

Prepared by and hold for: Warren Shackleford & Thomas, P.L.L.C.
Kimberly P. Thomas, Esq.
343 South White Street
Franklin Forest, North Carolina 27587

STATE OF NORTH CAROLINA
FRANKLIN COUNTY

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR LILY MEADOWS SUBDIVISION

THIS DECLARATION is made this _____ day of _____, 2021 by EL DORADO INVESTMENT GROUP, INC., a North Carolina limited liability company, hereinafter referred to as "Declarant".

WITNESSETH

WHEREAS, Declarant is the owner of certain property located in Franklin County, State of North Carolina, which is more particularly described in Book of Maps _____, Page _____, Franklin County Registry; and

WHEREAS, Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in said community and for the maintenance of the properties and the improvements thereon including any and all stormwater drainage systems and facilities within the Subdivision, and to that end desires to subject the real property as described above, together with any and all such additions as may hereafter be made thereto, to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof; and

WHEREAS, it is in the best interest of the Declarant and will benefit all future Owner's that these covenants, easements and restrictions be established regulating the use and occupancy of this neighborhood; and

WHEREAS, Declarant has deemed it advisable to create an organization to own, maintain and administer the Common Elements, including, without limitation, to administer and enforce covenants and restrictions exclusively applicable to the Subdivision, and to collect and

disburse the assessments and charges hereinafter created, and Declarant has therefore incorporated under North Carolina law as a nonprofit corporation, the Lily Meadows Homeowners Association, Inc., for the purpose of exercising the aforesaid functions;

NOW, THEREFORE, Declarant hereby declares that the Property hereinafter described and any future additions to such which may be made shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of enhancing and protecting the value and desirability of, and which shall run with the Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. “Architectural Control Committee (referred to below as “ACC”)” shall be a committee composed of initially the Declarant that shall approve or disapprove submitted plans and specifications for any improvements located on any part of the Property.

Section 2. “Articles” shall mean the Articles of Incorporation of the Association as so filed with the North Carolina Secretary of State’s Office, as the same may be from time to time amended.

Section 3. “Association” shall mean and refer to Lily Meadows Homeowners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

Section 4. “Board of Directors” shall mean the elected body governing the Association as provided by North Carolina corporate law.

Section 5. “Builder” shall mean those persons or entities that purchase Lots solely for the construction of dwellings to be occupied by others and that are properly licensed to act in such capacity which shall be approved by Declarant.

Section 6. “Bylaws” shall mean the Bylaws of the Association as the document for governance of the Association as adopted initially by the Board and as may be amended by the members.

Section 7. “Common Property” or “Common Area” shall mean those certain portions of the Property (including any improvements thereto) owned by the Declarant or the Association, whether in fee or easement, for the common use and enjoyment of the owners, hereinafter defined, including any landscaping, which shall also be shown on the recorded plat as well as specifically permanently protected undisturbed open space areas, including the area within any private drainage easements and the Stormwater Control Facilities constructed therein, including Stormwater Control Facilities situated outside of the public streets, and which serve more than one Lot and are not maintained by any governmental authority. The Common Property shall include any easement rights, Landscaped Right-of-Way and lighting, mailbox kiosk, subdivision signs, decorative entry walls, and any other lighting at the entrance of the subdivision and any

improvements constructed thereon.

Section 8. “Common Expenses” shall mean and include, as applicable:

- a. All sums assessed by the Association against its members;
- b. Expenses for maintenance of the roads, streets, any private roads, rights of way, Department of Transportation right-of-way easements as shown on any recorded plat of the subdivision, as determined by the Owners Association or the Board, and any amenities as provided in this Declaration;
- c. Expenses of administration, maintenance, repair, or replacement of the Common Properties including expenses of maintenance of any fencing, signage, lighting, irrigation, and landscaping located at the entrance to LILY MEADOWS SUBDIVISION as shown on the recorded plat as well as any expenses of the Stormwater Control Facilities and maintenance expenses for irrigation and landscaping of any other Common Areas as shown on the recorded plat;
- d. Any ad valorem taxes and any public assessment charged against the Common Properties owned by the Owner’s Association by any government entity or agency;
- e. Any hazard, liability or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase or as the Association may deem appropriate to thereby purchase;
- f. The expenses of the maintenance of private drainage and utility easements and any facilities which are within the subdivision and which serve the subdivision and adjacent lands thereto;
- g. The expenses of the maintenance of all easements and landscaping and any improvements conveyed to the Association;
- h. Any other expenses as so determined by the Board or approved by the members of the Association to be common expenses of the Association including an unpaid assessments following the foreclosure of the a first mortgage or first deed of trust.

Section 9. “Declarant” shall mean and refer to EL DORADO INVESTMENT GROUP, INC., a North Carolina corporation. It shall also mean and refer to any person, firm or corporation to whom or which EL DORADO INVESTMENT GROUP, INC. shall assign or delegate the rights and obligations of Declarant by an assignment of Declarant's rights recorded in the Franklin County Registry.

Section 10. “Declarant Development Period” shall mean and refer to that period of time during which: (i) the Declarant is the owner of any portion of the Property, including any Lot or Common Area; (ii) Declarant is in any way involved in the maintenance of streets, landscaping, or Common Area; (iii) Declarant is in any way involved in the marketing of the Property through

advertisements, signs, listings or providing an on-site real estate agent; or (iv) Declarant is providing funds to the Association. The Declarant Control Period shall expire upon the earlier of the following events to occur:

- (a) December 31, 2032;
- (b) When the total number of votes held by the Class A Members equals the total number of votes held by the Class B Member; *provided, however, that*, Declarant may acquire additional votes and thereby reinstate the Declarant Control Period if additional Lots within the Properties are formed by the creation and subjection to this Declaration of new Lots as set forth in Article II hereof, thus making Declarant the Owner, by virtue of its ownership of the newly-annexed Lots and of other Lots owned by it, of a sufficient number of votes (at the 3-to-1 ratio) to cast a majority of the votes of the membership (it being hereby stipulated that the termination and rejuvenation of Declarant Control shall occur automatically as often as the foregoing shall occur); or
- (c) Relinquishment or transfer of all Special Declarant Rights as provided in §47F-3-104 of the Act.

Section 11. “Declaration” shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for LILY MEADOWS SUBDIVISION, as it may be amended and supplemented (by Supplemental Declarations) from time to time as herein provided.

Section 12. “Entry Features” shall mean those portions of the Property upon which permanent identification signs or monuments shall be initially installed and erected by Declarant at various entrances of LILY MEADOWS SUBDIVISION.

Section 13. “Landscaped Right-of-Way” shall mean the entryways and other areas within the public or private street rights-of-way within or adjoining the Property which are designated as Landscaped Rights-of-Way by the Declarant.

Section 14. “Lot” shall mean and refer to any numbered or lettered plot of land shown upon any recorded community map of the Property, whether or not improvements are constructed thereon, which constitutes or will constitute, after the construction of improvements, a single-family dwelling site which is intended for residential purposes. The ownership of each Lot shall include, and thereby shall pass with each Lot as an appurtenance thereto, whether or not separately described, all of the right, title, and interest of an Owner in any Common Property. In the event that any Lot is increased or decreased in size by recombination or re-subdivision through recordation of a new subdivision plat, any newly-platted lot shall thereafter constitute a Lot.

Section 15. “Lot in Use” shall mean and refer to any Lot on which a residential structure has been fully constructed and is being or to be occupied as a residence.

Section 16. “Mortgage” shall mean any mortgage, deed of trust, and any and all other similar instruments used for the purpose of encumbering property as security for the payment or satisfaction of an obligation.

Section 17. “Mortgagee” shall mean the holder of a Mortgage.

Section 18. “Owner” or “Lot Owner” shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. A “Lot Owner” is an owner of a lot who occupies the residence which sits upon the lot.

Section 19. “Planned Community Act” shall mean chapter 47F of the North Carolina General Statutes as may be amended.

Section 20. “Person” means any natural person, corporation, joint venture, partnership, association, trust, limited liability company or any other legal entity.

Section 21. “Property” shall mean and refer to that certain real property made subject to this Declaration, as defined below, and any and all other additional property hereinafter made subject to this Declaration by Supplemental Declaration.

Section 22. “Stormwater Control Facilities” shall mean and refer to the underground detention basin, any underground storage pipes and retention systems, its inlets and outlets, any bulkload reducers, dissipaters and level spreaders, if any, located on the Property designed as drainage easements on recorded plats of the Property, together with drainage easements and all other storm drainage pipes, which serve the Property and are located outside public street rights-of-way (excluding those pipes and Facilities serving a single Lot). Stormwater Control Facilities shall also include devices and measures defined in the Declaration of Maintenance Covenant and Grant of Protective Easements for Stormwater Control Facilities for LILY MEADOWS SUBDIVISION as recorded in Book 18757 Page 1702 and Book 18757 Page 1704, Franklin County Registry.

Section 23. “Lily Meadows” or “Subdivision” shall mean and refer to the following property:

**BEING ALL OF LOTS 1 TO 15 OF LILY MEADOWS SUBDIVISION AND ALL
COMMON AREAS AS SHOWN ON THAT PLAT RECORDED IN BOOK OF
MAPS _____, PAGE _____, FRANKLIN COUNTY REGISTRY.**

Section 24. “Supplemental Declaration” shall mean an addition to this Declaration which imposes additional restrictions and obligations on the Property.

ARTICLE II PLANNED COMMUNITY ACT

Declarant intends to create a planned community subject to the provisions of Chapter 47F of the North Carolina General Statutes. Nothing contained herein shall serve to limit any rights, procedures, enforcement mechanisms, or otherwise as provided in the North Carolina Planned Community Act (the "Planned Community Act"). However, if there is any conflict between the Planned Community Act and this Declaration, this Declaration shall control unless prohibited under the Planned Community Act.

ARTICLE III
PROPERTY; ADDITIONAL DECLARATIONS
SUPPLEMENTAL DECLARATIONS

Section 1. Property made subject to Declaration. The Property made subject to this Declaration is described as follows:

**BEING ALL OF LOTS 1 TO 15 OF LILY MEADOWS SUBDIVISION AND ALL
COMMON AREAS AS SHOWN ON THAT PLAT RECORDED IN BOOK OF
MAPS _____, PAGE _____, FRANKLIN COUNTY REGISTRY.**

The Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant and each Owner subject to this Declaration and the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration.

