) ton shall not be permitted to park overnight on the Roadways,

driveways or otherwise within the Property, unless stored in an enclosed garage. No vehicle of any size which transports inflammatory or explosive cargo may be kept within the Property at any time. Vehicles that are not in a condition to be normally operated or that do not have a current registration tag may not be stored or situated on any Lot for more than thirty (30) days unless stored in an enclosed garage.

(c) The Owner of each Lot will be responsible for providing on such Owner's Lot a sufficient paved parking area for all vehicles normally parked and/or situated on or in regard to such Lot.

(d) No recreational vehicles or related equipment, including any boat, houseboat, trailer, motor home or "camper" vehicle may be maintained, stored or kept on any portion of the Property, except (to the extent allowed by the Board) in an enclosed garage, in an enclosure specifically approved for such maintenance or storage by the Architectural Control Committee, or in a location on a Lot that is not visible from the Lake, any Roadway or any other Lot, which location has not been approved in advance by the Architectural Control Committee.

(e) No construction office trailers may be placed, erected or allowed to remain on any Lots during construction, except as approved in writing by the Architectural Control Committee. Provided, however, nothing herein shall prohibit Declarant from erecting or moving temporary buildings onto Lots owned by Declarant to be used as construction or sales offices. Other construction vehicles (trucks, vans, cars, construction equipment, equipment trailers, etc.) may be left overnight on the Property (including any Lot or Roadway) only in accordance with such rules as may be established by the Architectural Control Committee.

Section 21. Sewage Disposal; S.T.E.P. Pressure Sewer System. Every Lot shall be served by a privately owned, S.T.E.P. ("Septic Tank Effluent Pump") Pressure Effluent Sewer System (the "S.T.E.P. System"), consisting of an individual S.T.E.P. Unit at each Lot upon which a Dwelling Unit has been constructed, owned by the Owner of such Lot; and a community pressurized system (the "Community Pressure System") owned by the Association. The S.T.E.P. Unit collects effluent from the Dwelling Unit in a septic tank, and pumps the effluent into the Community Pressure System. Franklin County has provided a single outfall location for the purpose of receiving all of the wastewater from the Project from the Community Pressure System and providing final treatment at its municipal sewer facility. Franklin County Public Works will in turn bill all customers for their wastewater discharge based on their potable water consumption. The wastewater charges will appear on each customer's monthly water bill from Franklin County. The Community Pressure System will be operated by a third party operator determined by the Board to have expertise in the operation of S.T.E.P. Systems (a "Certified Operator") pursuant to the terms of an agreement ("Operation and Management Contract") between the Association and such Certified Operator. All S.T.E.P. Units and the Community Pressure System shall be approved by, and constructed and maintained in accordance with all the regulations and requirements of, the Architectural Control Committee (including all requirements set forth in the Guidelines), and all governmental authorities and regulatory agencies having jurisdiction. All Owners, by purchasing property subject to this Declaration, acknowledge that any governmental permit or approval allowing for the construction and operation of the S.T.E.P. System or other private sewage disposal system may be limited in duration, or may be subject to revocation for cause, in accordance with the terms thereof, and

neither Declarant, nor the Association, nor the Architectural Control Committee, nor the officers, directors, members, employees, agents or affiliates of any of them, shall have any liability arising directly or indirectly out of the inability of an Owner to obtain any such permit or approval (including an extension or continuation following the initial expiration thereof).

Each Lot Owner shall maintain and repair, in accordance with all rules and regulations and requirements of the Architectural Control Committee (including, without limitation, all requirements set forth in the Guidelines), the S.T.E.P. Unit serving such Lot, in a good operating condition in compliance with any requirements imposed by the Declarant, the Association, or any governmental authority. If any S.T.E.P. Unit is not maintained by the applicable Lot Owner as set forth herein, the Declarant or the Association, in its sole discretion, may enter such Lot to perform such maintenance and may levy a special S.T.E.P. System assessment ("Special S.T.E.P. System Assessment") upon the Lot Owner for the purpose of maintaining, repairing or replacing the S.T.E.P. Unit. The Special S.T.E.P. System Assessment shall be deemed a Special Individual Assessment pursuant to Article V, Section 5, above. In addition to the foregoing, the Association (or its designee) shall have the right to enter any Lot from time to time for inspection and/or maintenance purposes, as more particularly described in Section 22 of this Article VII. In this regard, each Owner of a Lot (other than Declarant) by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (in addition to other assessments provided for herein) Special S.T.E.P. System Assessments as levied in the discretion of the Association. Any such assessment or charge, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot effective at the time when the assessment fell due.

ALL DWELLING UNITS, ACCESSORY DWELLING UNITS AND IMPROVEMENTS TO BE LOCATED UPON EACH LOT WITHIN THE PROPERTY SHALL HAVE SEWER DISPOSAL SERVICE AND FACILITIES PROVIDED EXCLUSIVELY BY THE S.T.E.P. UNIT TO BE INSTALLED AND OPERATED BY THE OWNER OF SAID LOT. EACH LOT OWNER, ON BEHALF OF ITSELF, ITS HEIRS, SUCCESSORS AND ASSIGNS, SHALL HAVE THE RIGHT TO ENFORCE THIS COVENANT AGAINST ANY OTHER OWNER OF A LOT WITHIN THE PROPERTY, ITS HEIRS, SUCCESSORS AND ASSIGNS.

All S.T.E.P. Units located on the Property will be approved, constructed and maintained in accordance with all applicable governmental regulations and requirements. All S.T.E.P. Units require pumping of the effluent and are subject to annual inspections and equipped with audible and visible alarms. An independent contractor shall be employed for the inspections and for emergency response as more particularly described in Article VII, Section 22 below. The inspections at a minimum shall include: evaluation of solids level in the septic tank, proper operation of pump(s) including controls and alarms, and check for leaks in any piping.

Section 22. S.T.E.P. Units and System Inspections and S.T.E.P. Inspection and Repair Easement. The Association shall cause all private S.T.E.P. Units located within the Project to be inspected by an independent contractor no less than once (1) per year. Anything to

the contrary set forth in this Declaration notwithstanding, the cost of such inspections shall be assessed by the Association only against the Lots upon which the S.T.E.P. Units are located. Such inspections shall be conducted in order to confirm that each such Unit is properly functioning and is generally in compliance with this Declaration including, without limitation, the terms of Article VII, Section 21 above, and any applicable laws, ordinances or governmental regulations. If an inspection reveals that a S.T.E.P. Unit is not functioning properly, or is otherwise not in compliance with any applicable law, ordinance or regulations, the inspector shall notify the Association and any other party or agency as required by law. The Association shall notify the Owner of the Lot to which the S.T.E.P. Unit is appurtenant of the problem or noncompliance and such Owner shall be responsible for immediately repairing the S.T.E.P. Unit at such Owner's sole cost and expense and providing the Association, within thirty (30) days, with proof of such repair. The repairs shall be made by a Certified Operator and all repairs shall be inspected by the Certified Operator that has entered into the Operation and Management Contract with the Association. The Association shall be authorized to notify any applicable governmental or regulatory agencies or officials of the malfunctioning or noncompliance of any S.T.E.P. Unit located within the Project.

The foregoing notwithstanding, neither Declarant, the Association, the ACC, nor its directors, officers, agents or employees shall be responsible for damages or otherwise to anyone by reason of mistake of judgment, omission, negligence or nonfeasance arising out of the inspection services performed pursuant to this Declaration including, without limitation, any damages to any Lot or property by reason of the failure to inspect or the failure of such inspections to detect any malfunction, damage or noncompliance with law.

Declarant hereby reserves a non-exclusive perpetual easement over all property within the Project, including Lots, benefiting Declarant, the Association, and the Certified Operator that has entered into the Operation and Management Contract with the Association, for the purposes of conducting the S.T.E.P. Unit inspections and repairing the S.T.E.P. Unit if an Owner fails to repair or replace the S.T.E.P. Unit within thirty (30) days of notification by the Association. The Board of Directors shall have the right to levy a Special S.T.E.P. Unit Assessment against such Lot Owner pursuant to Section 5 of Article V hereof to recover the costs and expenses incurred by the Association in maintaining, repairing or replacing the Lot Owner's S.T.E.P. Unit.

Section 23. Nuisances. It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on such Owner's property. No Lot shall be used, in whole or in part, for the deposit, storage or burial of any property or thing that will cause such property 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 obnoxious 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 any Lot, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Project. There shall not be maintained on any Lot any plants or animals or device or thing of any sort whose activity or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Project. 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, shall be located, installed or maintained upon the exterior of any Dwelling Unit, Accessory Structure, or any unimproved Lot unless required by law. All exterior lighting shall be in conformance with the Guidelines.

Section 24. Diligent Construction. All construction, landscaping or other work which has been commenced on any Lot must be continued with reasonable diligence to completion and no partially completed Dwelling Units, Accessory Structures or other Improvements shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. All construction and landscaping must be completed within one (1) year after the date upon which it commenced, unless a longer time is approved in writing by the Architectural Control Committee. Any damage to the Roadways, curbs or sidewalks or any part of any Common Area, Maintenance Area or any utility system caused by an Owner or Owner's builder or such builder's subcontractors shall be repaired by such responsible Owner. Any builder of Improvements and such builder's subcontractors on any portion of the Property shall keep such portion of the Property free of unsightly construction debris, in accordance with the construction rules established by the Architectural Control Committee (or, in the absence of such rules, in accordance with standard construction practices), and shall similarly keep contiguous public and private areas free from any dirt, mud, garbage, trash, or other debris which is occasioned by construction of Improvements. The Board may levy a Special Individual Assessment against an Owner's property in the Project to pay for the cost of repairing any damage to Roadways, curbs or sidewalks or any part of any Roadway, Common Area, Maintenance Area or utility system, to pay for the cost of cleaning public and private areas, including the Roadways in the Project, and to pay for the cost of the removal of garbage, trash or other debris, which are occasioned by the activities of an Owner or Owner's builder or such builder's subcontractors during the construction of Improvements.

Section 25. Public Water System; No Private Individual Wells, Irrigation Restrictions. All water supplies necessary to serve the Project (the "Water System"), and all water mains, pipes and other equipment necessary for the operation and maintenance of the Water System, shall be owned, operated, repaired and maintained by Franklin County, which is duly licensed and operating under the authority granted by the North Carolina Department of Public Utilities Commission. All Owners shall connect to the Water System for domestic water service. The Water System shall be the sole provider of water supply to the Project, and no well may be dug or constructed on any Lot for the purpose of providing domestic water supply; provided, however, subject to the approval of the Architectural Control Committee, wells may be dug or constructed for uses including heating, cooling, and irrigation systems.

Section 26. Marine Toilets. No water craft equipped with a marine toilet having a fixed or portable holding tank, or equipped with a through hull or overboard discharge toilet, shall be permitted at the Common Piers, or Waterfront Lot Side-long Fixed Piers.

Section 27. Piers. The Owner of a Waterfront Lot may construct one (1) side-long fixed pier in the location approved by the Architectural Control Committee, provided that all necessary governmental approvals and permits are obtained by the Owner, adjacent to said Waterfront Lot (in accordance with the applicable provisions of the Guidelines). Any waterfront improvement shall have a low profile and open design to minimize obstruction of neighbors'

views, and all such improvements must be submitted to the Architectural Control Committee for review and approval in accordance with the Guidelines and the applicable provisions of this Declaration. Roof-covered or enclosed piers will not be allowed.

The placement, construction, or use of any pier structure or other improvement within or upon the waters of the Lake is and shall be subject to each of the following:

(a) the Guidelines and any easements, restrictions, rules and regulations for construction and use promulgated by the Board and/or the Association; and

(b) all laws, statutes, ordinances and regulations of all Federal, State and local governmental bodies having jurisdiction thereon.

