

  
Doc No 10057891  
Recorded 02/25/2022 02 59 48 PM  
Fee Amt \$230.00 Page 1 of 66  
Franklin County North Carolina  
Brandi S Brinson, Register of Deeds  
BK **2292** PG **173 - 238 (66)**

DECLARATION OF  
COVENANTS, RESTRICTIONS AND EASEMENTS  
FOR HILLCREST  
A PLANNED COMMUNITY OF DETACHED HOMES  
**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF  
POLITICAL SIGNS AND THE FLAG OF THE UNITED STATES OF AMERICA  
OR STATE OF NORTH CAROLINA**

Prepared by and return to:  
ARS Hillcrest Development, LLC  
104 Bergstrand Court  
Cary, NC 27513  
Attn: Brent Wood

## **TABLE OF CONTENTS**

|                                                       |   |
|-------------------------------------------------------|---|
| 1. DEFINITIONS.....                                   | 1 |
| 1.1. “Act”.....                                       | 1 |
| 1.2. “Architectural Review Board” or “ARB” .....      | 1 |
| 1.3. “Articles”.....                                  | 1 |
| 1.4. “Assessment” .....                               | 1 |
| 1.5. “Association Property” .....                     | 2 |
| 1.6. “Board” or “Board of Directors” .....            | 2 |
| 1.7. “Builder” .....                                  | 2 |
| 1.8. “Bylaws” .....                                   | 3 |
| 1.9. “Class A Member” .....                           | 3 |
| 1.10. “Class B Member” .....                          | 3 |
| 1.13. “Code” .....                                    | 3 |
| 1.14. “Common Areas” .....                            | 3 |
| 1.15. “Common Expenses” .....                         | 3 |
| 1.16. “Community” .....                               | 4 |
| 1.17. “County” .....                                  | 4 |
| 1.18. “Declarant” .....                               | 4 |
| 1.19. “Declarant Control Period” .....                | 4 |
| 1.20. “Declarant’s Permittees” .....                  | 4 |
| 1.21. “Declaration” and “this Declaration”, .....     | 4 |
| 1.22. “Eligible Mortgagee” .....                      | 4 |
| 1.23. Emergency Escape and Rescue Easement Area ..... | 4 |
| 1.24. “Fiscal Year” .....                             | 5 |
| 1.25. “Future Development Property” .....             | 5 |
| 1.26. “Governing Documents” .....                     | 5 |
| 1.27. “Guest” .....                                   | 5 |
| 1.28. “Improvement” .....                             | 5 |
| 1.29. “Include,” “includes,” or “including” .....     | 5 |
| 1.30. “Lot” .....                                     | 5 |
| 1.31. “Maintain,” “Maintenance,” “Maintaining,” ..... | 5 |

|       |                                                                                               |   |
|-------|-----------------------------------------------------------------------------------------------|---|
| 1.32. | “Member” .....                                                                                | 6 |
| 1.33. | “Mortgage” .....                                                                              | 6 |
| 1.34. | “Mortgagee” .....                                                                             | 6 |
| 1.35. | “Operating Deficit” .....                                                                     | 6 |
| 1.36. | “Owner” .....                                                                                 | 6 |
| 1.37. | “Permitted Users” .....                                                                       | 6 |
| 1.38. | “Person” .....                                                                                | 6 |
| 1.39. | “Property” .....                                                                              | 6 |
| 1.40. | “Registry” .....                                                                              | 6 |
| 1.41. | “Restore,” .....                                                                              | 6 |
| 1.42. | “Restoration Costs” .....                                                                     | 7 |
| 1.43. | “Site Plan” .....                                                                             | 7 |
| 1.44. | “Stormwater Covenant” .....                                                                   | 7 |
| 1.45. | “Stormwater Facilities” .....                                                                 | 7 |
| 1.46. | “Stormwater Facilities Manual” .....                                                          | 7 |
| 1.47. | “Subcontractor” .....                                                                         | 7 |
| 1.48. | “Subdivision Plat” .....                                                                      | 7 |
| 1.49. | “Supplemental Declaration” .....                                                              | 7 |
| 1.50. | “Tenant” .....                                                                                | 7 |
| 1.51. | “Owner” .....                                                                                 | 7 |
| 1.52. | “Unit” .....                                                                                  | 8 |
| 1.53. | “Working Capital Contribution” .....                                                          | 8 |
| 1.54. | Interpretation and Flexibility .....                                                          | 8 |
| 2.    | GENERAL PLAN OF DEVELOPMENT; PROPERTY SUBJECT TO THIS<br>DECLARATION; ADDITIONS THERETO ..... | 8 |
| 2.1.  | General Plan .....                                                                            | 8 |
| 2.2.  | Legal Description .....                                                                       | 8 |
| 2.3.  | Future Development .....                                                                      | 8 |
| 2.4.  | Supplements .....                                                                             | 9 |
| 2.5.  | Disclaimer of Implication .....                                                               | 9 |
| 2.6.  | Amendment .....                                                                               | 9 |