Section 2. Supplemental Declaration. The Declarant reserves the right to subject the Property to additional covenants, restrictions, easements, uses, privileges, changes, assessments, liens, options, rights, terms and provisions as Declarant in its sole discretion may determine and/or to amend this Declaration as necessary in its sole discretion. Such an addition, etc. shall not require any other Owner approval during the Declarant Development Period or while Declarant owns any property within the subdivision as shown on the plat. Any Supplemental Declaration must be in writing and filed with the Franklin County Register of Deeds Office.

Section 3. Additions to Existing Property. Additional properties may be annexed and thereby developed as a part of the general plan of development for LILY MEADOWS SUBDIVISION as follows:

- (a) Additions by Declarant. At any time prior to December 31, 2031, additional lands may be annexed by the Declarant without the consent of the Members and therefore become subject to this Declaration by the recording by Declarant of a plat showing such property to be annexed and of a supplementary declaration extending the operation and effect of this Declaration to the property to be annexed; provided, however, that such property must be contiguous to property already subject to this Declaration (or separated from such property only by the right-of-way of a public street or road) and must be approved by the Town of Franklin Forest and, if appropriate, by the Federal Housing Administration and/or Secretary of Veterans Affairs. The addition of such property pursuant to this Section may increase the cumulative number of Lots within the Properties and, therefore, may alter the relative maximum voting strength of the various

types of Members.

(b) Other Additions. Annexation of additional properties other than those described in Article II, Section 2(a) above shall require the assent of two-thirds (2/3) of the votes of the Class A membership of the Association and for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days not more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The presence of Members or off written proxies entitled to cast sixty-six and two-thirds percent (66 2/3%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called subject to the notice requirement set forth above and the required quorum at such subsequent meeting shall be the same. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds (2/3) of the Class A membership or two-thirds (2/3) of the Class B membership are not present in person or by proxy, Members not present may give their written consent to the action taken thereat.

Section 4. Conveyance of Common Elements in Annexed Property. Prior to the conveyance of the first Lot within any newly annexed property to an Owner, the owner of the annexed property shall convey to the Association all Common Elements located within the newly annexed property. Title to such Common Elements shall be conveyed in the same manner as set forth in Section 3 of Article IV of this Declaration.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot shall be a Member of the Association and shall be subject to an assessment. Membership shall be appurtenant to and may not be separated from ownership of a Lot which is subject to assessment.

Section 2. The Association shall have the following two classes of voting membership:

Class A. Class A Members shall be all Owners, except for the Declarant and any Builder and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any such Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote or a fractional vote be cast with respect to any Lot, and in no event shall fractional votes be allowed.

Class B. The Class B Member shall be the Declarant who shall each be entitled to ten (10) votes for each lot owned. Upon expiration of the Declarant Control Period, (Article I, Section 8 hereof), Declarant shall have one (1) vote for each Lot that it owns; however, such Lots shall continue to be treated as Class B Lots for assessment purposes.

Section 3. Vacant/Leased Dwellings. If any Owner of a Lot ceases to occupy the dwelling constructed thereon as his own personal living quarters or if any residence within the Properties is leased for rental purposes to tenants, the vote as expressed by the Owners of such rental units shall not be entitled to any weight greater than forty-nine percent (49%) on any matter pending before the Association.

An Owner may lease or sublet his/her dwelling; however, any lease or sublease must be for at least six (6) months, in writing and contain the following provision:

"Tenant shall obey, adhere to and be bound by all provisions of the Declaration of Covenants, Conditions, Restrictions, Easements, Charges And Liens For The Lily Meadows Homeowners Association, Inc., recorded in the Franklin County Registry. Tenant acknowledges that he has received of a copy such Declaration and the rules and regulations of the Association and is familiar with the provisions of same."

If an Owner fails to include said provision in any lease or sublease, it shall be conclusively deemed to be included and part of said lease or sublease. Each Owner shall furnish the Association a copy of any lease or sublease of his dwelling.

ARTICLE V

USE AND BUILDING RESTRICTIONS AND RULES

Declarant reserves the right from time to time to waive each section of this Article provided that any waiver is to be in writing, signed by Declarant and recorded in the Franklin County Registry.

Section 1. General. This Article sets out certain use and building restrictions which must be complied with by all Owners. The Declarant may, from time to time, promulgate, rules and regulations applicable to the use of the Property. Such rules and regulations shall be distributed to all Owners prior to the date that they are to become effective and shall thereafter be binding upon all Owners.

The Board of Directors (the "Board"), and any Owner shall have the power to file an injunction with the appropriate judicial authority to enforce all of the covenants and conditions contained in this Article.

The Board and the ACC has discretion to grant variances, except as prohibited by Franklin County regulations, to all use and building restrictions found in this Article so long as such discretion maintains and does not violate the overall aesthetic nature of the Subdivision and such a variance is obtained in writing signed by the Board and recorded in the Franklin County Registry.

Section 2. Owner's Responsibility. All maintenance of the Lot and all structures, parking areas, landscaping, and other improvements thereon shall be the sole responsibility of the Owner thereof, who shall maintain such Lot in a manner consistent with this Declaration. Such maintenance shall include, without limitation, (i) the repairing and painting (or other appropriate

external care) and otherwise caring for the dwelling and all other structures located on the Lot; (ii) the seeding, fertilizing and watering of all lawns and mowing, edging, clipping, sweeping, pruning, raking and otherwise caring for all lawns with lawn grass not to exceed 8" in height; (iii) the pruning and trimming of all trees, hedges and shrubbery so that the same are not obstructive of a view by motorists or pedestrians of street traffic, do not cause unsightly or unkempt conditions and do not trespass onto the property of others; and (iv) the maintenance, repair and painting of all fences, which must be metal, on the Lot. If the Declarant determines that any Owner has failed or refused to discharge properly any of such Owner's obligations regarding the maintenance, repair, or replacement of items for which such Owner is responsible hereunder, the Declarant shall, except in an emergency situation, give the Owner written notice of the Declarant's intent to provide such necessary maintenance, repair, or replacement at the Owner's sole cost and expense. The notice shall set forth with reasonable particularity the maintenance, repairs, or replacement deemed necessary. The Owner shall have ten (10) calendar days after receipt of such notice within which to complete such maintenance, repair, or replacement, or, if such maintenance, repair, or replacement is not capable of completion within a ten (10) calendar day period, to commence such work which shall be completed within a reasonable time. If any Owner does not comply with the provisions hereof, the Declarant may provide any such maintenance, repair, or replacement at such Owner's sole cost and expense. The remedies provided in this Section shall be in addition to, and not in lieu of, other remedies provided in this Declaration for a violation of the Declaration.

It shall be the responsibility of each Owner to prevent and correct unclean, unsightly or unkempt conditions of building or Lots. All Lots shall be kept clean and free of garbage, junk, trash, debris, non-operable vehicles or apparatus and vehicles without valid and proper license plates and registration, and any substance and conditions that might contribute to an unsightly condition, health hazard or the breeding and habitation of snakes, rats or insects. "Lot" as used in this section also includes that portion of the lot between the right of way and the pavement.

Section 3. Land Use and Building Type. Each Lot shall be used exclusively for single-family, non-transient residential purposes and, except as allowed by the terms of this Declaration, no building or other structure shall be constructed, placed, allowed to remain on a Lot except one single family dwelling, and an attached or detached garage for a minimum of two cars, both built on site (non-modular) not to exceed 35' in building height, and an out building or storage building which meets the requirements contained in this Declaration and any subsequent architectural guidelines. All homes shall be built on a crawlspace foundation. The minimum pitch to run any roof shall not be less than that required by the Town of Franklin Forest Code. Pool houses shall be of same architectural style and construction materials as primary dwelling and shall be approved by the ACC. Pool houses shall be allowed only when a pool exists on the lot. All pool houses shall comply with the required minimum building setbacks for the principal structure. No other detached structures will be permitted. Exterior construction materials are to be limited to brick, stone, or Hardiplank and shingles are limited to architectural shingles only. Exterior color of homes shall be limited to natural colors and shall be approved by Declarant. A home office may be maintained and business activities can be carried out within the dwelling as long as there is no sign or other evidence that any type of business activity is being carried out inside the dwelling. There are to be no retail business or commercial customers to a dwelling. There shall be absolutely no business activity carried on outside the residential dwelling. Declarant and any Person authorized by Declarant may conduct such business activities on any Lot as may be necessary in

connection with Declarant's development and/or sales of any part or all of the Property or the Project.

Notwithstanding the foregoing, the provisions in this Section shall in no way limit the ability of the Declarant to subject other subdivision property to additional covenants and/or restrictions.

Section 4. Architectural and Landscaping Standards. No exterior construction, alteration, addition, erection or landscaping of any nature whatsoever shall be commenced or placed upon any part of the Property, except such as is installed by Declarant, or as is approved in accordance with this Section, or as is otherwise expressly permitted herein. No exterior construction, addition, erection, alteration or landscaping shall be made unless and until plans and specifications showing at least the nature, kind, shape, height, materials, color, texture and location shall have been submitted in writing to and approved by the ACC. Such plans must also be approved and a building permit obtained from the applicable governmental authorities if so required. Notwithstanding anything contained herein to the contrary, no large bushes or shrubs shall be approved for planting if such bushes or shrubs are to be located in front of the rear elevation line of the dwelling. Declarant and/or the ACC shall have the right to charge a reasonable fee, not to exceed \$125.00, for receiving and processing each application.

The initial ACC shall consist of the Declarant. The ACC may employ architects, engineers, or other Persons as it deems necessary to enable the ACC to perform its review. The ACC may, from time to time, delegate any of its rights or responsibilities hereunder to one or more duly licensed architects or other qualified Persons, which shall have full authority to act on behalf of the committee for all matters delegated. Written design guidelines and procedures may be promulgated for the exercise of this review, which guidelines may provide for a review fee. During the Declarant Development Period, Declarant shall have the sole right to appoint all members of the ACC. Upon the expiration or earlier surrender in writing of such right, the Declarant shall turn full control of the Board over to the Association.

If the ACC fails to approve or to disapprove submitted plans and specifications within thirty (30) calendar days after the completed plans and specifications have been submitted to it, the foregoing will be deemed approved. However, all activities commenced pursuant to such plans which have been deemed approved shall be consistent with such plans. In addition, no approval, whether expressly granted or deemed granted as provided herein, shall be inconsistent with this Declaration or any design guidelines promulgated hereunder unless a variance has been granted in writing.