No pier structure or other similar improvement shall be constructed by Waterfront Lot Owners outside of the area designated by the Architectural Control Committee. No more than one (1) boat may be moored at any Waterfront Lot Side-long Fixed Pier at any one time. ALL WATERFRONT LOT OWNERS, BY PURCHASING PROPERTY SUBJECT TO THIS DECLARATION, ACKNOWLEDGE THAT THEY SHALL BE RESPONSIBLE FOR OBTAINING (AND FOR CONDUCTING ALL REQUIRED ACTIVITIES NECESSARY IN CONNECTION WITH OBTAINING) ANY PERMIT, LICENSE OR LEASE ALLOWING FOR THE CONSTRUCTION AND USE OF ANY PIER OR OR OTHER SIMILAR IMPROVEMENT WITHIN OR UPON THE WATERS OF THE LAKE AND THAT SUCH PERMIT, LICENSE OR LEASE SHALL BE LIMITED IN DURATION, AND NEITHER DECLARANT, NOR THE ASSOCIATION, NOR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS OR AFFILIATES OF EITHER OF THEM, SHALL HAVE ANY LIABILITY ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN ANY WAY RELATED TO ANY SUCH PERMIT, LICENSE OR LEASE.

Section 28. Boat Ramps. No boat ramps of any kind shall be permitted on any Lot, and no boat shall be placed in (or removed from) the waters of the Lake from any Lot; provided, however, small watercraft such as canoes, kayaks, and dinghies may be launched from any Lot if launched without a ramp.

Section 29. Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Lot and all applicable governmental requirements or restrictions relative to the construction of Improvements on and/or use and utilization of any Lot shall continue to be applicable and shall be complied with in regard to the Lots. Each Owner shall comply with all laws, regulations, ordinances and other governmental rules and restrictions in regard to the Lot(s) or other portion of the Property owned by such Owner (including, without limitation, applicable zoning and watershed laws, rules, regulations and ordinances). Each Owner of a Waterfront Lot shall comply with the conditions, limitations and restrictions set forth in the Guidelines. Each Owner acknowledges that he or she is solely responsible for determining whether any such laws or regulations may be applicable to his or her Lot.

Section 30. Occupants Bound. All provisions of this Declaration, any Additional or Supplemental Declaration and the Bylaws and any and all rules and regulations, use restrictions

or Guidelines promulgated pursuant hereto or thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all Occupants even though Occupants are not specifically mentioned.

Section 31. Recreational Vehicles. No motorized vehicle used primarily for recreational purposes, including, without limitation, any motorcycle, moped, go-cart, snow mobile, three- or four-wheeled all terrain vehicle, or similar vehicle, may be operated on any Lot or any other part of the Property (including, without limitation, the Trail System), provided Declarant and the Association, and their respective employees, contractors and agents, shall have the right to operate such recreational vehicles in connection with the development, marketing, maintenance and operation of the Property.

Section 32. Boats. No power boats (i.e., boats powered by petroleum fueled internal combustion engines – boats powered by electric engines are allowed), jet skis, or other craft powered by an internal combustion engine, may be operated on the Lake; provided, however, Declarant shall have the right, from time to time, to use a power boat/boats on the Lake, in connection with its marketing of the Project. Canoes, kayaks, dinghies, and open hulled fishing boats not exceeding 16 feet in length are expressly permitted to be used on the Lake. Any other types of non-powered (or electrically powered) boats shall be subject to approval by the Architectural Control Committee.

ARTICLE VIII

ARCHITECTURAL AND LANDSCAPING CONTROL

Section 1. General. Notwithstanding anything contained in this Declaration to the contrary, no Improvements, including, without limitation, site preparation on any Lot, change in grade or slope of any Lot, or erection of buildings or exterior additions or alterations to any building situated upon the Property, construction of any pier or other similar improvement, erection of or changes or additions in fences, hedges, walls and other structures, any landscaping, or any cutting of trees on any Lot shall be commenced, erected or maintained on any portion of the Property, subject to the provisions of Article VIII, Section 7 hereof, until: (a) the Architectural Control Committee, appointed as hereinafter provided, has approved the plans and specifications therefor and the location of such Improvements and has given its written approval for commencement of construction, all in accordance with the terms and requirements in the Guidelines (as defined in Section 3 of this Article VIII); (b) the fees set forth in or contemplated in this Article VIII have been paid; and (c) the contracts identified in this Article VIII have been executed. In addition to any standards established pursuant to this Declaration, Declarant may establish, by Additional Declarations, architectural and landscaping control standards, guidelines and restrictions in regard to various Phases or sections of the Property. Except as otherwise expressly provided herein, the provisions of this Article VIII shall not apply to the construction of any Improvements commenced, erected or maintained by Declarant on any Lot or upon any of the Common Areas or Maintenance Areas.

The Board may delegate to the Architectural Control Committee any powers or authority reserved or granted to the Board under this Article VIII.

Section 2. Composition of Architectural Control Committee. So long as Declarant owns any Lot or other portion of the Property, the members of the Architectural Control Committee shall be appointed by Declarant in its sole discretion. At such time as Declarant no longer owns any Lot or other portion of the Property or at such earlier date as Declarant releases its right to appoint the members of the Architectural Control Committee, the members of the Architectural Control Committee shall thereafter be appointed by the Board. The members of the Architectural Control Committee shall be appointed annually and will be composed of at least three (3) and not more than seven (7) individuals, the exact number of members of the Architectural Control Committee to be designated from time to time by the body then having the authority to appoint such members (Declarant or the Board, as the case may be). The members of the Architectural Control Committee need not be Owners of property in the Project. In the event of the death or resignation of any member of the Architectural Control Committee, the party or body then having the authority to appoint members to the Architectural Control Committee shall have full authority to designate and appoint a successor. Members of the Architectural Control Committee may be removed and replaced at any time, with or without cause, and without prior notice, by the party or body then having the authority to appoint such members. Notwithstanding anything contained herein to the contrary, the Architectural Control Committee shall have the right, power and authority to employ and/or use the services of any architects, engineers, attorneys or other professionals as it deems necessary or advisable, in its sole discretion, to carry out the duties and obligations of the Architectural Control Committee as described in this Article VIII.

Section 3. Hidden Lake Design Guidelines.

(a) The Architectural Control Committee shall, from time to time, publish and promulgate Hidden Lake Architectural & Landscape Guidelines (collectively, the "Guidelines"), including architectural, design, and landscape guidelines. The Guidelines shall be explanatory and illustrative of the general intent of the development of the Property and are intended as a guide to assist the Architectural Control Committee in reviewing plans and specifications for Improvements. The Guidelines shall also set out, among other things, the procedures for submission, review and approval of plans and specifications to the Architectural Control Committee and the fees to be imposed by the Architectural Control Committee, as more specifically described in Article VIII, Section 8 hereof; and the Guidelines shall address the Guild Builders, as more specifically described in Article VIII, Section 9 hereof. In any event, the Guidelines shall not be binding upon the Architectural Control Committee, may be revised and amended at any time by the Architectural Control Committee, in its sole discretion, and shall not constitute, in every event, the basis for approval or disapproval of plans, specifications and other materials submitted to the Architectural Control Committee for approval. Furthermore, the Architectural Control Committee may publish and promulgate different Guidelines for different Phases, sections or portions of the Property.

(b) The Guidelines shall also be explanatory and illustrative of the general intent of the landscape development of the Property and are intended as a guide to assist the Architectural Control Committee in reviewing plans and specifications for landscape Improvements. The Guidelines shall also set out, among other things, the following:

a. The procedures for submission, review and approval of landscape plans and specifications to the Architectural Control Committee and the fees to be imposed by the Architectural Control Committee, as more specifically described in Article VIII, Section 8 hereof;

b. Standards, methods and procedures for landscaping, landscape management and landscape maintenance in the Property, including the removal of trees; and

c. Standards, methods and procedures for landscaping, landscape management, and landscape maintenance of any part of a Lot that borders the Lake or a perennial or ephemeral stream or drainage way.

Such authorized standards, methods and procedures shall be utilized by Owners and their contractors and subcontractors, and the approval by the Architectural Control Committee of any landscaping plan or other landscaping improvement in connection with landscaping; on a Lot or other portion of the Property shall be based upon the conformity of such plan or improvement with the Guidelines.

(c) The Architectural Control Committee is also hereby authorized to publish and promulgate from time to time, and revise and amend at any time in its sole discretion, construction rules to be followed by all Owners and builders performing work or constructing or installing Improvements (including landscape Improvements) on the Property.

Section 4. Definition of "Improvements". The term "Improvement" or "Improvements" shall mean and include any and all man-made changes or additions to a Lot, including, but not limited to, the location, materials, size and design of all Dwelling Units (both primary and secondary), Accessory Structures, and other buildings (including any exterior devices attached to or separate from buildings, such as heating and air conditioning equipment, solar heating devices, lighting, antennae, satellite dishes, etc.); storage sheds or areas; piers; roofed structures; parking areas; fences; "invisible" pet fencing; pet "runs," lines and similar tethers or enclosures; walls; irrigation equipment, apparatus and systems; landscaping (including cutting of trees); hedges; mass plantings; poles; driveways; ponds; lakes; changes in grade or slope; site preparation; swimming pools; hot tubs; jacuzzis; tennis courts; tree houses; basketball goals; skateboard ramps; and other sports or play apparatus; signs; exterior illumination; and changes in any exterior color or shape. The definition of Improvements includes both original Improvements and all later changes to Improvements. The definition of Improvements, however, does not include the replacement or repair of Improvements previously approved by the Architectural Control Committee, provided such replacement or repair does not change exterior colors, materials, designs or appearances from that which were previously approved by the Architectural Control Committee.

Section 5. Enforcement.

(a) It is Declarant's intent that the architectural control provisions of this Declaration and any Additional Declarations are to permit control of the architectural design and landscaping and to establish quality standards for construction and construction activity in the Project and to help preserve values of properties in the Project. All Owners, by purchasing

property subject to this Declaration, acknowledge that a violation of any such provisions could result in irreparable harm and damage to other Owners of property in the Project and to Declarant, and to the values of their respective properties in the Project, a monetary measure of which harm and damage would be difficult to establish. Accordingly, the Association shall have the specific right (but not the obligation) to enforce and/or to prevent any violation of the provisions contained in this Article VIII by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions. Declarant hereby specifically reserves and grants unto the Architectural Control Committee, the Board and any agent or member thereof, the right of entry and inspection upon any portion of the Property for the purpose of determination by the Architectural Control Committee or the Board whether there exists any construction of any Improvement which violates the terms of any approval by the Architectural Control Committee, the terms of the Guidelines, the terms of this Declaration or any Additional Declaration, or the terms of any amendments hereto or thereto.

(b) As to nonconforming or unapproved Improvements, the Association may require any Owner to restore such Owner's Improvements to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved Improvements) if such Improvements were commenced or constructed in violation of this Article. In addition, the Association may, but has no obligation to, cause such restoration, demolition and removal to be performed and to levy the amount of the cost thereof as a Special Individual Assessment against the Lot or portion of the Property upon which such Improvements were commenced or constructed. The Association shall also have the right and power to levy fines and penalties in the amount and in accordance with the procedures determined by the Board, to the full extent allowed under the North Carolina Planned Community Act. In the event that it becomes necessary to resort to litigation to determine the propriety of any constructed Improvement, to remove any unapproved Improvement or otherwise to remedy a violation of the Guidelines, the Association shall be entitled to recover court costs, attorneys' fees and expenses incurred by the Association and/or the Architectural Control Committee in connection therewith, and all fines and penalties levied by the Association, which costs, fees and expenses, fines, and penalties may be levied as a Special Individual Assessment against the Lot or other portion of the Property upon which such Improvement was commenced or constructed.

Section 6. [Intentionally Omitted].