|       |                                                                        |    |
|-------|------------------------------------------------------------------------|----|
| 3.    | COMMON AREA PROVISIONS .....                                           | 10 |
| 3.1.  | Common Areas.....                                                      | 10 |
| 3.2.  | Prior to Conveyance .....                                              | 10 |
| 3.3.  | Conveyance or Dedication of Common Areas.....                          | 10 |
| 3.4.  | Operation After Conveyance.....                                        | 11 |
| 3.5.  | Taxes .....                                                            | 11 |
| 3.6.  | Assumption of Risk.....                                                | 11 |
| 3.7.  | Negligence.....                                                        | 12 |
| 3.8.  | Partition .....                                                        | 12 |
| 4.    | MEMBERSHIP, GOVERNANCE AND VOTING RIGHTS IN THE ASSOCIATION.....       | 12 |
| 4.1.  | Membership.....                                                        | 12 |
| 4.2.  | Voting Rights .....                                                    | 12 |
| 4.3.  | Modifications .....                                                    | 13 |
| 4.4.  | General Matters .....                                                  | 13 |
| 5.    | CERTAIN EASEMENTS AND RIGHTS .....                                     | 13 |
| 5.1.  | Owners' Rights of Use .....                                            | 13 |
| 5.2.  | Limitations on Use of Common Areas.....                                | 14 |
| 5.3.  | Right to Grant or Relocate Easements. ....                             | 15 |
| 5.4.  | Association Easements over Lots and Units .....                        | 15 |
| 5.5.  | Utility Easements .....                                                | 15 |
| 5.6.  | Access for Governmental Agencies; Service and Emergency Easements..... | 16 |
| 5.7.  | Easements for Pedestrian and Vehicular Traffic.....                    | 16 |
| 5.8.  | Encroachments; Easements .....                                         | 16 |
| 5.9.  | Utility and Other Services; Stormwater Facilities.....                 | 16 |
| 5.10. | Easements of Support .....                                             | 17 |
| 5.11. | Cluster Mailbox Easement.....                                          | 17 |
| 5.12. | Easements Appurtenant .....                                            | 17 |
| 6.    | FUNCTIONS OF THE ASSOCIATION .....                                     | 17 |
| 6.1.  | Powers and Duties .....                                                | 17 |
| 6.2.  | Assessments .....                                                      | 17 |
| 6.3.  | Maintenance of Other Property .....                                    | 18 |

|       |                                                           |    |
|-------|-----------------------------------------------------------|----|
| 6.4.  | Rules.....                                                | 18 |
| 6.5.  | Borrowing.....                                            | 18 |
| 6.6.  | Marketing .....                                           | 18 |
| 6.7.  | Special Events .....                                      | 19 |
| 6.8.  | Indemnification .....                                     | 19 |
| 6.9.  | Management.....                                           | 19 |
| 7.    | MAINTENANCE OF UNITS, LOTS AND COMMON AREAS.....          | 19 |
| 7.1.  | Maintenance of Improvements.....                          | 19 |
| 7.2.  | Remedies for Noncompliance .....                          | 20 |
| 7.3.  | Costs of Remedial Work; Surcharges .....                  | 20 |
| 7.4.  | Right of Entry; Right to File Notices of Lien Rights..... | 20 |
| 7.5.  | Standards for Maintenance; Restoration .....              | 20 |
| 7.6.  | Other Maintenance Services.....                           | 21 |
| 7.7.  | Common Area Maintenance.....                              | 21 |
| 7.8.  | Maintenance of Stormwater Facilities.....                 | 21 |
| 7.9.  | Street Lighting.....                                      | 21 |
| 7.10. | Trash Collection .....                                    | 22 |
| 8.    | INSURANCE .....                                           | 22 |
| 8.1.  | Insurance by Owners.....                                  | 22 |
| 8.2.  | Insurance by the Association .....                        | 22 |
| 8.3.  | Other Insurance to be Maintained by the Association ..... | 23 |
| 9.    | RESTORATION AFTER CASUALTY .....                          | 24 |
| 9.1.  | Plans and Procedures for Restoration.....                 | 24 |
| 9.2.  | Restoration by Association.....                           | 24 |
| 9.3.  | Proceeds .....                                            | 24 |
| 9.4.  | Restoration Costs.....                                    | 25 |
| 10.   | COVENANT FOR ASSESSMENTS AND OTHER AMOUNTS.....           | 25 |
| 10.1. | Obligation for Assessments.....                           | 25 |
| 10.2. | Purpose of Assessments.....                               | 25 |
| 10.3. | Classes of Membership.....                                | 25 |
| 10.4. | Amount of Assessments .....                               | 25 |