As a condition of approval under this Section, each Owner, on behalf of such Owner and such Owner's successors in interest, shall assume all responsibilities for maintenance, repair, replacement, and insurance to and on any change, modification, addition, or alteration. In the discretion of the ACC, an Owner may be made to verify such condition of approval by a recordable written instrument acknowledged by such Owner on behalf of such Owner and such Owner's successors in interest. The ACC shall be the sole arbiter of such plans and may withhold approval for any reason, including purely aesthetic considerations, and it shall be entitled to stop any construction in violation of these restrictions. Any member of the ACC or the Board or its representatives shall have the right, during reasonable hours and after reasonable notice, to enter

upon any property to inspect for the purpose of ascertaining whether or not these restrictive covenants have been or are being complied with. Such person or persons shall not be deemed guilty of trespass by reason of such entry. In addition to any other remedies available to the ACC and the Board, in the event of noncompliance with this Section, the ACC and the Board may, record in the appropriate public registry a notice of violation naming the violating Owner.

PLANS AND SPECIFICATIONS ARE NOT APPROVED FOR ENGINEERING OR STRUCTURAL DESIGN OR QUALITY OF MATERIALS, AND BY APPROVING SUCH PLANS AND SPECIFICATIONS NEITHER THE BOARD, THE MEMBERS THEREOF, NOR THE ASSOCIATION, IF ANY, ASSUMES LIABILITY OR RESPONSIBILITY THEREFOR, NOR FOR ANY DEFECT IN ANY STRUCTURE CONSTRUCTED FROM SUCH PLANS AND SPECIFICATIONS. NEITHER DECLARANT, THE ASSOCIATION, THE BOARD, THE BOARD, NOR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AND AGENTS OF ANY OF THEM SHALL BE LIABLE IN DAMAGES TO ANYONE SUBMITTING PLANS AND SPECIFICATIONS TO ANY OF THEM FOR APPROVAL, OR TO ANY OWNER OF PROPERTY AFFECTED BY THESE RESTRICTIONS BY REASON OF MISTAKE IN JUDGMENT, NEGLIGENCE, OR NONFEASANCE ARISING OUT OF OR IN CONNECTION WITH THE APPROVAL OR DISAPPROVAL OR FAILURE TO APPROVE OR DISAPPROVE ANY SUCH PLANS OR SPECIFICATIONS. EVERY PERSON WHO SUBMITS PLANS OR SPECIFICATIONS AND EVERY OWNER AGREES THAT SUCH PERSON OR OWNER WILL NOT BRING ANY ACTION OR SUIT AGAINST DECLARANT, THE ASSOCIATION, THE BOARD, THE BOARD, OR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AND AGENTS OF ANY OF THEM TO RECOVER ANY DAMAGES AND HEREBY RELEASES, REMISES, QUITCLAIMS, AND COVENANTS NOT TO SUE FOR 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.

Section 5. Signs. Except as otherwise required by the Town of Youngsville or Franklin County, no sign of any kind shall be erected by an Owner within the Property or Subdivision without the prior written consent of the Board except (a) when offering a Lot or residence for sale or for lease, not more than one (1) professionally lettered "For Sale" or "For Rent" sign having a maximum area of five (5) square feet and a maximum height of five (5) feet above ground level, (b) professional security signs (c) any signs required by legal proceedings, (d) signs of not more than five (5) square feet expressing support of or opposition to political candidates or other issues which will appear on the ballot of a primary, general or special election, provided that such political signs shall not be placed on a Lot earlier than sixty (60) days before such election and shall be removed within two (2) days after such election, and (e) signs erected by Declarant during the construction and sales period. Professionally lettered "For Sale" or "For Rent" signs may be attached to a post of not more than Five Feet, Six Inches (5'6") in height. Notwithstanding the foregoing, the Board shall have the right to erect reasonable and appropriate signs. Declarant may elect to remove any sign not meeting the above qualifications without any advance notice to Owner and shall not be liable to Owner for such removal. Through December 31, 2032 Declarant may have signs of any size marketing and advertising lots in the subdivision. Any entrance sign will conform to the Town of Youngsville and Franklin County

signage requirements.

Section 6. Vehicles/Garages. The term "vehicles," as used herein, shall include, without limitation, motor homes, boats, trailers, motorcycles, minibikes, scooters, go-carts, trucks, campers, buses, vans, limousines and automobiles. All vehicles must be properly licensed, registered, inspected and otherwise kept in compliance with applicable governmental regulations. Vehicles shall not be parked on any street within the Subdivision or on any portion of a Lot other than in the garage or driveway or screened from view of anyone on the street; provided, however, if, and only if, the occupants and/or their guests of a Lot have more vehicles than the number of garage parking spaces, those excess vehicles, not to exceed four (4) vehicles, which are an occupant's primary means of transportation on a regular basis may be parked in that portion of the driveway adjacent to the garage.

Notwithstanding the above, no towed vehicle, trailers, boat, boat trailer, recreational vehicle, motor home, mobile home, bus, truck with camper top, trucks (except pick-up trucks or sport utility vehicles), commercial vehicles (including, without limitation, vehicles with commercial writing on their exteriors), motorcycle, minibike, scooter, go-cart or similar recreational vehicles shall be permitted on any Lot, except if kept in an enclosed garage, for periods longer than forty-eight (48) consecutive hours (the intent of this provision is that the aforementioned vehicles may not be stored on a Lot except if in a garage and the temporary removal of such vehicle from a Lot to break the continuity of the forty-eight (48) consecutive hours shall not be sufficient to establish compliance with this restriction).

All garages shall be side-loading unless special exception is granted by the Declarant; carports shall not be permitted. The minimum number of garages for each home shall be two (2). There shall be no maximum limit of the number of garages per home site.

No vehicle may be left upon any portion of the Property or Subdivision, if it is unlicensed or if it is in a condition such that it is incapable of being operated upon the public highways unless said vehicle is located in the garage. Any such vehicle shall be considered a nuisance and may be removed from the Property or Subdivision.

No motorized vehicles shall be permitted on pathways or unpaved Common Property except for public safety vehicles and vehicles authorized by the Board.

Section 7. Leasing. Lots may be leased for residential purposes. All leases shall have a minimum term of at least twelve (12) months. All leases shall require, without limitation, that the tenant acknowledge receipt of a copy of the Declaration and Supplemental Declarations, if any. The lease shall also obligate the tenant to comply with the foregoing, and the lease shall provide that the violation of any provision of this Declaration and Supplemental Declarations, if any, shall be a breach of said lease, subjecting the tenant to termination of the lease and eviction. In addition, any violations of the covenants contained in this Declaration by the tenant or any person residing at the Lot shall be the responsibility of the Lot Owner.

Section 8. Occupants Bound. All provisions of the Declaration, Bylaws, and of any rules and regulations, use restrictions or design guidelines promulgated pursuant 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 9. Animals and Pets. No animals, livestock, poultry, or exotic animal of any kind may be raised, bred, kept, or permitted on any Lot, except that not more than three (3) dogs, cats, or other usual and common household pets may be kept on a Lot. Notwithstanding the foregoing, those pets which, endanger the health, make objectionable noise, have a vicious or dangerous propensity, or constitute a nuisance or inconvenience to the Owners of any Lot or the owner of any property located adjacent to the Subdivision, must be removed. No pets shall be kept, bred or maintained for any commercial purpose. No household pet that has caused damage or injury may be walked in the Subdivision. If the Declarant determines, in its sole discretion, that a pet endangers the health, makes objectionable noise, has a vicious or dangerous propensity, or constitutes a nuisance or inconvenience, Declarant may issue a written notice to Owner that said pet must be removed from the Subdivision within ten (10) calendar days. If Owner does not remove said pet within the time limit provided in the notification, Declarant may have the pet or horse removed from the Subdivision by an animal control authority or other appropriate authority. The cost of such removal shall be the responsibility of Owner and shall be an assessment against the Lot of Owner.

No structure for the care, housing or confinement of any animal shall be constructed, placed or altered on any Lot unless plans and specifications for such structure have been approved by the Board in accordance with this Declaration. A leash shall be used for all animals and pets which are outside the confines of their house or a fenced-in area.

Section 10. Nuisance. It shall be the responsibility of each Owner and Occupant to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on such Owner's Lot. No property within the Subdivision shall be used, in whole or in part, for the storage of any property or thing that will cause such Lot to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or 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 the Subdivision, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Subdivision. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Subdivision. 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 Lot unless required by law.

It shall be the responsibility of each Owner to timely address the removal of debris and/or rebuilding of a dwelling or structure in the event of damage caused by fire, storm, or other occurrence. If Owner does not begin the removal of debris and/or reconstructing within sixty (60) days of said occurrence, the Declarant and/or Association may remove any debris, the costs of which shall be the responsibility of Owner and shall be collected as an assessment, so as to return the Lot to a neat and clean appearance; provided, however, there shall be no removal of any debris if prohibited by an applicable governmental authority.

Section 11. 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 in any part of the Property or Subdivision except in an enclosed garage. No weeds, underbrush or other unsightly growth shall be permitted to grow or remain on any Lot that has a dwelling constructed upon it and no refuse pile or unsightly objects shall be allowed to remain on the Property. No disposal or burning of debris or organic matter shall be permitted within any drainage way ditches on any Property or along any road right of ways within the subdivision. No stone or rock clusters can be used for ornamental landscaping except as approved by the ACC.

Section 12. Antennas; Satellite Dishes or Discs. The Board may issue rules regarding the erection of exterior antennas, including, without limitation, satellite dishes; provided such rules do not prevent reception of acceptable quality signals or cause an unreasonable delay or cost. Unless screened and located in the rear of the home to provide minimum visual impact on neighboring properties and so as to be unseen from the streets, no exterior antennas of any kind, including without limitation, satellite dishes, shall be placed, allowed, or maintained upon any portion of the Property or Subdivision, including any Lot; provided such screening and location do not prevent reception of acceptable quality signals or cause an unreasonable delay or cost. In no event shall any such antenna or satellite dish in excess of twenty-four (24) inches in height, width and depth size be permitted in the Property or Subdivision except if installed by the Declarant as provided in this Section. Declarant shall have the right (but shall not be obligated), to erect a master antenna, satellite dish or other similar master system for the benefit of the Property or Subdivision. Each Owner acknowledges that this provision benefits all Owners and each Owner agrees to comply with this provision despite the fact that the erection of an outdoor antenna or similar device would be the most costeffective way to transmit or receive the signals sought to be transmitted or received.