Section 7. Variances. Upon submission of a written request for a variance, which request shall set forth, among other things, the extraordinary circumstances applicable to a Lot giving rise to the need for a variance, the Architectural Control Committee may, from time to time, in its sole discretion, permit Owners to construct, erect or install Improvements which are at variance with restrictions, requirements or provisions of this Declaration or any Additional Declaration from which a variance is permitted, pursuant to the terms hereof or thereof. In any case, however, the Architectural Control Committee may grant a variance only due to the existence of extraordinary circumstances applicable to a Lot, which extraordinary circumstance (i) has not been caused by the Owner of such Lot and (ii) materially impairs the ability of an Owner to construct a Dwelling Unit on such Owner's Lot. Any variance granted shall be in basic conformity with and shall blend effectively with the general architectural style and design of the community and shall not materially change the scheme of restrictions herein set forth. Written requests for variances shall be deemed to be disapproved in the event the Architectural

Control Committee has not expressly and in writing approved such request within thirty (30) business days of the submission of such request. No member of the Architectural Control Committee shall be liable to any Owner for any claims, causes of action, or damages arising out of the grant or denial of any variance to any Owner. Each request for a variance submitted hereunder shall be reviewed separately and apart from other such requests and the grant of a variance to any Owner shall not constitute a waiver of the Architectural Control Committee's right to strictly enforce the covenants, restrictions and architectural standards provided hereunder or under any Additional Declaration against any other Owner. If a variance is granted, the Owner receiving such variance shall comply with the more restrictive of the terms of the variance or applicable local, state or federal laws (including, without limitation, local zoning and development laws), and the granting of a variance shall not relieve any Owner from the obligation of complying with such laws. Notwithstanding anything contained herein to the contrary, in no event shall a variance granted by the Architectural Control Committee be deemed a waiver or assurance of any future variance requests.

Section 8. Fees Required by the Architectural Control Committee. The Architectural Control Committee, in its sole discretion, may require that each Person submitting plans and specifications for Improvements to the Architectural Control Committee pay one or more fees to the Architectural Control Committee or to Declarant as a condition to commencement of construction of such Improvements. Such fee(s), including the amount(s), payee and purpose(s) thereof, shall be established by, and may be increased from time to time by, the Architectural Control Committee and shall be set forth in the Guidelines.

Section 9. Guild Builders.

(a) The Architectural Control Committee may require, in its sole discretion, that each Person submitting plans and specifications to the Architectural Control Committee for the construction of Improvements also submit to the Architectural Control Committee a copy of a fully signed contract (for the construction of such Improvements) between the Owner of the relevant Lot and a builder who is featured by the Board or the Architectural Control Committee, in their sole discretion (herein, a "Guild Builder"; collectively, the "Guild Builders"), as a condition to the commencement of construction of any such Improvements.

(b) The Architectural Control Committee shall provide a list of Guild Builders in accordance with the provisions of the Guidelines. To qualify as a Guild Builder, a builder must satisfy certain criteria and requirements established by the Architectural Control Committee and Declarant. However, the criteria and requirements established by the Architectural Control Committee and Declarant for a builder to qualify as a Guild Builder are solely for the Architectural Control Committee's and Declarant's protection and benefit and are not intended to, and shall not be construed to, benefit any Owner or any other party whatsoever. The Architectural Control Committee and Declarant make no representation, express or implied, to any Owner or any other party whatsoever with regard to the Guild Builders, including, without limitation, the existence, nature and extent (including coverage amounts and deductibles) of insurance policies that may be maintained by the Guild Builders from time to time, the solvency or financial status of the Guild Builders from time to time, the nature and amount of any bonds that may be maintained by the Guild Builders from time to time, the performance (or the ability to perform) by the Guild Builders of their contractual obligations (including any contractual

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obligations of any of the Guild Builders in favor of any Owner or any other party whatsoever), the compliance by the Guild Builders with building codes and other requirements, rules, laws and ordinances of federal, state and local governmental and quasi-governmental bodies and agencies relating to the construction of homes and other activities engaged in by the Guild Builders from time to time, the use of any substance or material, including, without limitation, any stucco or synthetic material by the Guild Builders in connection with the construction of homes, the compliance by any Guild Builder with any licensing requirements imposed by federal, state and local governmental and quasi-governmental bodies and agencies from time to time, including, without limitation, the maintenance of any required builder's and/or contractor's license, and the failure or alleged failure of any Guild Builder to comply with any industry standard or any other reasonable standard or practice with respect to such builder's work or materials used in the construction of houses and other activities engaged in by such Guild Builder at Hidden Lake. Furthermore, neither the Architectural Control Committee nor Declarant, nor the officers, directors, members, employees, agents or affiliates of either of them, shall have any responsibility whatsoever for any sum that any Owner or any other party may deposit with a Guild Builder, including, without limitation, any earnest money or other deposit that any Owner may deliver to a Guild Builder. The selection of a Guild Builder by an Owner shall be conclusive evidence that such Owner is independently satisfied with regard to any and all concerns such Owner may have about the Guild Builder's work product and/or qualifications. Owners shall not rely on the advice or representations of the Architectural Control Committee, Declarant or the officers, directors, members, employees, agents or affiliates of either of them in that regard.

Section 10. No Construction Without Payment of Fees and Use of a Guild Builder. Notwithstanding anything contained in this Article VIII to the contrary, plans and specifications for Improvements to be constructed on a Lot or other portion of the Property shall not be deemed to have been properly submitted unless and until any and all fees required by the Architectural Control Committee to be paid in connection with such Improvements, as provided in Article VIII, Section 8 above, shall have been paid to the Architectural Control Committee or Declarant as required. In addition, such plans and specifications shall not be deemed to have been properly submitted unless a copy of a fully signed contract between the Owner of the relevant Lot and a Guild Builder for construction of such Improvements (if required by the Architectural Control Committee), as provided in Section 9 above, shall have been submitted to the Architectural Control Committee.

Section 11. Notices and Submittals. Notices and submittals to the Architectural Control Committee shall be in accordance with the notice provisions set forth from time to time in the Guidelines.

Section 12. Separate Committee for Changes to Existing Improvements. The Board shall have the right, power and authority, in its sole discretion, to appoint a committee separate and apart from the Architectural Control Committee to review plans and specifications for any and all renovations, changes and additions to existing Improvements located on a Lot or other portion of the Property (herein, the "Architectural Changes Committee"). Should the Board appoint such an Architectural Changes Committee, then the Architectural Control Committee shall relinquish to the Architectural Changes Committee its authority to review plans and specifications for any such changes to existing Improvements, and the Architectural Changes

Committee shall be solely responsible for review and approval of the same. The composition of the Architectural Changes Committee shall be determined by the Board in its sole discretion and the procedure for submission, review and approval of plans and specifications to and by the Architectural Changes Committee shall be set forth in the Guidelines. Notwithstanding the foregoing, nothing herein shall be deemed to obligate the Board to appoint an Architectural Changes Committee, and until an Architectural Changes Committee is appointed, the Architectural Control Committee shall be responsible for reviewing and approving or disapproving all plans and specifications for renovations, changes and additions to existing Improvements in accordance with the provisions of this Article VIII and the Guidelines.

Section 13. Limitation of Liability. No member of the Architectural Control Committee or the Architectural Changes Committee shall be liable for claims, causes of action or damages (except where occasioned by willful misconduct of such member) arising out of services performed pursuant to this Article VIII. Neither the Architectural Control Committee, nor the Architectural Changes Committee (if applicable), nor the members thereof, nor the Association, nor Declarant, nor any officers, directors, members, employees, agents or affiliates of any of them, shall be liable for damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval of, or the failure to approve or disapprove of, any plans and specifications. The approval of plans and specifications by the Architectural Control Committee or the Architectural Changes Committee (if applicable) shall not be deemed or construed as a representation or warranty of the Architectural Control Committee or the Architectural Changes Committee (as the case may be), Declarant, or any officer, director, member, employee, agent or affiliate of any of them, (i) that Improvements constructed in accordance with such plans and specifications will comply with applicable zoning ordinances, building codes, or other governmental or quasi-governmental laws, ordinances, rules and regulations or (ii) as to the structural soundness, quality, durability, suitability, fitness or proper functioning of Improvements constructed in accordance with such plans and specifications; and any responsibility or liability therefor is hereby disclaimed. Every person who submits plans and specifications, and every Owner, agrees that he will not bring any action or suit against Declarant, the Association, the Architectural Control Committee, the Architectural Changes Committee (if applicable), the Board, or the officers, directors, members, employees, agents or affiliates of any of them, to recover any such damages and hereby releases, demises, and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given. Declarant shall be the sole party responsible for the performance of Declarant's obligations under this Declaration, and no other person, firm or entity, including, without limitation, any entity affiliated with Declarant, shall have any obligation or liability for Declarant's obligations under this Declaration.

Section 14. Miscellaneous. Members of the Architectural Control Committee and, if applicable, the Architectural Changes Committee, in the sole discretion of the party or body appointing such members (i.e., either Declarant or the Board, as the case may be) may be compensated for their services. The Association shall reimburse members of the Architectural Control Committee and the Architectural Changes Committee (if applicable) for reasonable out-of-pocket expenses associated with their activities hereunder. All costs, expenses and attorneys'

fees of the Architectural Control Committee and the Architectural Changes Committee (if applicable), including those incurred in connection with the exercise of their enforcement or other powers as provided herein, shall be borne by the Association; provided, however, nothing herein shall be deemed to negate the Association's right to an award of court costs, attorneys' fees and expenses in accordance with Article VIII, Section 5 hereof.

ARTICLE IX

INSURANCE; REPAIR AND RESTORATION; CONDEMNATION

Section 1. Board of Directors. To the extent such insurance is reasonably available, the Board of Directors shall obtain and maintain at all times insurance of the type and kind and in no less than the amounts set forth below:

(a) Property Insurance. All improvements and all fixtures and personal property included in the Common Areas and Maintenance Areas and all personal property and supplies belonging to the Association shall be insured in an amount equal to the current replacement cost (exclusive of land, foundation, excavation and other normally excluded items) as determined annually by the Board with the assistance of the insurance company providing coverage. The Board shall, at least annually, review the insurance coverage required herein to determine adequacy. Such coverage shall provide protection against loss or damage by fire or other hazards covered by a standard Special Form property policy including endorsements for windstorm and water damage, vandalism and malicious damage. In addition to the provisions and endorsements set forth in Article IX, Section 3 and Section 4, the property insurance described herein shall contain the following provisions:

- (1) standard "Agreed Amount" endorsements;
- (2) construction code endorsements if the Common Area becomes subject to a construction code provision which would require changes to undamaged portions of any building thereby imposing significant costs in the event of partial destruction of such building by an insured peril;
- (3) a waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, the Owners and their employees, agents, tenants and invitees; and
- (4) a provision that the coverage will not be prejudiced by act or neglect of one or more Owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.

The property insurance policy shall not contain (and the insurance shall not be placed with companies whose charters or bylaws contain) provisions whereby: (1) contributions or assessments may be made against the Association or the Owners; (2) loss payments are contingent: upon action by the carrier's directors, policy holders or members; and (3) there are limiting clauses (other than insurance conditions) which could prevent Owners from collecting the proceeds.

(b) Commercial General Liability. The Board shall also be required to provide occurrence form commercial general liability insurance (ISO-1986 or broader) and officer's and director's liability insurance in such limits as the Board may, from time to time, determine to be customary for projects similar in construction, location and use as the Project, covering each member of the Board, the managing agent, if any, and each Owner with respect to his liability arising out of the ownership, maintenance, or repair of the Common Areas and Maintenance Areas, or from service on the Board; provided, with a limit of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Such insurance shall include endorsements covering cross liability claims of one insured against another, including the liability of the Owners as a group to a single Owner. The Board shall review such limits annually.

(c) Fidelity Coverage. The Board shall also be required to obtain fidelity coverage against dishonest acts on the part of all persons, whether officers, directors, trustees, employees, agents or independent contractors, responsible for handling funds belonging to or administered by the Association. The fidelity insurance policy shall be written in an amount sufficient to provide protection which is in no event less than one and one-half times the Association's estimated annual operating expenses and reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

(d) Other. Such other insurance coverages, including flood insurance and worker's compensation, as the Board shall determine from time to time desirable.

Section 2. Premium Expense. Premiums upon insurance policies purchased by the Board shall be paid by the Board and charged as a common expense to be collected from the Owners pursuant to the terms of this Declaration.