|        |                                                              |    |
|--------|--------------------------------------------------------------|----|
| 10.5.  | Budgets .....                                                | 25 |
| 10.6.  | Common Assessments.....                                      | 26 |
| 10.7.  | Special Assessments for Common Expenses .....                | 27 |
| 10.8.  | Individual Assessments .....                                 | 27 |
| 10.9.  | Future Development Property .....                            | 28 |
| 10.10. | Due Dates .....                                              | 28 |
| 10.11. | Disapproval of Budgets .....                                 | 28 |
| 10.12. | Determination of Default Budget and Default Assessments..... | 28 |
| 10.13. | Certificate of Payment.....                                  | 28 |
| 10.14. | Monetary Defaults and Collection of Assessments.....         | 29 |
| 10.15. | Collection of Assessments.....                               | 31 |
| 10.16. | Priority of Liens.....                                       | 31 |
| 10.17. | Association's Right to Collect Rents.....                    | 31 |
| 10.18. | Use of Common Areas .....                                    | 32 |
| 10.19. | Common Areas and Certain Other Property.....                 | 32 |
| 10.20. | Exemption from Assessments; Operating Deficits.....          | 33 |
| 10.21. | Association Working Capital Fund .....                       | 33 |
| 10.22. | Declarant Subsidy.....                                       | 33 |
| 10.23. | Association Funds.....                                       | 33 |
| 11.    | CERTAIN RESTRICTIONS, RULES AND REGULATION.....              | 34 |
| 11.1.  | Applicability .....                                          | 34 |
| 11.2.  | Land Use and Building Type.....                              | 34 |
| 11.3.  | Easements .....                                              | 34 |
| 11.4.  | Nuisances.....                                               | 34 |
| 11.5.  | Temporary Structures .....                                   | 34 |
| 11.6.  | Signs .....                                                  | 34 |
| 11.7.  | Pets, Livestock and Poultry .....                            | 35 |
| 11.8.  | Commercial Trucks, Trailers, Campers and Boats.....          | 35 |
| 11.9.  | Garbage and Trash Disposal.....                              | 36 |
| 11.10. | Alleys.....                                                  | 36 |
| 11.11. | Sight Triangles.....                                         | 36 |

|        |                                                       |    |
|--------|-------------------------------------------------------|----|
| 11.12. | Seasonal or Holiday Decorations .....                 | 37 |
| 11.13. | Exterior Antennas, etc .....                          | 37 |
| 11.14. | Solar Panels .....                                    | 37 |
| 11.15. | Trees, Shrubs and Artificial Vegetation .....         | 38 |
| 11.16. | Games and Play Structures .....                       | 38 |
| 11.17. | Fences and Walls .....                                | 38 |
| 11.18. | Utility Connections.....                              | 38 |
| 11.19. | Motor Vehicles .....                                  | 38 |
| 11.20. | Additional Use Restrictions.....                      | 40 |
| 11.21. | Exemption for Declarant and Builders .....            | 40 |
| 12.    | COMPLIANCE AND ENFORCEMENT .....                      | 42 |
| 12.1.  | Compliance .....                                      | 42 |
| 12.2.  | Enforcement.....                                      | 42 |
| 12.3.  | Individual Assessments; Suspension of Rights .....    | 42 |
| 13.    | DEVELOPMENT REVIEW; GENERAL POWERS .....              | 42 |
| 13.1.  | Members of ARB.....                                   | 42 |
| 13.2.  | Review of Proposed Construction .....                 | 43 |
| 13.3.  | Meetings of the ARB.....                              | 44 |
| 13.4.  | No Waiver of Future Approvals .....                   | 44 |
| 13.5.  | Inspection of Work .....                              | 44 |
| 13.6.  | Builder Exemption.....                                | 45 |
| 14.    | ADDITIONAL SPECIAL DECLARANT RIGHTS .....             | 45 |
| 14.1.  | General.....                                          | 45 |
| 14.2.  | Easement.....                                         | 46 |
| 14.3.  | Injunctive Relief for Interference .....              | 46 |
| 15.    | LEASING AND OCCUPANCY OF UNITS .....                  | 46 |
| 15.1.  | Residential Use Only .....                            | 46 |
| 15.2.  | Leased Units .....                                    | 47 |
| 15.3.  | Owner Responsible for Conduct of Permitted Users..... | 47 |
| 15.4.  | Use of Common Areas .....                             | 48 |
| 15.5.  | Declarant's Use.....                                  | 48 |