Section 13. Tree Removal. No trees that are more than four (4) inches in diameter (twelve and one-half (12 1/2) inches in circumference) at a point four and one-half (4 1/2) feet above the ground shall be removed without the prior written consent of the ACC except (a) dead or diseased trees, (b) trees that are located within ten (10) feet of a drainage area, a septic field, a sidewalk, a residence or a driveway, (c) trees removed by Declarant, or (d) trees removed during the construction of the original dwelling on a Lot. No trees shall be planted in the Property or Subdivision without the prior written consent of the ACC.

Section 14. Drainage. Catch basins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Owner or occupant may obstruct or re-channel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains. Declarant hereby reserves for the benefit of Declarant (for as long as the Declarant owns property for development and/or sale in the Property or Subdivision) and the Association, if any, and their respective successors and assigns (perpetually) an easement across the Property and Subdivision property for the purpose of altering drainage and water flow. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the Person causing the damage at its sole expense.

Section 15. Sight Distance at Intersections. All property located at street intersections shall be landscaped so as to permit safe sight across the street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where it would create a traffic or sight problem.

Section 16. Garbage Cans, Woodpiles, Etc. All garbage cans, woodpiles, swimming pool pumps, filters and related equipment and other similar items shall be located or screened so as to be concealed from view of neighboring streets and property; provided, however, if rubbish, garbage or any other form of solid waste is to be disposed of by being collected on a regular and recurring basis, containers may be placed in the open on the evening before a pick-up is to be made as necessary to provide access to persons making such pick-up but all garbage cans must be returned to approved enclosure the night of the scheduled pickup. All rubbish, trash, and garbage shall be regularly removed (no less frequently than weekly) and shall not be allowed to accumulate. Trash, garbage, debris, or other waste matter of any kind may not be burned within the Property or Subdivision except by Declarant or a builder during the original construction on a Lot.

Section 17. Subdivision of Lot. No Lot shall be subdivided or its boundary lines changed except with the prior written approval of the Declarant, the Board and appropriate governmental entity. Declarant, however, hereby expressly reserves the right to replat any Lot or Lots owned by Declarant for as long as Declarant has the right unilaterally to annex additional property to the Property pursuant to Article IV, Section 1 of this Declaration. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations and shall not constitute a violation of Section 4 of this Article III of the Declaration.

Section 18. Firearms, Hunting Prohibited. The use or discharge of firearms in the Subdivision is prohibited unless such firearm is used or discharged as a means of self-defense. The term "firearms" includes without limitation "BB" guns, pellet guns, bows and arrows, sling shots and small firearms of all types. There shall be no discharging of firearms, guns or pistols of any kind, caliber, type or method of propulsion; and no target practice or hunting of any type shall be carried on or conducted on the Subdivision.

Section 19. Fences, Party Walls and Hedges. No fence or fencing type barrier of any kind shall be placed, erected, allowed, or maintained upon any portion of the Property or Subdivision, including any Lot, without the prior written consent of the ACC. Any such fence must be on the property line unless approved otherwise by the ACC. Only black wrought iron fencing shall be allowed. Maximum height of any fence shall be six feet (6'). Each wall or fence built as a part of the original construction on the Lots which shall serve and separate any two (2) adjoining Lots shall constitute a party wall or fence and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party wall or fence shall be shared by the Owners who make use of the wall or fence in equal proportions. If a party wall or fence is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the wall may restore it, and if the other Owner or Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in equal proportions without prejudice, however, to the right of any such Owners to call for a larger

contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions. Any Owner performing any such repair or restoration shall have the right to go upon the adjoining Lot(s) to the extent necessary to perform such repair or restoration. Such repair or restoration shall be done expeditiously and upon completion, such Owner shall restore the adjoining Lot to as near the same condition which prevailed on it before the commencement of such repair and restoration as is reasonably possible. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title. No mass plantings/hedges are permitted from the road to the front of the house corners. Fencing proposed along thoroughfares or collector streets shall be of uniform dimensions, materials, and colors. Individual lot owners will not be allowed to install a fence unless all lot owners along a thoroughfare or collector street agree to install one continuous fence along all properties adjacent to the street. Fences proposed within thirty (30) feet of a thoroughfare or collector street shall be constructed with all exposed framing oriented away from the right-of-way and evergreen shrubs shall be installed as a part of the original approved plan, must also be installed at no more than 40-foot spacing between trunks. All fencing proposed along a thoroughfare or collector street must be approved by the ACC prior to installation.

Section 20. Utility Lines. Except as may be permitted by the Board, no overhead utility lines, including lines for cable television, shall be permitted within the Property or Subdivision, except for temporary lines as required during construction and lines installed by or at the request of Declarant. Electrical utilities shall be provided by Duke Progress.

Section 21. Air Conditioning Units: HVAC/Propane/Gas. No window air conditioning units may be installed except as may be permitted by the Board, but in no event shall a window air conditioning unit be installed in any dwelling so as to be visible from the front of any Lot or any adjoining street. All HVAC and other mechanical systems shall be screened from public view. Owner shall have the right to choose between natural gas or electric for heating supply.

Section 22. Lighting. Except as may be permitted by the Board, exterior lighting visible from the street shall not be permitted except for (a) approved lighting as originally installed on a Lot; (b) one decorative post light, (c) street lights in conformity with an established street lighting program for the Property or Subdivision; (d) seasonal decorative lights from Thanksgiving to the following New Year's Day; or (e) front house illumination of model homes. All exterior lighting upon the Property shall be directed downward and shielded to prevent direct view of the light sources from adjacent properties, and shall be limited to not more than sixteen feet in height.

Section 23. Artificial Vegetation, Exterior Sculpture, Exterior Statuary and Similar Items. No artificial vegetation or plastic animal decorations, such as pink flamingos, etc., shall be permitted on the exterior of any property. Exterior sculpture, fountains, flags, bird baths, bird houses, and similar items must be approved by the ACC; but in no event shall they be located so as to be visible from the front of any Lot or any adjoining street.

Section 24. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed unless they are an integral and harmonious part of the architectural design of a structure, as determined in the sole discretion of the ACC.

Section 25. Swimming Pools. No swimming pool or outside jacuzzi or hot tub shall be constructed, erected or maintained upon any Lot without the prior written consent of the ACC, and in no event shall any aboveground swimming pool be permitted except small, inflatable wading pools shall be allowed. Any such pool must have proper fencing as well as landscaping to properly screen the pool area from surrounding lot owners and any street view.

Section 26. Gardens and Play Equipment. No vegetable garden, hammock, statuary or play equipment (including, without limitation, basketball goals) be constructed, erected or maintained upon any Lot unless the type and location thereof has been previously approved by the ACC.

Section 27. Mailboxes. There shall be a mailbox kiosk as approved by Declarant pursuant to North Carolina law. The mailbox kiosk shall be located within the subdivision at a place and size as determined by the Declarant for the benefit of all lot owners within the subdivision.

Section 28. Exteriors and Maintenance. All exterior finishes and colors must be approved by the ACC and, without exception, must be brick, stone, or cement fiber board ("hardiplank"). Any change to the exterior color, finish or texture of any improvement located on a Lot, including, without limitation, the dwelling, the roof on any dwelling or any fence, must be approved by the ACC. The owner of each Lot shall maintain the grounds and improvements on his Lot, including, but not limited to, plantings, landscaping and lawns, at all times in a neat and attractive manner. All lawns are to be established with grass sod with a minimum of two (2) trees (minimum caliper width of 1.5 inches at time of planting) planted in each front yard. No trees shall be planted or located within a roadway right-of-way within five (5) feet of a sidewalk or within ten (10) feet of a lighting location.

Section 29. Chimneys. Prefabricated fireplaces shall be allowed as long as the chimney does not extend beyond the main ridge of the roof of the dwelling. If such chimney does extend beyond the main ridge of the roof of the dwelling, such chimney must be solid masonry construction.

Section 30. Clotheslines. No exterior clotheslines of any type shall be permitted upon any Lot.

Section 31. Entry Features. Owners shall not alter, remove or add improvements to any entry features constructed by Declarant on any Lot or at the front entrance, or any part of any easement area associated therewith without the prior written consent of the ACC and the Board.

Section 32. Window Treatments. No foil or other reflective materials shall be used on any windows for sunscreens, blinds, shades or for any other purpose.

Section 33. Fuel; Water Tanks; Septic Tanks; Wells. No fuel tanks or water tanks shall be stored or maintained upon any Lot in such a manner as to be visible from any street or road or from any other Lot, unless used by Declarant in the ordinary course of developing the Property or Subdivision. No septic tank shall be installed, used or maintained on any Lot. No well shall be

installed, used or maintained on any Lot for human domestic water consumption, nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the dwelling, which mains furnish domestic water from sources beyond the boundaries of the Lot.

Section 34. Outbuildings and Similar Structures. No outbuilding, storage building or similar structure shall be erected, placed or allowed to remain on any Lot except those which are incidental to residential use, are constructed of the same or substantially identical materials as the residential dwelling on the Lot, are architecturally compatible with the residential dwelling on the Lot, are located no closer to the front boundary line of the Lot than the rear wall of the single-family residence located on the Lot and no closer to any side boundary line of a Lot than the applicable building setback requirements, and which have otherwise been approved by the ACC. No residence of a temporary nature shall be erected or allowed to remain on any Lot, and no trailer, basement, shack, tent, garage, barn, or any other building of a similar nature shall be used as a residence on any Lot, either temporarily or permanently.

Section 35. Erosion Control. No activity which may create erosion or siltation problems shall be undertaken on any Lot without the prior written approval of the Board of plans and specifications for the prevention and control of such erosion or siltation. The Board may, as a condition of approval of such plans and specifications, require the use of certain means of preventing and controlling of such erosion or siltation.

Section 36. Insurance. Nothing shall be kept, and no activity shall be conducted, on the Property which will increase the rate of insurance applicable to residential use for the Property or any Lots. No Owner shall do or keep anything, nor cause or allow anything to be kept, on his/her Lot or on the Common Property which will result in the cancellation of insurance on any portion of the Property, or Lots therein, or which will be in violation of any law, ordinance or regulation. No waste shall be committed on any portion of the Common Property.

Section 37. Independent Covenants. Each and every covenant and restriction contained herein shall be considered to be an independent and separate covenant and agreement, and in the event any one or more of said covenants or restrictions shall, for any reason, be held to be invalid, or unenforceable, all remaining covenants and restrictions shall nevertheless remain in full force and effect.