Section 3. Special Endorsements. The Board shall make diligent efforts to secure insurance policies that will provide for the following:

(a) recognition of any insurance trust agreement entered into by the Association;

(b) coverage that may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the named insured and any insurance trustee; and

(c) coverage that cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board without prior demand in writing that the Board cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association or any Owner.

Section 4. General Guidelines. All insurance policies purchased by the Board shall be with a company or companies licensed to do business in the State of North Carolina and holding a rating of "A VIII" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Association and shall be issued in the name of and provide that all proceeds thereof shall be payable to the Association. Notwithstanding any of the foregoing provisions and requirements relating to insurance, there

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may be named as an insured, on behalf of the Association, the Association's authorized representative, who shall have exclusive authority to negotiate losses under any policy providing such insurance.

Section 5. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Association shall use the net proceeds of casualty insurance covered by it to repair and/or replace any damage or destruction of property, real or personal, covered by such insurance. Any balance from the proceeds of casualty insurance paid to the Association remaining after satisfactory completion of repair and replacement shall be retained by the Association as part of the general reserve fund for repair and replacement of the Common Area and/or Maintenance Areas.

Section 6. Insufficient Proceeds. If the insurance proceeds received by the Association are insufficient to reimburse, to repair and/or replace any damage or destruction to person or property, the Board may levy a Special Assessment against the Owners to cover the deficiency.

Section 7. Owner's Personal Property. Neither the Association nor Declarant shall be liable in any manner for the safekeeping or condition of any personal property belonging to or used by any Owner or his family, tenants, guests or invitees, located on or used at the Common Areas. Further, neither the Association nor Declarant shall be responsible or liable for any damage or loss to any personal property of any Owner, his family, tenants, guests or invitees located on or used at the Common Areas. Each Owner shall be solely responsible for all personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase of, at such Owner's sole cost and expense, any liability or other insurance for damage to or loss of such property. Neither the Association nor Declarant shall be responsible or liable for any damage or loss to or of any boat, its tackle, gear, equipment or other property located thereon, or any other personal property of any Owner, his family, tenants, guests or invitees located on or used at the Amenity Area, Parking Area or other Common Areas, Maintenance Areas, or the Common Boatlips. Each Owner shall be solely responsible for all such boats and other personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase, at such Owner's sole cost and expense, of any liability or other insurance for damage to or loss of such property.

Section 8. No Obligation to Insure Owners' Property. By virtue of taking title to a Lot within the Project, each Owner acknowledges that neither the Association nor Declarant has any obligation to provide any insurance for any portion of such Lot or any Dwelling Unit or other property located thereon.

Section 9. Security. The Association may, in its sole discretion, but shall not be obligated to, provide certain security and fire protection measures, and maintain or support certain other activities within the Project designed to make the Project safer than it might otherwise be. Provided, however, should the Association provide, maintain or support any such measures or activities, then neither the Association, Declarant, nor any successor of Declarant shall in any way be considered insurers or guarantors of security or fire protection within the Project, and neither the Association, Declarant nor any successor of Declarant shall be held liable for any loss or damage by reason of failure to provide or take any security or fire protection

measures or for the ineffectiveness of any such measures undertaken. Each Owner and Occupant of any Lot and each tenant, guest and invitee thereof acknowledges and understands that neither the Association, Declarant nor any successor of Declarant are insurers, and each such Owner, and Occupant of a Lot and their tenants, guests and invitees hereby assume all risks for loss or damage to persons, property or contents belonging to any such persons.

Section 10. Condemnation. Whenever all or part of the Common Area shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for and on account of such taking shall be paid to the Association. The Association, acting through the Board, shall have the right to negotiate and litigate the issues with respect to the taking and compensation affecting its interest in the Common Area, without limitation on the right of the Owners to represent their own interests. Each Owner, by his acceptance of a deed to a Lot or other portion of the Property, hereby appoints the Association as his attorney-in-fact to negotiate, litigate or settle on his behalf all claims arising from the condemnation of the Common Area. All compensation and damages paid to the Association on account of such a taking shall be used to restore the Common Area, provided such restoration is possible, with the excess, if any, to be retained by the Association and applied to future operating expenses by the Board, in its sole discretion. Nothing herein is to prevent Owners whose Lots or other property are specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for consequential damages relating to loss of value of the affected Lots or other property, or improvements, fixtures or personal property thereon, exclusive of damages relating to the Common Area. In the event that the condemnation award does not allocate consequential damages to specific Owners, but by its terms includes an award for reduction in value of Common Area, Lots or other property without such allocation, the award shall be divided between affected Owners and the Board, as their interests may appear, by the Board in its sole discretion.

ARTICLE X

EASEMENTS AND OTHER RIGHTS

Declarant, in addition to any other easements granted or reserved herein, hereby reserves unto itself, its successors and assigns, and grants to the Association and any other persons or entities hereinafter set forth, the following non-exclusive easements on, upon, over, across, through and under the Property. In addition, Declarant hereby reserves unto itself, its successors and assigns, the right, on behalf of itself and the Association, to grant additional easements on, upon, over, across, through and under the Common Areas and any portion of the Property owned by Declarant as deemed to be in the best interests of and proper for the Project, including, but not limited to, easements in favor of Declarant, the Association, the Owners, and all their family members, guests, invitees and tenants and to various governmental and quasi-governmental authorities and agencies and private concerns for the purposes and uses hereinafter specified.

Section 1. Easements and Cross-Easements on Common Areas. Declarant, for itself, its designees and the Association, reserves the right to impose upon the Common Areas henceforth and from time to time such easements and cross-easements for ingress and egress, installation, maintenance, construction and repair of utilities and facilities including, but not limited to, electric power, telephone, cable television, master antenna transmission, data

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transmission, surveillance services, governmental and quasi-governmental purposes, sewer, water, gas, drainage, landscaping, trails and accompanying minor structures, irrigation, lake maintenance, storm water management, lighting, television transmission, garbage and waste removal, emergency services, and the like as it deems to be in the best interests of, and necessary and proper for, the Project or any portion thereof.

Section 2. Use of Common Areas. Subject to any limitation or restriction set forth in this Declaration, Declarant declares that the Common Areas are subject to a perpetual nonexclusive easement in favor of Declarant, the Association and their designees, the Owners and all their family members, guests, invitees and tenants, and appropriate governmental and quasi-governmental agencies to use the Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and utilities and for such use of the facilities as the same are reasonably intended in accordance with the terms of this Declaration and any Additional Declaration. If ingress or egress to any Lot or other portion of the Property is through any Common Area, any conveyance or encumbrance of such area is subject to this easement.

Section 3. Right-of-Way Over Roadways. Declarant hereby reserves, for the benefit of itself, its agents, employees, lessees, invitees, designees, successors and assigns, and grants to the Association, its agents, employees, tenants, invitees, designees, successors and assigns, and to each Owner of a Lot, their family members, tenants, guests, invitees, successors and assigns, and to each Occupant of a Lot, and to all governmental and quasi-governmental agencies and service entities having jurisdiction over the Property while engaged in their respective functions, a perpetual non-exclusive easement, license, right and privilege of passage and use, both pedestrian and vehicular, over and across the Roadways for the purpose of providing access, ingress and egress to and from, through and between the Property. Declarant further hereby reserves the right and easement to use the Roadways for ingress and egress to and from all portions of the land marked as "Future Phase" on the Plats, whether or not such Future Phases are subjected to this Declaration, as an appurtenance to such Future Phase land. Declarant, until the expiration of the Period of Declarant Control, and the Association thereafter, shall have the right to limit access to the Roadways by operation of the Gates, and each Owner, by acceptance of a deed conveying a Lot, acknowledges and agrees that access to the Property is subject to such reasonable rules and regulations as may be promulgated by Declarant or the Association concerning use of the Gates, issuance of cards or devices to operate the Gates, and related matters. Notwithstanding the foregoing, to the extent required by N.C.G.S. §65-74 and §65-75, Declarant or the Association (as the case may be) shall have the right to give non-Owners access through the Gates and to the Property for the sole purpose of accessing the Cemetery. Each Owner further acknowledges and agrees that the operation of the Gates does not assure that unauthorized persons will be prevented from gaining access to the Property, and each Owner, by acceptance of a deed conveying a Lot, releases Declarant, any party installing or operating the Gates, and the Association, from any liability for the entry of unauthorized persons onto the Property.

Section 4. Right of the Association and Declarant to Enter Upon the Common Areas and Maintenance Areas. Declarant hereby reserves for the benefit of itself, its successors in interest and assigns, and grants to the Association and all agents, employees or other designees of Declarant or the Association an easement for ingress, egress and access to enter upon or over

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the Common Areas and Maintenance Areas for the purposes of inspecting any construction, proposed construction, or Improvements or fulfilling the rights, duties and responsibilities of ownership, administration, maintenance and repair of Declarant or the Association, as appropriate. Such easement includes an easement in favor of the Association and Declarant to enter upon the Common Areas and Maintenance Areas now or hereafter created to use, repair, maintain and replace the same for the purposes for which they are initially designated or for such purposes as they are hereafter redesignated or as Declarant otherwise determines them to be reasonably suited. Notwithstanding the foregoing, nothing contained herein shall be interpreted as imposing any obligation upon the Association or Declarant to maintain, repair, or construct Improvements which an Owner is required to maintain, construct or repair.

Section 5. Easement for Encroachments. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, the Owners, their successors and assigns, and to the Occupants of Lots, easements for encroachments, to the extent necessary, in the event any portion of the Improvements located on any portion of the Property now or hereafter encroaches upon any of the remaining portions of the Property as a result of minor inaccuracies in survey, construction or reconstruction, or due to settlement or movement. Any easement(s) for encroachment shall include an easement(s) for the maintenance and use of the encroaching Improvements in favor of Declarant, the Association, the Owners and all their designees.

Section 6. Maintenance Areas.

Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, its successors and assigns, the following nonexclusive perpetual easements over certain areas of the Property as hereinafter described for the purposes hereinafter described:

(a) Easements for the purposes of landscaping and maintaining entryways and erecting and maintaining entrance monument(s) for the Project, over, across and under those portions of the Property shown and designated for such purpose on the Plats (herein referred to as the "Entrance Monument Easements"). Declarant and/or the Association shall have the right to landscape and maintain the areas of the Property so designated as entryways to the Project, to erect and maintain entrance monument(s) thereon bearing the name of the Project, and to erect and maintain lighting for such monument(s), plantings, landscaping, irrigation systems and other improvements typically used for entryways.

(b) Easements for the installation, maintenance, repair and removal of landscaping and landscaping amenities, including signage, lighting, monuments and irrigation systems, over, across and under those portions of the Property shown and designated as "Landscape Easements" or by similar designation on the Plats (herein referred to as "Landscape Easements").

(c) Easements for the installation, maintenance, repair and removal of hard surface or soft surface sidewalks, trails, walking or jogging paths, or similar pathways over, and shelters, railing, boardwalks, and similar facilities, across and under those portions of the Property being part of the Trail System.

All of the above-described areas and items shall herein be referred to as the "Maintenance Areas." The Association shall maintain the Maintenance Areas to a consistent standard of maintenance typical of a first-class development.

Section 7. Utility and Drainage Easements. The Property shall be subject to all easements and rights-of-way for utilities and drainage shown on the Plats, including, but not limited to, those certain easements shown and designated on the Plats as:

- (a) "Utility Easement";
- (b) "Public Storm Drainage Easement";
- (c) "Sanitary Sewer Easement"; and
- (d) "Sanitary Sewer Right-of-Way,"

or by similar designations. Such easements are hereby reserved for the use of Declarant, its successors and assigns, and are hereby established for the use of the Association, its successors and assigns, and include, without limitation, storm drainage easements of variable width, whether or not depicted on a Plat, over the entire area within all ditches along any Roadway.