|                                                                                          |    |
|------------------------------------------------------------------------------------------|----|
| 16. ADDITIONAL RIGHTS OF ELIGIBLE MORTGAGEES .....                                       | 48 |
| 16.1. Books and Records .....                                                            | 48 |
| 16.2. Notice to Eligible Mortgagees .....                                                | 48 |
| 16.3. Approval of Eligible Mortgagees .....                                              | 49 |
| 16.4. Payment of Taxes and Insurance Premiums .....                                      | 49 |
| 17. AMENDMENTS .....                                                                     | 49 |
| 17.1. By the Declarant .....                                                             | 49 |
| 17.2. By the Association .....                                                           | 49 |
| 17.3. Scrivener's Errors .....                                                           | 50 |
| 17.4. Limitations on Amendments Affecting Declarant Rights .....                         | 50 |
| 17.5. Amendments Required by Secondary Mortgage Market .....                             | 50 |
| 17.6. Mortgagee's Consent .....                                                          | 50 |
| 17.7. Effective Date .....                                                               | 51 |
| 17.8. Challenge .....                                                                    | 51 |
| 18. EFFECT AND DURATION OF COVENANTS .....                                               | 51 |
| 19. GENERAL PROVISIONS .....                                                             | 51 |
| 19.1. Exculpation .....                                                                  | 51 |
| 19.2. Notice .....                                                                       | 51 |
| 19.3. Severability .....                                                                 | 51 |
| 19.4. Performance of Association's Duties by Declarant .....                             | 52 |
| 19.5. Conflict .....                                                                     | 52 |
| 19.6. Effective Date .....                                                               | 52 |
| 19.7. Standards for Consent. Approval, Completion, Other Action and Interpretation ..... | 52 |
| 19.8. Easements .....                                                                    | 52 |
| 19.9. CPI .....                                                                          | 52 |
| 19.10. Attorneys' Fees; Enforcement Costs .....                                          | 53 |
| 19.11. Principles of Interpretation and Definitions .....                                | 53 |
| 19.12. Litigation .....                                                                  | 53 |

## DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR HILLCREST

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR Hillcrest (“Declaration”) is made as of the 25<sup>th</sup> day of February, 2022, ARS Hillcrest Development LLC, a North Carolina limited liability company (“Declarant”).

### RECITALS

A. The Declarant is the owner of that certain property located in the Youngsville Township (the “City”), Franklin County (the “County”), North Carolina, described in Exhibit A hereto (the “Property”). The Declarant intends that various portions of the Property be set aside for the collective use of the owners and residents of the planned community known as Hillcrest to be created on the Property.

B. In order to preserve and enhance the value of the improvements built on the Property and to promote the welfare of their owners and occupants, the Declarant desires to submit the Property to this Declaration.

C. In order to facilitate the objectives described herein, the Declarant has formed, or will form, a North Carolina non-profit corporation called Hillcrest Community Association (“Association”), which shall be responsible for the enforcement and performance of certain obligations under this Declaration.

NOW, THEREFORE, Declarant declares that the Property, together with such additions thereto as are hereafter made pursuant to this Declaration, shall be held, transferred, sold, conveyed, leased, mortgaged, used, occupied and improved subject to the easements, covenants, conditions, restrictions, servitudes, charges and liens created or provided for by this Declaration.

1. DEFINITIONS. The following words and terms have the following definitions, unless the context in which they are used clearly indicates otherwise.

1.1. “Act” means the North Carolina Planned Community Act, as contained in Chapter 47F of the North Carolina General Statutes (or as contained in any successor portion of the North Carolina General Statutes), as the same exists from time to time.

1.2. “Architectural Review Board” or “ARB” means the committee created pursuant to Article 13 hereof.

1.3. “Articles” means the Articles of Incorporation of the Association which have been filed in the office of the Secretary of the State of North Carolina, as amended from time to time.