Section 38. Building Setbacks; House Location. No dwelling shall be erected or maintained on any Lot outside of the building envelope shown on the recorded plat of the Subdivision or as otherwise required or permitted by the zoning ordinance of the Town of Youngsville and/or Franklin County (the "Zoning Ordinance"). Minimum front setbacks shall be _____ (____) feet; minimum corner setbacks shall be _____ (____) feet, minimum rear setbacks shall be _____ (____) feet and minimum side setbacks shall be _____ (____) feet. For purposes of these building setback requirements, decks, porches, patios, stoops, eaves, overhangs, bay windows, chimneys, carports and other similar projections shall be deemed to be part of the dwelling only to the extent that the same are deemed to be part of the dwelling under the Zoning Ordinance as it exists as of the date of issuance of a certificate of occupancy for such dwelling. Any dwelling erected on a Lot other than a corner lot shall face the street on which the Lot abuts. On corner lots, a dwelling may be erected so as to face the intersection of the two streets on which the Lot abuts.

Section 39. Square Footage. Any dwellings erected on a Lot shall contain a minimum enclosed heated dwelling area of _____ square feet for a two-story home and _____ square feet for a one-story home. The term "enclosed dwelling area" as used in this Section shall mean the total enclosed area within a dwelling subject to both heating and cooling; provided, however, that the term specifically does not include garages, basements, terraces, porches, decks, stoops and like areas regardless of heating or cooling. Variances of these square footage requirements may be granted by the Declarant. Minimum Lot size will be _____ square feet and the Subdivision will be limited to a maximum of fifteen (15) Lots.

Section 40. Height and Accessory Building. No structure, except as provided herein shall be erected, altered, placed or permitted to remain on any detached single-family residential Lot other than a detached single-family dwelling not to exceed two and one-half (2 1/2) stories in height exclusive of the basement. A garage and a small accessory building may also be permitted on the Lot, provided, the use of such dwelling or accessory building does not in the opinion of the ACC or Declarant overcrowd the site. Such accessory building may not be constructed prior to the construction of the primary dwelling nor without the approval of the Declarant and ACC.

Section 41. Driveways; Parking and Parking Pads; Abandoned Vehicles. Vehicles may be parked or stored only on portions of a Lot improved for that purpose, i.e., garage, driveway, carport or parking pad. No unenclosed parking shall be constructed or maintained on any Lot except a paved driveway and an attached paved parking pad, which pad shall be designed for the parking of not more than two (2) vehicles. Any driveway or parking pad constructed upon any Lot shall have a concrete surface.

No mobile house trailer (whether on or off wheels), vehicle or enclosed body of the type which may be placed on or attached to a vehicle (known generally as "campers"), tractor trailer trucks or cabs, or commercial vehicle of any kind shall be parked on any street or any Lot within the Subdivision. No boat or boat trailer shall be parked on any street within the Subdivision. A boat and/or boat trailer may be parked or kept on a Lot if it is parked or kept in such a manner that they screened from the street. Screening may be either by fence or plantings, but, in any case, the screening must comply with the Zoning Ordinance and be approved pursuant to Article VIII of the Declaration.

No vehicle of any type which is abandoned or inoperative shall be stored or kept on any Lot in such manner as to be seen from any other Lot, any street within the Subdivision or the Common Elements, and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

Section 42. Street Lighting. Declarant reserves the right to subject the Subdivision to a contract with Duke Progress for installation of street lighting, which contract requires a continuing monthly payment to Progress by each residential customer.

Section 43. Unintentional Violations. Declarant, or the persons or firms to whom the architectural review and approval authority has been delegated as outlined within this Declaration, may, but shall not be obligated to, waive any violation of the designated and approved building setback lines on any Lot, provided that no waiver may be granted for a

violation in excess of twenty-five percent 25% of the applicable requirements. No such waiver shall be effective unless the Lot and all structures thereon are in full compliance with the applicable provisions of the Zoning Ordinance or a variance has been obtained for such violation. Waivers shall be effective upon recording of same in the Franklin County Registry.

Section 44. Storm Drainage System. An underground stormwater system shall be constructed by Declarant and maintained in accordance with Franklin County stormwater control requirements set forth further within this Declaration.

ARTICLE VI

RIGHTS RESERVED FOR DECLARANT

Notwithstanding anything contained herein to the contrary, during the Declarant Development Period, Declarant expressly reserves the right to (i) subject additional property to this Declaration by the method described herein; (ii) reasonably amend this Declaration without the consent of any Owners or Members; (iii) select, appoint and remove members of the Architectural Control Committee who need not be Members of the Association; (iv) select, appoint and remove the Officers and the Board of Directors of the Association who need not be Members of the Association. The Declarant may waive or assign any of the rights reserved herein to a Member, a non-Member, another entity (such as a management company) or the Association.

The Declarant Development Period shall automatically terminate upon the Declarant no longer owning any lot or common area. At any time, Declarant may terminate the Declarant Development Period by executing a Notice of Termination of Declarant Development Period and assigning all rights reserved herein to the Association. The Notice of Termination of Declarant Development Period shall be effective when filed in the Franklin County Registry.

ARTICLE VII

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, late charges, costs, reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, late charges, costs, reasonable attorneys' fees shall also be the personal obligation of the person(s) who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to an Owner's successors in title unless expressly assumed by them. The Declarant is not subject to the payment of any dues to the Association. It is the intent of the Declarant that any monetary fines imposed against an Owner pursuant to Bylaws shall constitute a lien against the Lot of such Owner to the same extent as if such fine were an assessment against such Lot.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the welfare of the residents in the Property for the improvement and maintenance of the Common Area, including without limitation, Stormwater Control Facilities which shall be maintained in accordance with Town of Youngsville, Franklin County and State of North Carolina ordinances and as agreed upon by Declarant in the Stormwater Control Structure and Access Easement and Agreement recorded in the Franklin County Registry and as defined in the Stormwater Control Structure Maintenance Agreement Wet Pond executed by Declarant, Entry Features, Roads, Easements and for the establishment of adequate reserves for the replacement of capital improvements, if any, located within the Common Area, the maintenance of any roads within the subdivision that have not been taken over by the NC Department of Transportation and which are considered private roads, payment of insurance premiums for contracts of hazard and liability insurance on the Common Area, payment of local ad valorem taxes or governmental charges, if any, on the Common Area, any other major expense for which the Association is responsible, and such other needs as may arise including without limitation, the cost of repair, replacement and additions thereto and the cost of labor, equipment, materials, management and supervision thereof; (iii) employment of attorneys, accountants and other persons or firms to represent the Association when necessary; (iv) payment of principal and interest on funds borrowed for Association purposes; and (v) such other needs as may arise.

Section 3. Budget and Reserves. The Association shall establish and maintain adequate reserve funds for the periodic maintenance, repair and replacement of improvements to the Common Area and those other portions of the property which the Association may be obligation to maintain by the Declarant.

Section 4. Assessment Amount and Due Date. Until all lots are sold by Declarant, the maximum annual assessment shall be _____ (\$_____) for each Lot. There shall be a Twenty-Five Dollar (\$25.00) late fee assessed for all late payments. Declarant shall pay no annual assessments, Owner's dues or fees whatsoever on the lots that Declarant owns. This condition of no dues for the Declarant shall expire upon the conveyance of the last lot to an owner and the conveyance of the common areas to the association. Unless a different commencement date is set by the Board of Directors, the annual assessments provided for herein shall commence as to a Lot on the first day of the month following conveyance to Owner of a Lot and a dwelling constructed thereon or after the date of issuance of a certificate of occupancy of such dwelling as a residence.

From and after December 31st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased by not more than ten (10%) percent over the prior year's assessment by the Declarant during the Declarant Development Period and thereafter by the Board of Directors of the Association without a vote by the Members.

On and after December 31st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased ten (10%) percent above the prior years assessment by a vote of two-thirds (2/3rds) of the appropriate and affected class of

Members who are voting in person or by proxy, at a meeting duly called for this purpose.

The provisions of this Article V, Section 3 shall not apply to, nor be a limitation upon, any change in the maximum annual assessment incident to a merger of consolidation as provided in § 47F-2-121 of the Act.

Section 5. Special Assessments for Capital Improvements and Working Capital Fund. In addition to the assessments authorized above, the Association and/or the Declarant (if Declarant deems needed) may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, any extraordinary maintenance, including vegetation, fixtures and personal property related thereto and any property for which the Association is responsible, provided, however, any such assessment shall have the assent of two-thirds (2/3) of the votes of each appropriate and affected class of Members who are voting in person or by proxy at a meeting duly called for this purpose. Provided, however, the Board of Directors, at its option may declare that a special assessment be levied against all Lots, unless ninety (90%) percent of the total vote of each class of Members vote to reject it ("a Board Issued Assessment"). An initial capital contribution payment shall be due and owing by Owners at closing in the amount of \$_____ payable to the Owner's Association when title changes hands each time or when a future Owner purchases a lot from a Builder and the certificate of occupancy is issued. Said fund may be used to defray the cost of any construction, reconstruction, restoration, repair or replacement of a capital improvement upon the Common Area. This fee is also called "Working Capital Contribution" as described within these covenants. Notwithstanding the requirements of the above Section 5 of this Article VII, the Association, acting by and through the Board shall levy a Special Assessment for the purpose of funding any monetary obligations that the Association may have to replenish the funds in the escrow account established in accordance with the Replacement Contribution Agreement as a result of the withdrawal of funds from the account by the Association or the City. The Board may levy any such Special Assessment without the approval or consent of any Owner, Member, or any other party. The right of the Association to enforce its lien for payment of such Special Assessment may be exercised by either the Association or the City. The Association hereby assigns to the City, its rights to claim and enforce the lien for any Special Assessment levied pursuant to this Section 5 of Article VII, who may act on behalf of the Association and shall have all of the rights of the Association, including those rights in Article VII, with respect to any such Special Assessment levied hereby.