Additionally, Declarant hereby reserves, for the benefit of itself, its successors and assigns, and grants to the Association, its successors and assigns, a non-exclusive easement and right-of-way over, under and along (a) a twenty (20) feet-wide strip of land adjacent to the front, side and rear boundary lines of all Lots within the Property (except that, with respect to any Lot fronting on the Lake, there shall be no such easement along the rear of such Lot [i.e., the side fronting the Lake]), and (b) all Landscape Easements, for the installation and maintenance of lines, conduits, pipes and other equipment necessary for furnishing electric power, gas, telephone service, cable service, data transmission, water, irrigation, septic system, sanitary sewer and drainage facilities, storm drainage and/or other utilities. Within the above-described easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation of utilities or which may change the direction or flow of drainage channels in the easements. This reservation of easements shall not prohibit the construction of driveways, at locations approved by the Architectural Control Committee, over such easements.

Section 8. Irrigation Easements. Declarant hereby reserves, for the benefit of itself, its successors and assigns, and grants to the Association, its successors and assigns, non-exclusive perpetual easements over, across and under those portions of the Property shown and designated as "Irrigation Easement" or by similar designation on the Plats, and over all portions of the Property upon which Declarant has installed irrigation systems, for the installation, maintenance, repair and removal of irrigation systems to service the landscaping to be installed and maintained in the Landscape Easement areas (herein referred to as the "Irrigation Easements"). Within the Irrigation Easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation, repair and maintenance of irrigation systems. This reservation of easements shall not prohibit the construction of driveways, at locations approved by the Architectural Control Committee, over such easements.

Section 9. Cemetery Easements To the extent required by N.C.G.S. §65-74 and §65-75, Declarant may, in its sole discretion, dedicate and reserve for the benefit of non-Owners, nonexclusive perpetual easements of passage and use, both pedestrian and vehicular, over and across the Roadways and certain portions of the Common Areas indicated and shown on the Plat as being reserved as easements for the benefit of the Cemetery (for example, labeled as "Cemetery Easement") for the purpose of providing access, ingress and egress to and from the Cemetery.

Section 10. Declarant's Right to Assign Easements, Maintenance of Easement Areas. Declarant shall have the right to assign and convey, in whole or in part, the easements reserved by it hereunder. The areas burdened by the easements and rights-of-way reserved by Declarant on each Lot or other portion of the Property pursuant hereto, including any Improvements in such areas, which are not to be maintained by the Association or a public authority or utility, shall be maintained continuously by each Owner of such Lot or other portion of the Property, but no structures, plantings or other material shall be placed or permitted to remain upon such areas or other activities undertaken thereon which may damage or interfere with the installation or maintenance of utilities or other services, or which may retard, obstruct or reverse the flow of water or which may damage or interfere with established slope ratios or create erosion problems. Notwithstanding the above, the Association and/or Declarant shall have the right, but not the obligation, to maintain the landscaping in the easement areas on any Lot.

Section 11. Easement Reserved for the Association and Declarant. Full rights of access, ingress and egress are hereby reserved by Declarant for itself and the Association at all times over and upon any Lot or other portion of the Property for the exercise of the easement rights described in this Article X and for the carrying out by Declarant or the Association of the rights, functions, duties and obligations of each hereunder; provided, that any such entry by Declarant or the Association upon any Lot or portion of the Property shall be made with the minimum inconvenience to the Owner of such property as is reasonably practical, and any damage caused as a result of the gross negligence of Declarant, the Association or their employees or agents shall be repaired by Declarant or the Association, as the case may be, at the expense of Declarant or the Association, as the case may be. Furthermore, Declarant does hereby reserve for itself and its successors and assigns an easement over all Waterfront Lots for the installation of rip-rap and other materials, and the performance of other work in connection with shoreline stabilization, if and to the extent Declarant elects to perform any such work.

Section 12. Additional Easements. Declarant shall have the right to grant over, under, across and upon any portion of the Property owned by Declarant, and the Board shall have the authority, in its sole discretion, to grant over, under, across and upon the Common Areas, such easements, rights-of-way, licenses and other rights in accordance with or to supplement the provisions of this Declaration or as may otherwise be desirable for the development of the Project, by the execution, without further authorization, of such grants of easement or other instruments as may from time to time be necessary or desirable. Such easements may be for the use and benefit of persons who are not Association Members or Owners. After such time as the members of the Board are no longer appointed by Declarant, the Board shall cooperate with Declarant and execute such grants of easements over the Common Areas as may be desirable to Declarant for the development of the Project and the preservation and enhancement of Declarant's interest therein.

Section 13. No Merger of Easements. The easements hereby established shall not be terminated by merger or otherwise, except upon execution and recordation of an instrument specifically terminating any such easement.

ARTICLE XI

RIGHT OF FIRST REFUSAL

Section 1. Applicability. Except for sales and conveyances by Declarant, no unimproved Lot (as defined below) may be sold by any Owner except in compliance with the provisions of this Article XI.

Section 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 or Owners of such Lot shall first offer in writing to sell the Lot to Declarant or its successors at a price equal to: (1) the contract purchase price paid by such Owner for such Lot (excluding all finance charges related to the purchase) increased by the percentage increase, from the closing date of such Owner's purchase of such Lot to the date of such written offer to sell the Lot to Declarant or its successors, in the CPI, less (2) the cost of removing all liens and encumbrances on the Lot and customary seller's closing costs (including, without limitation, the cost of preparing the deed and any documentary or transfer tax stamps to be affixed to said deed). If the CPI is discontinued, then there shall be used the index most similar to the CPI which is published by the United States Government indicating changes in the cost of living. For the purposes of this Article, a Lot shall be considered as unimproved unless and until any proposed Improvements to such Lot have been approved by the Architectural Control Committee and the good faith commencement of the construction of such 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. Upon receipt by an Owner of a bona fide 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. If Declarant or its successor does not accept or reject in writing said offer of sale within thirty (30) days from the date of receipt of the same, then the Owner or Owners 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 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, the right of first refusal reserved by Declarant pursuant to this Section 2 shall be valid and enforceable with respect to any unimproved Lot only for a period of twenty (20) years from the date of the first conveyance of such Lot from Declarant to an Owner other than Declarant, and upon the expiration of said twenty (20) year period, the Owner or Owners 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 Section 2 shall not be applicable with respect to any foreclosure sale of a first lien deed of trust or first lien mortgage on an unimproved Lot or deed in lieu thereof 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 Section 2 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 this Section 2, and shall also be entitled to any other rights and remedies available at law or in equity for the violation of this Section 2.

Section 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.

Section 4. Transfers to Declarant. In the event that Declarant exercises its right of first refusal pursuant to Section 2 above, 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 Section 2 above, in cash or cash equivalent. The Owner shall deliver to Declarant a special 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 which 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 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.

Section 5. No Further Documentation Required. The right of first refusal reserved by Declarant in this Article shall run with the title to each Lot in the Project and be binding upon each purchaser of a Lot from Declarant and upon any subsequent Owner of a Lot, whether such Owner purchased such Lot from Declarant or from a third party. The provisions of this Article shall constitute record notice to all purchasers of Lots in the Project of the right of first refusal herein reserved, and no additional language in any deed of conveyance of a Lot and no recording of any additional instrument shall be required to make all Owners of Lots in the Project subject to the provisions of this Article.

ARTICLE XII

GENERAL PROVISIONS

Section 1. Duty of Maintenance. Except for those portions, if any, of a Lot which the Association may elect to maintain or repair hereunder, the Owner of any Lot shall have the duty and responsibility, at such Owner's sole cost and expense, to keep the Lot(s) owned by such Owner, including Improvements thereon and ground and drainage easements or other rights-of-way incident thereto, in compliance with the covenants, conditions, restrictions and development standards contained in this Declaration (to the extent applicable), and in any applicable Additional Declaration, in accordance with the provisions of the Guidelines, and in a well-maintained, safe, clean and attractive condition at all times. Such maintenance, as to unimproved and improved Lots, shall include, but shall not be limited to, the following:

- (a) Prompt removal of all litter, trash, refuse and waste;
- (b) Keeping land, including any lawns and shrub beds, well maintained and free of trash, uncut grass and weeds;
- (c) Keeping all sediment resulting from land disturbance or construction confined to the respective Owner's property; and
- (d) Complying with all governmental health and police requirements.

In addition, such maintenance, as to improved Lots, shall include, but shall not be limited to, the following:

- (1) Lawn mowing on a regular basis;
- (2) Tree and shrub pruning;
- (3) Watering by means of a lawn sprinkler system and/or hand watering as needed;
- (4) Keeping exterior lighting and mechanical facilities in working order;
- (5) Keeping lawn and garden areas alive;
- (6) Removing and replacing any dead plant material;
- (7) Maintenance of natural areas and landscaping in accordance with the Guidelines;
- (8) Keeping parking areas and driveways in good repair; Repainting of Improvements; and

(9) Repair of damage and deterioration to Improvements, it being understood and agreed that if any Improvements are damaged or destroyed by fire or other casualty, then within six (6) months following the date such damage or destruction occurs, the Owner of the Lot on which such Improvements are situated, must repair and restore such damaged Improvements (in accordance with plans and specifications approved by the Architectural Control Committee and otherwise in accordance with the terms and provisions of this Declaration and of each Additional Declaration applicable thereto) or remove such damaged Improvements and restore the Lot to its condition existing prior to the construction of such Improvements.

In addition to the foregoing, each Owner must maintain, in accordance with the terms hereof, any Common Area and/or Maintenance Area located within the boundaries of its Lot, to the extent such Common Area and/or Maintenance Area is not maintained by the Association as provided in this Declaration.

Notwithstanding anything contained herein to the contrary, the above-described maintenance responsibilities as to any Lot shall commence only upon a Plat showing such Lot being recorded in the Office of the Register of Deeds of Franklin County and upon the conveyance of such Lot by Declarant. If an Owner of any Lot has failed in any of the duties or responsibilities of such Owner as set forth herein, then the Board and Declarant, either jointly or severally, may give such Owner written notice of such failure and such Owner must within ten (10) days after receiving such notice (which notice shall be deemed to have been received upon deposit in an official depository of the United States mail, addressed to the party to whom it is intended to be delivered, and sent by certified mail, return receipt requested), perform the care and maintenance required or otherwise perform the duties and responsibilities of such Owner as described in herein. Provided, however, this cure period shall be extended for a time not to exceed sixty (60) days so long as Owner shall have commenced to cure such nonconformity and shall diligently prosecute the same. Should any such Owner fail to fulfill this duty and responsibility within such period, then the Association, acting through its authorized agent or agents, or Declarant (so long as it owns any portion of the Property), acting through its authorized agent or agents, either jointly or severally, shall have the right and power to enter onto the premises of such Owner and perform such care and maintenance without any liability for damages for wrongful entry, trespass or otherwise to any Person. The Owner of the Lot on which such work is performed shall be liable for the cost of such work, together with interest on the amounts expended by the Association or Declarant in performing such work computed at the highest lawful rate as shall be permitted by law from the date(s) such amounts are expended until repayment to the Association or Declarant, as the case may be, and for all costs and expenses incurred in seeking the compliance of such Owner with his duties and responsibilities hereunder, and such Owner shall reimburse the Association or Declarant, as the case may be, on demand for such costs and expenses (including interest as above provided). If such Owner shall fail to reimburse the Association or Declarant, as the case may be, within thirty (30) days after the mailing to such Owner of a statement for such costs and expenses, then, without limitation of any other rights of the Association or Declarant, the Association may impose a Special Individual Assessment against such Owner.

Section 2. Duration. This Declaration and the controls, covenants, restrictions and standards set forth herein, as the same may be amended in accordance with Article XII, Section 3, below, shall run with and bind the Property and any Owner, and shall inure to the benefit of every Owner of a Lot in the Property and every Owner of any other portion of the Property, including Declarant, and their respective heirs, successors, and assigns, for a term of thirty (30) years beginning on the date this Declaration is recorded in the Office of the Register of Deeds of Franklin County, North Carolina. At the end of such thirty (30) year period, the easements, covenants, conditions and restrictions set forth herein shall automatically be extended for successive period(s) of ten (10) additional years, unless prior to the expiration of a respective period, by two-thirds (2/3) vote of the Association Members, there shall be adopted a resolution to terminate these covenants and restrictions. Owners may vote in person or by proxy at a meeting duly called for such purpose at which a quorum is present, written notice of which shall have been given to all Owners at least thirty (30) days in advance of the date of such meeting, which notice shall set forth the purpose of such meeting. The foregoing shall not limit the right of Declarant or the Association to amend and/or supersede, in whole or in part, the terms and provisions hereof at any time, as such right in favor of Declarant and the Association are described in Section 3 below.

Section 3. Amendment. Except as otherwise expressly provided herein and subject to the limitations hereinafter contained, this Declaration may be amended or modified at any time by a vote of no less than sixty-seven percent (67%) of all votes entitled to be cast by the Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with the Bylaws. Provided, however, if sixty-seven percent (67%) of all votes entitled to be cast by the Association Members cannot be obtained at such a meeting, then this Declaration may be amended by obtaining the vote of sixty-seven percent (67%) of all votes present at a duly held meeting of the Association Members at which a quorum is present and by, within ninety (90) days of such vote, obtaining written consent to such amendment by Association Members holding a sufficient number of votes to comprise, along with such voting Association Members, a total of sixty-seven percent (67%) of all votes entitled to be cast by Association Members. Further provided, that any amendment or modification to this Declaration must be consented to by Declarant so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. Any amendment or modification upon which the vote of Association Members is required pursuant to this Section 3 shall become effective when an instrument executed by the Association Members voting for such amendment or modification is filed of record in the Office of the Register of Deeds of Franklin County, North Carolina; provided, however, such an amendment or modification, in lieu of being executed by the Association Members voting for such amendment or modification, may contain a certification of the Secretary of the Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Association Members, as provided in this Section 3.

Notwithstanding the terms of the immediately preceding paragraph of this Article XII, Section 3, for so long as Declarant owns any portion of the Property, Declarant, without obtaining the approval of any Association Member or any Owner or Owners other than Declarant, shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications hereto which Declarant deems necessary or desirable, including, without limitation, amendments or modifications to any procedural, administrative or substantive

provision of this Declaration, consistent with the uniform scheme of development established by this Declaration. Furthermore, at any time during the term of this Declaration, Declarant, without obtaining the approval of any Association Member or any Owner or Owners other than Declarant, shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications hereto (i) which are correctional in nature and do not involve a change which materially adversely affects the rights, duties or obligations specified herein, (ii) which are necessary to cause this Declaration or any Additional Declaration to comply with the requirements of FHA, VA, the Federal National Mortgage Association or other governmental agency, and (iii) to change the designation of any Lot (including Waterfront Lots) then owned by Declarant. Any amendment to this Declaration by Declarant need only be executed by Declarant, and shall be effective when so executed and recorded in the Office of the Register of Deeds of Franklin County, North Carolina.

Section 4. Release of Property. For a period of ten (10) years after the recordation of this Declaration, Declarant shall have the right, in its sole and absolute discretion, without the consent of the Association, any Association Member or any other Owner, to release any portion of the Property then owned by Declarant from the terms of this Declaration by recording a release in the Office of the Register of Deeds of Franklin County, North Carolina. After the recordation of such release, the portion of the Property described therein shall not be subject to the terms of this Declaration.

Section 5. Enforcement; Litigation. The Association, Declarant or any Owner shall have the right, but not the obligation, on its own behalf or on behalf of others, to enforce the provisions of this Declaration or any Additional Declaration. Enforcement of the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens for which provision is made in this Declaration shall be by a proceeding at law or in equity (or otherwise, as provided in this Declaration) against any person or persons violating or attempting to violate any such control, covenant, condition, restriction, easement, development guideline, charge or lien, either to restrain such violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Association, Declarant or any Owner to enforce any such control, covenant, condition, restriction, easement, development guideline, charge or lien shall in no event be deemed a waiver of the right to do so thereafter or of any other or future violation of any thereof. Except as otherwise expressly provided in this Declaration, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of no less than sixty-seven percent (67.0%) of all votes entitled to be cast by the Class I Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with the Bylaws. The immediately preceding sentence shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration, (b) the imposition and collection of assessments, charges or other fees hereunder, (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 to the Project. This Section 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.

Section 6. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses or phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that the remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 7. Notice. Except as otherwise set forth herein expressly, whenever written notice to an Owner or Association Member (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner or Association Member appearing on the records of Declarant or the Association. If notice is given in such manner, such notice shall be conclusively deemed to have been given by placing same in the United States mail properly addressed, with postage prepaid, whether received by the addressee or not. Declarant's address as of the date of recording of this Declaration is P.O. Box 1003, Charlotte, North Carolina 28201-1003.

Section 8. Titles. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

Section 9. No Exemption. No Owner or other party may exempt himself from the coverage hereof or obligations imposed hereby by non-use of such Owner's Lot(s) or other property located within the Project or the Common Area.

Section 10. Changes to Plans for the Project. Nothing contained herein shall be deemed to incorporate, by reference or otherwise, any plans or proposals promulgated by Declarant with respect to the development of the Project, and Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration, reserves the right to change any plans for the Project at any time and from time to time as Declarant may determine to be necessary based upon Declarant's continuing research and design program and/or market conditions, and any plans for the Project shall not bind Declarant or its successors and assigns to adhere to such plans in the development of the Property or any part thereof. In addition, Declarant reserves the right to change, from time to time, the uses and densities that exist on any portion(s) of the Property owned by Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed as of the day and year first above written.

HIDDEN LAKE CRESCENT, LLC

By: [Signature]
Name: DAVID K. TURNER
Title: VICE PRESIDENT

WAKE County, North Carolina

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

DAVID K. TURNER
Name of principal(s)

Date: 8-10-2006

Heidi Trout
Official Signature of Notary Public

Heidi Trout, Notary Public
Notary printed or typed name

My commission expires: 6-21-2010

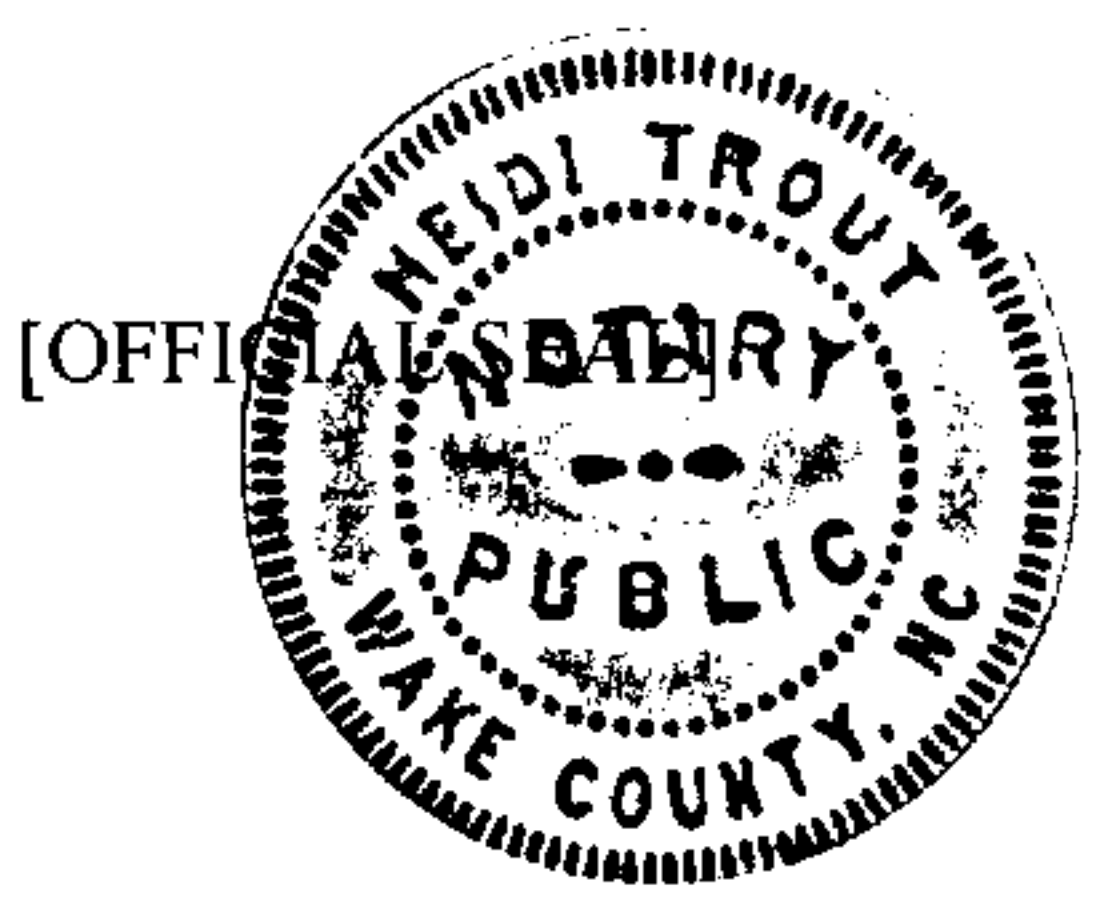


EXHIBIT "A"

Property Initially Submitted

BEING located in Franklin County, North Carolina, and being all of that property shown on the Record Plat dated August 4, 2006, recorded in Map Book 2006 at pages 277 A - G of the Franklin County Register of Deeds.

LESS AND EXCEPTING, the property shown thereon as "Future Phase."

EXHIBIT "B"

Additional Land

TRACT ONE: All of that property conveyed to Declarant by deed recorded in Book 1507 at page 172 in the Franklin County, North Carolina, Register of Deeds, and being all of Lots 1, 2, and 3, containing approximately 578.95 acres, according to that plat of survey dated January 25, 2005, entitled "Property Survey for Southern Lands," prepared by Stallings Surveying, and recorded in Book of Maps 2005, page 211 (A through G), inclusive, Franklin County Registry. The property conveyed to Declarant by such deed consists of all of the land hatched on Sheet 1 of the plat of survey.

TRACT TWO: All of that property conveyed to Declarant by deed recorded in Book 1529 at page 252 in the Franklin County, North Carolina, Register of Deeds, and being Lots 15 and 16 as shown on plat of survey entitled "North Pastures Subdivision," dated January 22, 1986 by Williams, Pearce & Associates, P.A., recorded in Plat Record File #2, Slide 170-A, in the Office of the Franklin County Register of Deeds.

LESS AND EXCEPT, however, from the above described TRACT ONE and TRACT TWO, that portion of TRACT ONE and TRACT TWO described on Exhibit A attached to this Declaration, such portion of TRACT ONE and TRACT TWO being subjected to this Declaration upon the initial recording hereof.

EXHIBIT "C"
**ARTICLES OF INCORPORATION
OF
HIDDEN LAKE COMMUNITY ASSOCIATION, INC.**

A Nonprofit Corporation

The undersigned incorporator hereby forms a nonprofit corporation (the "Corporation") under the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina entitled the "North Carolina Nonprofit Corporation Act" (the "Act"), and to that end hereby sets forth:

1. The name of the Corporation is "Hidden Lake Community Association, Inc."
2. The street and mailing address and county of the principal office of the Corporation is Wachovia Building, 400 South Tryon Street, 13th Floor, Charlotte, Mecklenburg County, North Carolina 28202. The street address and county of the initial registered office of the Corporation are 325 Hillsborough Street, Raleigh, Wake County, North Carolina 27603, and the name of the initial registered agent of the Corporation at such CT Corporation System. The mailing address of the initial registered office of the Corporation is the same as the street address.
3. The name and address of the incorporator are Brian P. Evans, Kennedy Covington Lobdell & Hickman, L.L.P, Hearst Tower, 47th Floor, 214 North Tryon Street, Charlotte, NC 28202.
4. The Corporation shall have members, divided into such classes, and with such designations, qualifications, rights and obligations, as shall be set forth in the Bylaws.
5. The purposes for which the Corporation is organized are:
 - (a) To carry on one or more exempt functions of a homeowners association under the Internal Revenue Code of 1986, as amended (the "Code"), including those activities related to the acquisition, construction, management, maintenance, and care of "association property" (as defined in Section 528(c)(4) of the Code), all pursuant to such rules and policies as shall be set forth in its Bylaws; and
 - (b) To do such other acts and things, and engage in any lawful act or activity, for which corporations may be organized under, and as are authorized and permitted by, the Act and to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Corporation is organized;

provided, however, that in all events and circumstances, no part of any net earnings of the Corporation shall inure (other than by acquiring, constructing, or providing management, maintenance, and care of association property, and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any member of the Corporation or to the benefit of any private shareholder or individual (as defined in accordance with Treasury Regulations

Section 1.528-7 promulgated under the Code), the Corporation being organized to provide, among other things, for the acquisition, construction, management, maintenance, and care of association property.