Section 6. Notice and Quorum for any Action Authorized Under Sections 4 and 5. Written notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 or this Article shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each appropriate and affected class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Maximum assessments must be fixed at a

uniform rate for all Lots; provided, however, annual and special assessments for all lots owned by the Declarant and Builders shall not be assessed unless and until dwellings are occupied by residents.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eighteen percent (18%) per annum and shall be subject to a late charge of Twenty-Five and No/100 Dollars (\$25.00) per month. The Association may bring an action at law against the Owner personally obligated to pay the same for such delinquent assessment, interest, late charges, costs, management fee and reasonable attorneys' fees of any such action, or foreclose the lien against the Lot. For purposes of this Section 8, the amount of delinquent assessment, plus accrued interest and late charges shall be considered evidenced by this Section 8 and, therefore, evidence of indebtedness shall exist hereby. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot. Further should any Class A Owner be delinquent on assessments or fail to follow these rules and regulations as so stated, the Board may suspend that Owner's voting privileges until said assessments are paid in full or until said infraction is remedied. Any lien granted unto the Association shall be enforceable pursuant to Article 2A of Chapter 45 of the North Carolina General Statutes as a Claim of Lien against the property of the Owner who is delinquent. Any such Claim of Lien shall include all assessments which are due and payable, plus interest, costs, and attorney fees. Such Claim of Lien shall be signed by an Officer of the Association. Upon full payment of all sums secured by said Claim of Lien, the Association shall mark the claim as paid in full and shall have the claim satisfied of record at the clerk's office.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 10. Exempt Property. Any portion of the Property dedicated to, and accepted by, a local public authority or any property owned by a charitable or non-profit organization except from taxation by the State of North Carolina, shall be exempt from the assessments created herein; however, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE VIII

ANNEXATION OF PROPERTY

As the owner thereof or, if not the owner, with the consent of the owner thereof, Declarant shall have the unilateral right, privilege, and option from time to time at any time after the recording of this Declaration to annex and subject such additional real property which is contiguous to the boundary of the Property, to the provisions of this Declaration or any Supplementary Declaration thereto, by filing for record in the public registry of the county in

which the property to be annexed is located a Supplementary Declaration describing the property being subjected. Any such annexation shall be effective upon the filing for record of such Supplementary Declaration unless otherwise provided therein. As long as covenants applicable to the real property previously subjected to this Declaration are not changed and as long as rights of existing Owners are not adversely affected, Declarant may include additional restrictions and limitations affecting any such annexed real property.

ARTICLE IX

EASEMENTS AND ROADWAYS

Section 1. Utility and Drainage Easements . Easements for the installation, maintenance and repair of sanitary sewer and Stormwater Control Facilities are reserved as shown on the recorded plats. Within such easements, no structure, planting, or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of the utilities, or which may change the direction of flow or otherwise impede or retard the flow of water through the drainage channels within such easements. Any easements located on a Lot shall be maintained continuously by the owner of such Lot, except for any such improvements for which a public authority or utility company is responsible. Declarant reserves the right to create and impose additional easements or rights-of-way over any unsold Lot or Lots by the recording of appropriate instruments in the Franklin County Registry, and such instruments shall not be construed to invalidate any of these covenants.

Declarant reserves easements in and right at any time in the future to grant a right-of-way over, under and along the rear line of each Lot for the installation and maintenance of poles, lines, conduits, pipes and other equipment necessary to or useful for furnishing electric power, gas, telephone service, cablevision or other utilities, including water, sanitary sewage service and storm drainage facilities. Declarant also reserves other easements as stated on the aforementioned plat.

Section 2. Drainage Easement . Easements are also reserved for the benefit of the Declarant, the Lily Meadows Homeowners Association, Inc. (the Association"), North Carolina Department of Transportation (the "NCDOT") and Franklin County (the "County"), and their respective successors and assigns, over, across and under those portions of the Lots shown and designated on the map or any variation thereof, for the purpose of installing, operating and maintaining stormwater drainage facilities thereon. No building, structure, fill, embankment, fence, wall, driveway, planting, swing, animal pen or other obstruction shall be permitted in such area, other than those installed by the Declarant, the Association, NCDOT or the County, unless approved as provided in Article VIII of the Declaration and, if required, by the County. Within drainage easements, no Stormwater Control Measure, including berms, shall be removed or damaged by any Owner, his tenants, agents, family members and guests. Declarant reserves the right to create and impose additional easements or right-of-way over any unsold Lot or Lots by the recording of appropriate instruments in the Franklin County Registry, and such instruments shall not be construed to invalidate any of these covenants. Maintenance of the Private Storm Drainage Easement shall be the responsibility of each Owner. This easement allows any governmental or utility the right to access the easement and perform work it deems necessary or

prudent to alleviate any issues jeopardizing the integrity of Lily Meadows or any other State Maintained Facility. The Owner shall maintain the easement to allow positive conveyance of storm water. The rights of NCDOT and the County set forth herein shall run with the land and bind each successor and assign, including purchasers and tenants within the Subdivision.

For a period of twenty-five (25) years from the date hereof, Declarant reserves an easement and right of ingress, egress and regress on, over and under the Properties to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action that it deems reasonably necessary or appropriate. After such action has been completed, Declarant shall grade and seed the affected property and restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant shall give reasonable notice of its intent to take such action to all affected Owners.

Section 3. Sign Easement. Declarant reserves the right to establish an easement for the benefit of the Declarant and the Association, and their respective successors and assigns, over, across and under the Properties for the purpose of installing, operating, repairing and maintaining landscaping and subdivision entrance signage, landscaping and fencing in the easement area. On any such easement, no building, structure, fill, embankment, fence, driveway, planting, swing or other obstruction shall be permitted in such area, other than those installed by the Declarant or the Association unless approved as provided in Article VIII of the Declaration and, if required, by the County.

The Declarant, the Association and their successors and assigns shall at all times have the right of access upon such easements for the purpose of landscaping, planting, mowing, maintaining, repairing or replacing the easement area and the improvements thereon or for removing any object placed in the easement area in violation of the provisions of this Article.

Section 4. Access and Utility Easements. Easements for the installation and maintenance of driveway, walkway, water line, gas line, telephone, cable television, electric power transmission lines, sanitary sewer and stormwater drainage facilities and for other public utility installations are reserved as shown on the recorded plats of the Properties. The Association may reserve and grant easements over the Common Elements as provided in Article IV, Section 1(c), of this Declaration. Within any such easement herein provided, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation or maintenance of the utilities installed thereon, or which may change the direction of flow or drainage of water through drainage pipes or channels constructed in such easements.

Section 5. Easements for Governmental Access. An easement is hereby established over the Common Elements and every Lot for the benefit of applicable governmental agencies for installing, removing, and reading water meters; maintaining and replacing water, and sewer facilities; and acting for other purposes consistent with public safety and welfare, including, without limitation, law enforcement, fire protection, garbage collection, and the delivery of mail.

Section 6. Easement and Right of Entry for Repair, Maintenance and Reconstruction

If any part of a dwelling is located closer than ten (10) feet from its Lot line, the Owner thereof shall have a perpetual access easement over the adjoining Lot to the extent reasonably necessary to perform repair, maintenance or reconstruction of such dwelling. Such work shall be done expeditiously and, upon completion of the work, the Owner shall restore the adjoining Lot to as nearly the same condition as that which prevailed prior to the commencement of the work as is reasonably practicable.

Section 7. Easement Over Common Elements. A perpetual, nonexclusive easement over the Common Elements is hereby granted to each Lot and its Owners, family members and tenants of such Owners, the occupants of such Lot, and guests and invitees of such Owners, tenants or occupants, for the purpose of providing access, ingress and egress to and from the Common Elements and for the use thereof.

Section 8. Easement For Encroachments. In the event that any structure erected on a Lot encroaches upon any other Lot or the Common Elements, and such encroachment was not caused by the purposeful act or omission of the Owner of such Lot, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Elements or other Lot for so long as such encroachment shall naturally exist. In the event that any structure erected principally on the Common Elements encroaches upon any Lot, then an easement shall exist for the continuance of such encroachment of such structure onto such Lot for so long as such encroachment shall naturally exist. The foregoing shall not be construed so as to allow any extension or enlargement of any existing encroachment or to permit the rebuilding of the encroaching structure, if destroyed, in a manner so as to continue such encroachment.

Section 9. Association's Easement Upon Lots. The Association shall have a right, license and easement to go upon any Lot for the purpose of fulfilling its obligations under this Declaration, the restrictive covenants applicable to the Subdivision, and any other laws, ordinances, rules and regulations, public or private, which the Association is obligated or permitted to enforce. Such easement shall include, without limitation, the right to go on any Lot to correct, repair or alleviate any condition which, in the opinion of the Board of Directors of the Association or of the manager employed by the Association, creates or may create an imminent danger to the Common Elements or improvements thereon.

Section 10. Sight Distance Triangles. No wall, fence, foliage, berm, parked vehicle, sign or any other obstruction between two feet and eight feet tall above the curb line shall be placed in a sight distance triangle.

Section 11. Streets. Declarant has reserved for the benefit of, and grants to, all Lot Owners and the Association the non-exclusive right of ingress and egress on, over and across all streets located on or to be located on a portion of the subdivision. Subject to the terms of a "Subdivision Streets Disclosure Statement" executed by the Declarant and the County and recorded in Franklin County, all streets shall be maintained, insured and repaired by the Association in accordance with this Declaration and the requirements of the NCDOT for state-maintained streets until the streets are accepted by the NCDOT or the County for maintenance. No street shall be dedicated or transferred to any governmental entity including the NCDOT unless said entity accepts such transfer. Neither Franklin County or any other local municipality shall be

responsible for failing to provide any emergency or regular fire, police or other public service to the Lots within this subdivision when such lack of access is due to inadequate design or construction of such access via the streets or due to the blocking of access routes or any other factor within the control of the Association, the Declarant, any Owner or any occupant or guest of any Lot.

ARTICLE X

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment and Access. Except as limited by Section 2 of this Article IV and by the Rules and Regulations adopted by the Members and/or the Board of Directors of the Association, every Owner shall have a right and easement of enjoyment in, use of and access to, from, and over the Common Elements, which right and easement shall be appurtenant to and shall pass with title to every Lot, subject to:

(a) the provisions of the County of Franklin, the right of the Association to charge reasonable admission and other fees for the use of any facilities hereafter situated or constructed on the Common Elements and to limit the use of such facilities to Owners who occupy a residence on the Properties and to their families, tenants and guests, as provided in Section 2 of this Article IV.

(b) the right of the Association, after notice and an opportunity to be heard, to suspend the voting rights of an Owner and the right of an Owner to use Common Elements and facilities thereon for any period during which any assessment against his Lot remains unpaid for a period of thirty (30) days or longer, or for a period not to exceed sixty (60) days for any infraction of the published rules and regulations of the Association.