6. In the event of a dissolution and/or liquidation of the Corporation, other than incident to a merger or consolidation, all of the residual assets of the Corporation shall be distributed to the Members of this corporation in proportion to the assessments collected from the Members.

7. To the fullest extent permitted by applicable law, no director of the Corporation shall have any personal liability arising out of any action whether by or in the right of the Corporation or otherwise for monetary damages for breach of any duty as a director. This Article shall not impair any right to indemnity from the Corporation that any director may now or hereafter have. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any limitation hereunder on the personal liability of a director with respect to acts or omissions occurring prior to such repeal or modification.

8. The number of directors of the Corporation shall be fixed by the Bylaws. The number of directors constituting the initial Board of Directors shall be three (3) and the names and addresses of the persons who are to serve as directors until their successors are duly elected and qualified are:

<u>Name</u>	<u>Address</u>
H. Thomas Webb, III	400 South Tryon Street, 13th Floor (P.O. Box 1003) Charlotte, North Carolina 28202 (28201)
R. Wayne McGee	400 South Tryon Street, 13th Floor (P.O. Box 1003) Charlotte, North Carolina 28202 (28201)
Allen S. Harrington	400 South Tryon Street, 13th Floor (P.O. Box 1003) Charlotte, North Carolina 28202 (28201)

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IN WITNESS WHEREOF, the incorporator has executed these Articles of Incorporation,
this _____ day of _____, 200__.

Brian P. Evans, Incorporator

EXHIBIT "D"
BYLAWS
OF
HIDDEN LAKE COMMUNITY ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

Section 1. Name. The name of the corporation is Hidden Lake Community Association, Inc. (the "Association").

Section 2. Location. The principal office of the Association shall be located in Wake County or Franklin County, North Carolina. The registered office of the Association may be, but need not be, identical with the principal office.

ARTICLE II

DEFINITIONS

All capitalized terms when used in these By-Laws, or any amendment hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the meanings set forth in that certain Declaration of Covenants, Conditions and Restrictions for Hidden Lake entered into by Hidden Lake, and duly recorded in the Office of the Register of Deeds for Franklin County, North Carolina (hereinafter referred to as the "Declaration").

ARTICLE III

MEETINGS OF ASSOCIATION MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Association Members shall be held at a date and time determined by the Board in its discretion, upon not less than ten (10) nor more than sixty (60) days' prior notice to the Association Members, and each subsequent regular annual meeting of the Association Members shall be held on the anniversary of such date each year thereafter, provided, however, the Board shall have the right, upon not less than ten (10) nor more than sixty (60) days' prior notice to the Association Members, to change the month, date and time of any annual meeting. If the day for the annual meeting of the Association Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Association Members may be called at any time by (a) the President or by the Board or (b) by the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed to be considered at a proposed special meeting upon the delivery to the Association's Secretary of one or more signed and dated written demands describing the purpose or purposes for which it is to be held. Any such special meeting called by the Association Members in the manner described in (b) above shall be held

within thirty (30) days after the delivery of such written demand by the holders of at least ten percent (10%) of the votes entitled to be cast at such meeting.

Section 3. Place of Meetings. All meetings of the Association Members shall be held at such place as shall be determined by the Board.

Section 4. Notice of Meetings. Written notice of each meeting of the Association Members shall be given by, or at the direction of, the Association's Secretary or other person authorized to call the meeting, by first class, registered or certified mail, not less than ten (10) days nor more than sixty (60) days before the date of such meeting to each Association Member entitled to vote thereat, addressed to the Association Member's address last appearing on the books of the Association, or supplied by such Association Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 5. Membership in the Association. Each and every Owner of a Lot shall automatically become and be an Association Member. In addition, for so long as Declarant owns any part of the Property, Declarant shall be an Association Member.

Section 6. Classes of Voting Right. The Association shall have two (2) classes voting membership:

Class I. Class I Association Members shall be all Association Members with the exception of Declarant. Class I Association Members shall be entitled to one (1) vote for each Lot owned by such Association Member. When more than one Person owns an interest (other than a leasehold or security interest) in any Lot, all such Persons shall be Members and the voting rights appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot. At any meeting of the Association Members, a representation by any one such owner that the owners of said Lot have agreed to a vote shall be conclusive unless another such owner contests such representation at such meeting prior to the casting of such vote.

Class II. The Class II Association Member shall be Declarant. The Class II Association Member shall be entitled to twenty (20) votes for each Lot owned by the Class II Association Member.

Section 7. Period of Declarant Control. "Period of Declarant Control" means the period of time during which the Declarant shall at all times be entitled to appoint and remove the Association's Board of Directors and the officers of the Association, and during which the Class I Association Members shall have no right to nominate, elect, or remove, or exercise any vote to nominate, elect, or remove, the Board of Directors, such period of time beginning on the date that the Association is incorporated and ending at such time as Declarant does not own any portion of the Property, or at such earlier time as Declarant terminates such right by execution of a written instrument of termination. Anything to the contrary in this Declaration, the Bylaws, the Articles of Incorporation, or the Planned Community Act notwithstanding, if not sooner ended or terminated, the Period of Declarant Control shall end on December 31, 2026.

Section 8. Quorum and Voting. The presence at the meeting of Association Members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes entitled to be cast by all classes of the Association Members shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws; if, however, such quorum shall not be present or represented at any meeting, subsequent meetings may be called, subject to the same notice requirement, until the required quorum is present. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 9. Proxies. At all meetings of Association Members, each Association Member may vote in person or by proxy. All proxies shall be in writing and filed with the Association's Secretary. Every proxy shall be revocable.

Section 10. Action by Association Members. During the Period of Declarant Control, the Board shall have the sole and exclusive authority to exercise all powers and rights of and to act in all instances on behalf of the Association, and the Members shall have no authority to exercise such powers or rights or to act by exercise of their votes, except as determined by the Board in its sole and absolute discretion, and except as provided with respect to the commencement of judicial or administrative proceedings as provided in Article XII, Section 5, of the Declaration, the levying of special assessments as provided in Article VI, Section 5 of the Declaration and those acts that the Planned Community Act or other applicable laws provide may not be undertaken unilaterally by the Board, such as, to the extent required, ratification of the budget as provided in Article V, Section 3 of the Declaration, amendment of this Declaration as provided in Article XII, Section 3 of the Declaration, borrowing of funds to pay operational costs of the Association as provided in Article VI, Section (e) of these Bylaws and conveyance by the Association of fee simple title to all or any part of the Common Areas as provided in Article VI, Section (t) of these Bylaws.

Except as may be otherwise specifically set forth in the Declaration, the Articles or these Bylaws, and after the Period of Declarant Control, the vote of a majority of all votes entitled to be cast by all classes of the Association Members, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be the act of the Association Members. Notwithstanding the above and except as otherwise expressly provided in the Declaration, no judicial or administrative proceeding (including without limitation any judicial or administrative proceeding against any Declarant) shall be commenced or prosecuted by the Association unless approved by a vote of no less than sixty-seven percent (67%) of all votes entitled to be cast by the Class I Association Members, which vote is taken at a duly held meeting of the Members at which a quorum is present, all in accordance with these Bylaws. The immediately preceding sentence shall not apply, however, to (a) actions brought by the Association to enforce the provisions of the Declaration, (b) the imposition and collection of assessments, charges or other fees hereunder, (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 to the Property.

Section 11. Waiver of Notice. Any Association Member may, at any time, waive notice of any meeting of the Association Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by an Association Member at any meeting of

the Association Members shall constitute a waiver of notice by him of the time and place thereof except where an Association Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Association Members are present at any meeting of the Association Members, no notice shall be required and any business may be transacted at such meeting.

Section 12. Informal Action by Association Members. Any action which may be taken at a meeting of the Association Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Association Members who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the Association's minute book.

Section 13. Robert's Rules of Order. Meetings of the Members shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Appointment. The business and affairs of the Association shall be managed by a Board of three (3) directors who are appointed by Declarant during the Period of Declarant Control, and by a Board of at least five (5) directors elected by the Members as provided by these Bylaws thereafter. The directors need not be Members. Notwithstanding anything contained herein to the contrary, the Declarant shall at all times be entitled to appoint and remove the members of the Board and the officers of the Association during the Period of Declarant Control, which begins on the date that the Association is incorporated and ends at such time as Declarant no longer owns any portion of the Property (whether a Lot or Common Area), or at such earlier time as Declarant terminates such right by execution of a written instrument of termination; provided, however, if not sooner ending or terminated, the Period of Declarant Control shall end on December 31, 2026. After the Period of Declarant Control, the Association Members shall, elect a Board of at least five (5) directors as provided by these Bylaws.

Section 2. Initial Directors. The initial directors shall be appointed by the Declarant. Such initial directors shall serve from the date upon which the Declaration is recorded in the Office of the Register of Deeds of Franklin County, North Carolina, until such time as their successors are duly appointed or elected and qualified.

Section 3. Nomination. Subject to Section 1 of this Article IV and after the Period of Declarant Control, nominations for the first election of directors on the Board shall be made from the floor at a meeting of the Association Members. After such first election of directors, nominations for election to the Board shall be made by a Nominating Committee. Subject to Section 1 of this Article IV and after the Period of Declarant Control, nominations may also be made from the floor at the annual meeting. Subject to Section 1 of this Article IV and after the Period of Declarant Control, the Nominating Committee shall consist of a Chairman, who shall be an Association Member or a member of the Board, and two (2) or more Association Members. The Nominating Committee shall be appointed by the Board prior to the annual meeting following the first election of directors and each annual meeting of the Association

Members thereafter, to serve from the close of such annual meeting until the close of the next 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 as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 4. Election. Except as otherwise provided in this Article, including Section 1 hereof, directors shall be elected at the annual meeting of the Association Members and said election shall be by written ballot. At such election, the Association Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles, these Bylaws and the Declaration. Cumulative voting is not permitted.

Section 5. Term of Office. Each director shall hold office for the term for which he was appointed or elected, or until his death, resignation, retirement, removal, disqualification or until his successor is appointed or elected and qualified. Subject to Section 1 of this Article IV and after the Period of Declarant Control, at the first election of directors, the Association Members shall elect one (1) member of the Board for a term of three (3) years, who shall be the person receiving the largest number of votes, two (2) members of the Board for a term of two (2) years, who shall be the people receiving the second and third largest number of votes, and two (2) members of the Board for a term of one (1) year, who shall be the people receiving the fourth and fifth largest number of votes. At all annual elections thereafter but subject to Section 1 of this Article IV, director(s) shall be elected by the Association Members to succeed the director(s) whose term(s) then expire(s), and thereafter each director's term shall be three (3) years. Nothing herein contained shall be construed to prevent the election of a director to succeed himself. Votes shall be tallied at the meeting where they are so cast and, in the event of a tie vote, a run-off election shall be conducted at the same meeting.

Section 6. Removal. Subject to Section 1 of this Article IV and after the Period of Declarant Control, any newly elected director may be removed from the Board, with or without cause, by a majority vote of the Association Members. In the event of the death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. The Association Members may elect a director at any time to fill any vacancy not filled by the directors or, if applicable, not appointed by the Declarant.

Section 7. Compensation. No director shall receive compensation for any service he or she may render to the Association; however, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Meetings of the Board shall be held on a regular basis as often as the Board sees fit on such days and at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to such action is signed by all of the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5. Chairman. A Chairman of the Board shall be elected by the directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board and serve until a new President is elected.

Section 6. Participation by Conference Telephone. Any one or more directors may participate in a meeting of the Board by means of a conference telephone or similar communications device that allows all directors participating in the meeting to simultaneously hear each other during the meeting, and such participation in a meeting shall be deemed presence in person at such meeting.

Section 7. Member Attendance at Board Meetings. At regular intervals, the Board shall provide Association Members an opportunity to attend a portion of a Board meeting and to speak to the Board about their issues and concerns. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

Section 8. Robert's Rules of Order. Meetings of the Board shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised.

ARTICLE VI

POWERS OF THE BOARD

The Board, for the mutual benefit of the Association Members and the Owners, shall have the following specific powers and rights (without limitation of other powers and rights the Board may have):

(a) To enter into or assume Declarant's obligations under and accept assignments of agreements with the appropriate governmental authorities to enable the Association to improve and maintain the Common Areas and Maintenance Areas or portions thereof;

(b) To make reasonable rules and regulations for the use and operation of the Common Areas and Maintenance Areas, and to amend them from time to time;

(c) To enter into or assume Declarant's obligations under and accept assignments of agreements or contracts with insurance companies with respect to insurance coverage relating to the Common Areas and Maintenance Areas and/or the Association;

(d) To enter into or assume Declarant's obligations under and accept assignments of agreements or contracts, including street light leases, with utility companies with respect to utility installation, consumption and service matters relating to the Common Areas, Maintenance Areas and/or the Association;

(e) Subject to the affirmative vote of no less than a majority of all votes present, in person or by proxy, at a duly held meeting of the Association Members at which a quorum is present, all in accordance with these Bylaws, to borrow funds to pay costs of operation of the Association, which borrowings may be secured by assignment or pledge of rights against delinquent Owners or by liens on other Association assets, if the Association Members see fit; provided; however, until such time as Declarant no longer owns any portion of the Property, the Board may not mortgage any portion of the Common Area without the prior written approval of Declarant;

(f) To enter into or assume Declarant's obligations under and accept assignments of contracts, maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

(g) To the extent permitted in the Declaration and these Bylaws, to sue or defend in any court of law in behalf of the Association;

(h) To levy assessments in accordance with the provisions of the Declaration;

(i) To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property of the Association and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency;

(j) To exercise for the Association all powers, duties and authority vested in or delegated by the Declaration, these Bylaws, or the Articles to the Association and not reserved to the Association Members or Declarant by other provisions of the Declaration, these Bylaws or the Articles;

(k) To declare the office of a member of the Board to be vacant in the event such member shall be absent, without the consent of the Board, from three (3) consecutive regular meetings of the Board;

(l) To employ a manager or firm to manage the affairs and property of the Association, to employ independent contractors or such other employees as the Board may deem necessary, and to prescribe their duties and to set their compensation;

(m) To enter into or assume Declarant's obligations under and accept assignments of agreements or contracts with builders regarding the construction of Improvements on Lots located in the Project, and to require that all Owners building Improvements on Lots use only a Guild Builder;

(n) To retain the services of legal and accounting firms;

(o) To cause all officers or employees having fiscal responsibilities to be bonded, as the Board may deem appropriate;

(p) To the extent permitted in the Declaration, these Bylaws, and the North Carolina Planned Community Act [Chapter 47F of the North Carolina General Statutes]) to enforce the provisions of the Declaration and any Additional or Supplementary Declaration and any rules made thereunder or hereunder and to enjoin and/or, at its discretion, seek damages or other relief and impose fines for violation of such provisions or rules and/or by Special Individual Assessments against any Owner for violation of such provisions or rules pursuant to the provisions of the Declaration;

(q) To contract with any third party or any Association Member (including, without limitation, Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms of the Declaration and these Bylaws, upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association;

(r) To employ or retain the services of professional architects or other Persons to serve on or advise the Architectural Control Committee and/or the Architectural Changes Committee;

(s) To grant all necessary easements and rights-of-way over and across the Common Areas when in its sole discretion it deems such an action to be necessary and appropriate, including, but not limited to, easements for the installation and maintenance of electrical, telephone, cablevision, water, sewerage and other utilities and drainage facilities; provided, however, until such time as Declarant no longer owns any portion of the Property, the Board may not grant such an easement or right-of-way without the prior written approval of Declarant;

(t) Subject to the requirements of North Carolina General Statutes § 47F-3-112, to convey fee simple title to all or any part of the Common Area when in its sole discretion it deems such an action to be necessary and appropriate; provided, however, until such time as Declarant no longer owns any portion of the Property, the Board may not convey any portion of the Common Area without the prior written approval of Declarant;

(u) To contract with any third party, including any other property owners association, for the sharing of costs of maintaining Maintenance Areas;

(v) To take any and all other actions, and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations under the Declaration or these Bylaws or for the operational protection of the Association;

(w) To adopt reasonable rules from time to time governing conduct of Owners and other Persons occupying or otherwise located on the Property;

(x) To grant licenses to third parties, on such terms and conditions as the Board deems desirable, for the use of all or a portion of the Common Areas, including, without limitation, the Amenity Area; and

(y) To exercise any and all other powers provided for in the Declaration or in the North Carolina Planned Community Act.

Notwithstanding anything contained herein to the contrary, none of the above-described rights and powers of the Board shall be obligatory on the part of the Board, and the failure or refusal by the Board to implement any such rights and powers shall not constitute a breach or default by the Board of any duties or obligations arising hereunder or otherwise owing to the Association Members. Notwithstanding anything contained herein to the contrary, during the Period of Declarant Control, the Board shall have the sole and exclusive authority to exercise all powers and rights of and to act in all instances on behalf of the Association, and the Association Members shall have no authority to exercise such powers or rights or to act by exercise of their votes, except to the extent these Bylaws, the Declaration, the Planned Community Act or other applicable laws provide that the Board may not act unilaterally.

The Board may delegate any one or more of the powers described above to a managing agent or other third party upon such terms as the Board may prescribe.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Officers. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Association Members.

Section 3. Term. Each officer of the Association shall be elected annually by the Board and each shall hold office for one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of 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. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

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

Section 9. Duties. The duties of the officers, unless otherwise stated by a resolution of the Board, are as follows:

(a) President: The President shall be the principal executive officer of the Association, and subject to the control of the Board, shall supervise and control the management of the Association. The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, promissory notes and other written instruments and may co-sign all checks;

(b) Vice-President: The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Association Members, shall keep the corporate seal of the Association and affix it on all papers requiring said seal, shall serve notice of meetings of the Board and of the Association Members, shall keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board. The Secretary shall also prepare, execute, certify, and record amendments to the Declaration, with respect to any such amendments which, under the terms of the Declaration, are required to be prepared, executed, certified, or recorded by the Association; and

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, shall sign all checks and promissory notes of the Association, shall keep proper books of account, and shall prepare an annual report to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Association Members.

ARTICLE VIII

COMMITTEES

Subject to Section 1, of Article IV of these Bylaws, the Board shall appoint a Nominating Committee as provided in Section 3, of Article IV of these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE IX

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Association Member. The Declaration, the Articles and the Bylaws shall be available for inspection by any Association Member at the principal office of the Association, where copies may be purchased at reasonable cost. All financial and other records, including records of meetings of the Association Members and the Board, shall be made available, during reasonable business hours, for examination by any Association Member and the Association Member's authorized agents at the principal office of the Association, as required by these bylaws and Chapter 55A of the North Carolina General Statutes. The Association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. The Association shall make an annual income and expense statement and balance sheet available to all Association Members at no charge within seventy-five (75) days after the close of the fiscal year to which the information relates. A more extensive compilation, review or audit of the Association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the Board or by the affirmative vote of a majority of the holders of votes in the Association present and voting in person or by proxy at any Annual Meeting or any Special Meeting duly called for that purpose.

ARTICLE X

ASSESSMENTS

As described more particularly in, and subject in all respects to, the Declaration, each Member is obligated to pay to the Association, among other assessments, charges and amounts, Annual Assessments, Special Assessments, Special Individual Assessments, and, as applicable, S.T.E.P. System Assessments, all of which are secured by a continuing lien upon each Lot in the Property. Any Assessments which are not paid when due shall be delinquent. If an Assessment is delinquent, as more particularly described in the Declaration, the Assessment shall bear interest from the due date until the date such Assessment and interest thereon is paid at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. The Association may bring an action at law or in equity against the Owner personally obligated to pay the same or foreclose the lien against the portions of the Property and improvements thereon owned by the defaulting Owner as of the Assessment due date. Additionally, the late charges, costs of collection and reasonable attorneys' fees related to any such action or foreclosure shall be added to the amount of such Assessment, all as more particularly described in the Declaration. No Owner may exempt himself or herself from liability for Assessments or waive or otherwise escape liability from the Assessments by non-use of the Common Areas or abandonment of his or her property. The Association, upon written request, shall furnish to an Association Member or the Association Member's authorized agents a statement setting forth the amount of unpaid assessments and other charges against a lot. The statement shall be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Board and every Association Member.

ARTICLE XI

CORPORATE SEAL

The Association shall have a seal circular in form having within its circumference the name of the Corporation, the state of its incorporation, the year of its incorporation, and the word "SEAL."

ARTICLE XII

AMENDMENTS

Subject to the limitations hereinafter contained and except as otherwise set forth in these Bylaws, the Articles and these Bylaws may be amended or modified at any time by a vote of no less than fifty-one percent (51%) of all votes entitled to be cast by the Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with these Bylaws. Provided, however, if fifty-one percent (51%) of all votes entitled to be cast by the Association Members cannot be obtained at such a meeting, then the Articles and these Bylaws may be amended by obtaining the vote of fifty-one percent (51%) of all votes present at a duly held meeting of the Association Members at which a quorum is present and by, within ninety (90) days of such vote, obtaining written consent to such amendment by Association Members holding a sufficient number of votes to comprise, along with such voting Association Members, a total of fifty-one percent (51%) of all votes entitled to be cast by Association Members. Further provided, that any amendment or modification to the Articles and these Bylaws must be consented to by Declarant so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. In addition, during the Period of Declarant Control, Declarant, without obtaining the approval of any other Association Member or any other Owner or Owners other than Declarant, may make amendments or modifications to the Articles and these Bylaws which either (a) are correctional in nature only and do not involve a change which materially adversely affects the rights, duties or obligations specified herein or therein or (b) apply only to the portions of the Property then owned by Declarant. In addition to the foregoing rights, Declarant may, at Declarant's option, amend and modify the Articles and these Bylaws without obtaining the consent or approval of any other person or entity if such amendment or modification is necessary to cause the Articles and these Bylaws to comply with the requirements of FHA, VA, the Federal National Mortgage Association or any other governmental agency.

ARTICLE XIII

MISCELLANEOUS

Section 1. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. In the case of any conflict between the Articles and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and the Bylaws or the Articles, the Declaration shall control.

ARTICLE XIV

LIABILITY LIMITS; INDEMNIFICATION OF
DIRECTORS, OFFICERS AND OTHERS

Neither Declarant, nor any Association Member, nor the Board, nor the Association, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Association Member, whether or not such other Association Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other person, firm or association making such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof.

The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Board of its duties and obligations, except for any such loss, cost, expense, damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

The Association shall indemnify any director or officer or former director or officer of the Association or any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorneys' fees) or liabilities actually and reasonably incurred by him or her in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civil or criminal) in which he or she is made a party or was (or is threatened to be made) a party by reason of being or having been such director or officer, except in relation to matters as to which he or she shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of a duty.

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, these Bylaws, agreement, vote of Association Members or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article XIV, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE XV

CONFLICT OF INTEREST

In addition to the limitations of Article 8 of Chapter 55A of the North Carolina General Statutes, no financial payments, including payments made in the form of goods and services, may be made to any officer or member of the Board or to a business, business associate, or relative of an officer or member of the Board, except as expressly provided for in these bylaws or in payment for services or expenses paid on behalf of the Association which are approved in advance by the Board.