(c) the provisions of Franklin County, the right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed upon by the Members. No such dedication or transfer shall be effective unless the Members entitled to at least eighty percent (80%) of the votes of the entire membership of the Association and at least two-thirds (2/3) of the votes appurtenant to each Class of Lots agree to such dedication, sale or transfer and signify their agreement by a signed and recorded document, *provided that* this subsection shall not preclude the Board of Directors of the Association from granting easements for the installation and maintenance of sewage, cable, utility and drainage facilities upon, over, under and across the Common Elements without the assent of the Members when such easements, in the opinion of the Board, are necessary for the convenient use and enjoyment of the Properties. Notwithstanding anything herein to the contrary, the Common Elements shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to Franklin County or the Homeowner's Association.

(d) the right of the Association, with the assent of Members entitled to at least eighty percent (80%) of the votes of the entire membership of the Association and at least two-thirds (2/3) of the votes appurtenant to each Class of Lots, to mortgage, pledge, deed in trust, or otherwise encumber any or all of its real or personal property as security for money borrowed or

debts incurred, provided that the rights of any such lender or mortgagee shall be subordinate to the property rights of the Owners as set forth herein.

(e) the right of the Association to exchange all or part of the Common Elements for other property and consideration of like value and utility.

Section 2. Delegation of Use .

(a) Family. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be exercised by members of the Owner's family who occupy the residence of the Owner within the Properties as their principal residence in Franklin County, North Carolina.

(b) Tenants. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be delegated by such Owner to his tenants or contract purchasers who occupy a residence within the Properties, or a portion of said residence, as their principal residence in Franklin County, North Carolina.

(c) Guests. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be delegated to guests of such Owners, tenants or contract purchasers, subject to such rules and regulations as may be established by the Board of Directors.

Section 3. Conveyance of Title To The Association . Declarant covenants, for itself, its successors and assigns, that, prior to the conveyance of the first Lot within any phase of the Subdivision, including the first phase, to an Owner, it will convey to the Association title to those portions of the Common Elements or Open Space, if any, owned in fee by the Association. Declarant reserves an easement over and across the Common Elements so long as it owns any Lots within the Properties for the purpose of constructing any improvements on the Common Elements as it deems necessary or advisable. Except as otherwise stated herein, all conveyances by Declarant to the Association shall be free and clear of all encumbrances and liens (including statutory liens of laborers and materialmen pursuant to Article 2 of Chapter 44A of the North Carolina General Statutes) except this Declaration, restrictive covenants applicable to the Subdivision, utility, drainage and greenway easement and the lien of record. Any improvements placed on the Common Elements by Declarant shall become the property of the Association upon completion of such improvements.

Section 4. Regulation and Maintenance of Common Elements . It is the intent of the Declarant that the Common Elements or Open Space (whether owned by the Association in fee or by easement) be preserved to the perpetual benefit of the Owners within the Subdivision. To that end, Declarant will, prior to the conveyance of the first Lot in any phase or section of the Subdivision to an Owner, reserve on a recorded plat or grant to the Association an easement over and across that portion of any Lot within such phase or section on which a Common Elements easement lies for the purpose of enabling the Association to take action permitted by subsections (b) and (c) of this Section 4.

(a) Rights and Responsibilities of the Lot Owners. Each Owner of a Lot upon

which a Common Elements easement lies shall pay all property taxes and other assessments levied against his Lot, including that portion of such tax or assessment as is attributable to such Common Elements. Notwithstanding any other provision of this Declaration, no Owner or other person shall, without the prior written consent of the Association: (1) remove any trees or vegetation within any Common Elements; (2) erect gates, fences, buildings or other structures on any Common Elements; (3) place any garbage receptacles on or in any Common Elements; (4) fill or excavate any Common Elements or any part thereof; (5) plant vegetation or otherwise restrict or interfere with the use, maintenance, and preservation of any Common Elements; or (6) place any impervious surface.

Except for private drainage easements, a Common Elements easement shall be maintained in the same state as when the Lot upon which such easement lies was conveyed to the Owner. Each Owner shall be responsible for maintaining the Common Elements easement if located on his Lot, including mowing of existing grass and fertilizing the same. If an Owner of a Lot on which a Common Elements easement lies fails to maintain the Common Elements easement area as provided herein, whether by act or omission, the Association shall have the right to enter upon such Owner's Lot for the purpose of maintaining same and shall have the right to charge such Owner with the costs of such maintenance, which costs, if not paid within thirty (30) days after demand for payment is made by the Association, shall be collected in the same manner and shall incur the same late charges, interest and costs of collection as set forth in Section 7 of Article V of this Declaration.

(b) Rights and Responsibilities of the Association. The Association shall have the right and obligation to ensure that the Common Elements is preserved to the perpetual benefit of the Owners and, to that end, shall: (i) maintain the Common Elements in its natural or improved state, as appropriate, and keep it free of impediments to its free use by the Owners; (ii) Maintain Stormwater Control Facilities in strict compliance with the Stormwater Control Structure Maintenance Agreement Wet Pond and the Stormwater Control Structure and Access Easement and Agreement recorded in the Franklin County Registry; (iii) procure and maintain liability insurance in an amount determined by the Association covering the Association and its Members against any loss or damage suffered by any person, including the Owner of the Lot upon which Common Elements or Open Space lies, resulting from use of the Common Elements or Open Space; and (v) pay all property taxes and oral notice to the Owner or occupant of such Lot. other assessments levied against all Common Elements owned in fee by the Association.

(c) Association's Right of Entry for Maintenance of Common Elements Easements. The Association and its employees, agents, contractors and subcontractors shall have a nonexclusive right and easement at all times to enter upon any portion of a Lot reserved or designated as a Common Elements easement, and any other portion of the Lot to the extent necessary to gain access to the Common Elements easement, for the purposes of: (i) installing and maintaining entrance signage and other signage; (ii) making such improvements to the Common Elements easement as have been approved by the Association; and (iii) maintaining the Common Elements easement, keeping the easement area free from obstructions and impediments to its use. No such entry shall be deemed a trespass. To the extent practicable, the Association shall give reasonable oral notice to the Owner or occupant of such Lot.

ARTICLE XI

RIGHTS OF LENDERS

Section 1. Books and Records. Any holder of a first deed of trust on any Lot, or its agent(s), shall have the right, during normal business hours, to examine copies of this Declaration, the Articles of Incorporation, Bylaws, and the books and records of the Association and, upon written request to the Association, to receive a copy of the financial statement for the immediately preceding fiscal year.

Section 2. Notice to Lenders. Upon written request to the Association, the holder of a first deed of trust on any Lot shall be entitled to timely written notice of:

(a) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of the Lot securing its loan.

(b) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

(c) Any proposed action that requires the consent of a specified percentage of owners or holders of first mortgages on the Lots.

Section 3. Approval of Holders of First Deeds of Trust. Unless at least seventy-five percent (75%) of the holders of the first deeds of trust on Lots located within the Properties have given their prior written approval, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association. Neither the granting of easements for utilities or other purposes nor the exchange of real property as provided in Section 1(c) of Article IV hereof shall be deemed a transfer within the meaning of this clause. Notwithstanding anything herein to the contrary, the property owned by the Association, whether in fee, by easement, or otherwise, shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to the Town of Franklin Forest or to another nonprofit corporation for the aforementioned purposes.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot;

(c) Fail to maintain hazard insurance on insurable improvements on the Common Elements on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value; or

(d) Use the proceeds of any hazard insurance policy covering losses to any part of the Common Elements for other than the repair, replacement, or reconstruction of the damaged improvements.

Section 4. Payment of Taxes and Insurance Premiums. The holders of first deeds of

trust on Lots, jointly or singly, may pay taxes or other charges which are in default and which have or may become a charge or lien against any of the Common Elements and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy covering property owned by the Association. The persons, firms or corporations making such payments shall be owed immediate reimbursement therefore by the Association.

ARTICLE XII

GENERAL PROVISIONS

Section 1. **Enforcement.** The Association and each Owner shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, rules, regulations, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the Act, the Bylaws or rules and regulations adopted by the Association. Failure by the Association or an Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

The Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement actions, or any case in which the Board reasonably determines that the cost of enforcement outweighs the benefit to be gained by enforcement. Any such determination shall not be construed as a waiver of the right to enforce such provisions under other circumstances or to estop the Association from enforcing any other covenant, restriction or rule. The Association shall have all enforcement rights as provided in the Planned Community Act including the right to fine for violations of this Declaration pursuant to the procedures provided in the Planned Community Act

Section 2. **SelfHelp.** In addition to any other remedies provided for herein, the Declarant or its duly authorized agent, during the Declarant Development Period, shall have the power to enter upon any Lot or any other portion of the Property or Subdivision to abate or remove, using such force as may be reasonably necessary, any structure, thing or condition which violates this Declaration, the Bylaws, the rules and regulations, or the use restrictions. Unless an emergency situation exists, the Declarant shall give the violating Lot Owner ten (10) days' written notice of its intent to exercise selfhelp. Notwithstanding the foregoing, vehicles may be towed after reasonable notice.

Section 3. **Duration.** The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by any Owner, their respective legal representatives, heirs, successors, and assigns, perpetually to the extent provided by law; provided, however, so long as, and to the extent that, North Carolina law limits the period during which covenants restricting land to certain uses may run, any provisions of this Declaration affected thereby shall run with and bind the land so long as permitted by such law, after which time, any such provision shall be (a) automatically extended (to the extent allowed by applicable law) for successive periods of twenty (20) years, unless a written instrument reflecting disapproval signed by the then Owners of at least two-thirds (2/3) of the Lots and Declarant (so long as

Declarant owns any property for development and/or sale in the Property or Subdivision or has the right unilaterally to annex additional property to the Property or Subdivision or still owns the Common Areas) has been recorded within the year immediately preceding the beginning of a twenty (20) year renewal period agreeing to change such provisions, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated to the extent specified therein; or (b) extended as otherwise provided by law. Every purchaser or grantee of any interest (including, without limitation, a security interest) in any real property subject to this Declaration, by acceptance of a deed or other conveyance therefor, thereby agrees that such provisions of this Declaration may be extended and renewed as provided in this Section.

Section 4. Amendment. This Declaration may be amended unilaterally at any time and from time to time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith; (b) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Lots subject to this Declaration; (c) if such amendment is required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Lots subject to this Declaration; or (d) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure or guarantee Mortgage loans on the Lots subject to this Declaration; provided, however, any such amendment shall not adversely affect the title to any Owner's Lot unless any such Lot Owner shall consent thereto in writing. Further, during the Declarant Development Period, Declarant may unilaterally amend this Declaration for any other purpose as is solely defined by Declarant.

Otherwise, the covenants and restrictions of this Declaration shall run and bind the land, for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated or amended by a vote of the Owners as set forth below. This Declaration may also be amended during the first twenty-five year period by an instrument signed by the Owners of not less than eighty percent (80%) of the Lots, and thereafter by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots. No amendment shall be effective unless it has been approved, if required by Section 4 of this Article IX, by the Federal Housing Administration or Veterans Administration, and is recorded in the office of the Register of Deeds of Franklin County.

Any lawsuit challenging any aspect of an amendment to this Declaration must be filed in the appropriate court in the county in which the Subdivision is located within one (1) year of the recordation of such amendment in the public registry of the county in which the Subdivision is located.

Section 5. Gender and Grammar. The singular, wherever used herein, shall be construed to mean the plural, when applicable, and the use of the masculine pronoun shall include the neuter and feminine.

Section 6. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of

this Declaration to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions of this Declaration are declared to be severable.

Section 7. Captions. The captions of each Article and Section hereof, as to the contents of each Article and Section, are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer.

Section 8. Notice of Sale or Lease. In the event an Owner sells or leases such Owner's Lot, the Owner shall give to the Declarant, during the Declarant Development Period, prior to the effective date of such sale or lease, the name of the purchaser or lessee of the Lot and such other information as the Declarant may reasonably require. The lot Owner shall fully inform all prospective purchasers of the Declarations and the requirements thereunder. The lot Owner shall also give to the purchaser of the Lot a copy of the Declarations and any amendments.

Section 9. Variances. Notwithstanding anything to the contrary contained herein, the Declarant or its designee, during the Declarant Development Period, shall be authorized to grant individual variances from the provisions of this Declaration, and any rule, regulation or use restriction promulgated pursuant thereto if it determines that waiver of application or enforcement of the provision in a particular case would not be inconsistent with the overall scheme of development for the Subdivision.

Section 10. Security. The Declarant may, but shall not be required to, from time to time, provide measures or take actions which directly or indirectly improve safety in the Subdivision. Notwithstanding the providing of any such measures or taking of any such action by Declarant, each Owner, for himself or herself and his or her tenants, guests, licensees and invitees, acknowledges and agrees that the Declarant is not a provider of security and shall have no duty to provide security in the Subdivision. It shall be the responsibility of each Owner to protect his or her person and property and all responsibility to provide security shall lie solely with each Lot Owner. The Declarant shall not be held liable for any loss or damage due to the failure to provide adequate security or ineffectiveness of security measures undertaken or provided.

Section 11. FHA/VA Approval. In the event that Declarant has arranged for and provided purchasers of Lots with FHA-insured or VA-guaranteed mortgage loans, then as long as any Class B Lot exists, as provided in Article III hereof, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties, mortgaging of real property owned by the Association, deeding of Common Elements to persons other than the Association (not including the granting of an easement or and exchanges permitted by Article IV, Section 1(c) hereof), and amendment of this Declaration.

Section 12. County Approval. No amendment of this Declaration of Covenants, Conditions and Restrictions for LILY MEADOWS SUBDIVISION relating to stormwater control facilities and replacement contribution funds shall be effective unless reviewed and approved in writing by the Town of Youngsville and/or Franklin County Attorney.

Section 13. Non-Liability of the Town. The Town of Youngsville shall not be responsible for failing to provide any emergency or regular fire, police, or other public service to the Properties, any Lot, or any Owner or occupant thereof when such failure is due to the lack of access to the Properties or any Lot thereof due to inadequate design or construction of such access, blocking of access routes, or any other factor within the control of the Declarant, the Association, an Owner, or an occupant of any Lot.

Section 14. Subdivision of Lots. No Lot within the Subdivision may be subdivided by sale or otherwise, except with the consent of the Declarant and, if required, by the Town of Youngsville and/or the Franklin County.

Declarant may, at any time, delegate the review and approval authority contained in this Article VIII to the Board of Directors of the Association, which, in turn, may delegate such authority, to an Architectural Committee composed of three (3) or more persons appointed by the Board. Such delegation shall be made by the Declarant by recording in the Franklin County Registry an Assignment of Declarant's Rights. Declarant shall delegate such authority no later than the date upon which Declarant no longer owns any Lots within the Properties, and no termination of Special Declarant Rights shall be deemed a termination or assignment of the rights reserved to Declarant in this Article VIII. Any use of the term "Declarant" in this Article VIII shall be deemed to apply to Declarant and, when appropriate, to the Board of Directors or the Architectural Committee. Nothing herein shall be construed to permit interference with the development of the Lots by Declarant in accordance with its general plan of development.

Section 15. Declarant's Right To Change Development. With the approval of the Town of Franklin Forest, Declarant shall have the right, without consent or approval of the Owners, to create dwelling units, add Common Elements, change unit types and reallocate units within the development.

Section 16. Insurance. The Association shall procure and maintain adequate liability insurance covering the Association, in an amount not less than \$1,000,000.00. The Association shall also procure and maintain full replacement value hazard insurance on real and personal property owned by the Association, and shall procure and maintain officers', directors' and employees' liability insurance. The premiums for such insurance shall be a common expense paid from the annual assessments provided in Article V of this Declaration.

Section 17. Rules and Regulations. The Board of Directors shall have the authority to adopt additional rules and regulations governing the use of the Common Elements and the Lots within the Subdivision and shall furnish a written copy of said rules and regulations to the Owner(s) of each Lot at least fifteen (15) days before such rules and regulations become effective. Any violation of such rules shall be punishable by fine and/or suspension of voting rights as provided in this Declaration.

In addition to any other rights and remedies that the Association may have under this Declaration, the Association may impose sanctions for violations of this Declaration, the Bylaws of the Association, the rules and regulations adopted Association, or the Restrictive Covenants

applicable to the Properties, in accordance with procedures set forth in the Bylaws, which sanctions may include, but are not limited to the maximum fine provided for in G.S. 47F-3-107.1, \$150.00, which fines shall constitute a lien upon the Lot of the violator, and suspension of the right to vote and the right to use any recreational facilities within the Common Elements.

In addition, pursuant to procedures provided in the Bylaws, the Association may exercise self-help to cure violations (specifically including, but not limited to, the towing of Owner and tenant vehicles that are in violation of parking rules) and may suspend the right of an Owner to use any open space and recreational facility within the Properties if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association.

The Association shall at all times have the right and easement to go upon any Lot for the purposes of exercising its rights hereunder, including, but not limited to, enforcement of the architectural guidelines applicable to the Properties. Any entry onto any Lot for purposes of exercising this power of self-help shall not be deemed as trespass. All remedies set forth in this Declaration and the Bylaws shall be cumulative of any remedies available at law or in equity. In any action to enforce its rights and remedies, the party prevailing in such action shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

Section 18. Condemnation/Casualty. If all or any part of the Common Elements and improvements thereon are taken by power of eminent domain or are damaged or destroyed by fire or other casualty, the proceeds of the condemnation award or any insurance policies covering such improvements shall be payable to the Association. The Board of Directors shall propose to the Members, at an annual or special meeting held within sixty (60) days after the date of the condemnation or casualty, whether or not to reconstruct the improvements. The insurance proceeds shall be used to reconstruct the improvements unless at least sixty-seven percent (67%) of the Members vote at such meeting against reconstruction, in which event the proceeds shall be retained by the Association for operation expenses or reserves, as determined by the Board or the Members. Nothing in this Section shall prevent the Board from proposing and the Members from approving the use of such proceeds for construction of different improvements, e.g., playground on Common Elements in lieu of a destroyed club house).

Section 19. Stormwater Control Facilities. Franklin County requires runoff from the Properties be controlled and nitrogen loading from stormwater runoff from the properties be reduced. To comply with the County Code, Stormwater Control Facilities will be installed and maintained. Failure to maintain the Stormwater Control Facilities is a violation of the County regulations potentially subjecting each Owner to significant daily civil penalties and other enforcement actions. Consequently, on behalf of each Owner, the Association shall maintain, repair, replace and reconstruct the Stormwater Control Facilities so that at all times the Stormwater Control Facilities shall perform as designed and at all times shall comply with all applicable laws, ordinances, regulations, rules, and directives of governmental authorities. In addition, the Association shall perform maintenance and repair of the Stormwater Control Facilities as set forth within the "Operation & Maintenance Agreement" recorded in the Franklin County Registry in Book _____ Page _____ and as defined in the "Stormwater Agreement" executed by Declarant and recorded in the Franklin County Registry in Book _____ Page _____. In the event that the Association neglects or fails to maintain, repair,

replace, or reconstruct the Stormwater Control Facilities, each Owner shall be jointly and severally responsible for such tasks, as required by the Town of Youngsville and/or Franklin County. In the event that the Owner thereafter performs such maintenance, repair, replacement, or reconstruction, said Owner shall be entitled to reimbursement from the Association for the cost thereof, or, if the Association should fail to reimburse the Owner, said Owner shall be entitled to a pro-rata contribution for such costs from the Owner of every other Lot.

Section 13. Permanently Protected Undisturbed Open Space Areas . No land-disturbing activity, removal of vegetation, application of impervious surface, nor construction or erecting any structure shall take place in Permanently Protected Undisturbed Open Space Areas without first obtaining a written permit from Franklin County.

ARTICLE XIII **AUTHORITY FOR AMENDMENTS**

The authority for the amendments are found in Article VI and Article X, Section 4. At the time this Declaration is made, the Declarant is the owner of all lots and common areas in this subdivision and by reason of such ownership is entitled to make amendments unilaterally without the joinder of any future Owner of any Lot or the Association.

ARTICLE XIV **DECLARANT RIGHTS**

All references to “Declarant” and all rights reserved therein are for EL DORADO INVESTMENT GROUP, INC., a North Carolina Limited Liability Company.

IN WITNESS WHEREOF, the undersigned, Declarants herein, hereby execute this instrument by and through it's duly authorized representatives and under seal this ____ day of _____, _____.

EL DORADO INVESTMENT GROUP, INC.

_____(SEAL)

BY: _____
Title: President

STATE OF NORTH CAROLINA
FRANKLIN COUNTY

I, Kimberly P. Thomas a Notary Public of Franklin County, North Carolina, do hereby certify that _____, as President of EL DORADO INVESTMENT GROUP, INC. a North Carolina corporation, personally appeared before me this day and that by authority duly given, he executed the foregoing instrument on behalf of the company as its President.

Witness my hand and official seal, this the ____ day of _____, _____.

Notary Public

My Commission Expires: June 30, 2026