1.4. “Assessment” means any of the types of assessments defined below in this Section.

1.4.1. “Common Assessment” means the amounts charged to each Lot subject to assessment by the Association, representing the Lot’s share of the Common Expenses as determined in accordance with this Declaration.

1.4.2. “Individual Assessment” means the amounts charged to one or more Lots by the Association in connection with (1) the enforcement of the Governing Documents as a result of the acts or omissions of the Owner or Permitted Users of a Lot, their respective agents, contractors, subcontractors, employees, licensees or invitees for their failure to duly perform their obligations under the Governing Documents; (2) reimbursing the Association for expenses incurred by the Association due to that Owner’s failure to Maintain his Lot or Unit pursuant to the standards set forth in this Declaration; (3) reimbursing the Association for injury, loss or damage to the Association or to any Common Area, Association Property or other Lot caused by the Owner or Permitted Users, or their respective agents, contractors, subcontractors, employees, licensees or invitees, and not covered by insurance; (4) reimbursing the Association for, or payments to the Association for the collection of, charges attributable to a Lot or group of Lots for water usage if such usage is not individually metered and/or paid individually by and to the applicable provider; or (5) any other purpose expressly authorized by this Declaration.

1.4.3. “Special Assessment” means and includes the following: the amounts charged to each Lot subject to assessment by the Association for any of the following purposes: (1) unbudgeted expenses or expenses in excess of the amounts budgeted; (2) expenses incurred by the Association for repair, replacement or reconstruction of any Improvements on any portion of the Common Areas or Association Property; (3) expenses incurred by the Association for installation or construction of any Improvements in the nature of a capital improvement on any portion of the Common Areas or Association Property made after the Declarant Control Period; or (4) expenses incurred by the Association for Restoration of portions of the Property in the event the insurance proceeds are insufficient to pay the Restoration Costs or in the event the injury, loss or damage resulted from an uninsured loss.

If Special Assessments are assessed for Common Expenses or for any purpose identified in clause (2) or (3) above, they shall be assessed against all Lots subject to assessment. If Special Assessments are assessed for any purpose identified in clause (4) above, they shall be assessed against the Owners of the damaged Units in the same proportion which the Restoration Costs attributable to their Units bears to all Restoration Costs of the damaged Units.

1.5. “Association Property” means all personal property owned by the Association. Association Property shall also include all personal property in which the Association holds possessory or use rights.

1.6. “Board” or “Board of Directors” means the board of directors of the Association, and is the executive board as defined in the Act. The Board is responsible for the management and administration of the Association as provided for in this Declaration and in the Act.

1.7. “Builder” means any Person who purchases one (1) or more Lots from Declarant for the purpose of constructing Units thereon for later sale to consumers in said Builder’s

ordinary course of business. Any Person shall cease to be considered a Builder with respect to a Unit immediately upon occupancy of and residing in the Unit for residential purposes, notwithstanding that such person originally was recognized as a Builder.

1.8. “Bylaws” means the Bylaws of the Association adopted by the Board, as amended from time to time.

1.9. “Class A Member” means all Owners of Lots, with the exception of the Declarant so long as the Declarant is a Class B Member, unless otherwise provided in a Supplemental Declaration.

1.10. “Class B Member” means the Declarant.

1.11. “Cluster Mailbox Easement Area” means, collectively, those portions of Common Area and Lots designated as “USPS Cluster Box Access Easement” (or similar designation) on a recorded plat of all or any portion of the Property.

1.12. “Cluster Mailboxes” means, collectively, the collections of mailboxes assigned to the Lots within the Cluster Mailbox Easement Areas, and any associated structures for housing the mailboxes.

1.13. “Code” means the any applicable ordinance or regulation of the City or County, as amended and supplemented from time to time.

1.14. “Common Areas” means all real property and interests in real property, together with any Improvements situated thereon, intended for the common use and benefit of the Association, the Owners, and/or the Permitted Users of the Property, and designated as a Common Area in this Declaration, on a Subdivision Plat or other document recorded in the Registry by Declarant, or after the Declarant Control Period, the Association. For avoidance of any doubt, the Common Areas shall include any private streets or alleys within the Community. Common Areas may be owned or leased by the Association or dedicated to the Association on a Subdivision Plat or may be owned by another Person with the Association having a right or easement therein (for example, part or all of a private stormwater drainage easement located on either a Lot or real property that is not part of the Property and that serves more than one (1) Lot or a right of the Association to use of a portion of a public street right of way pursuant to an encroachment agreement with the City or County).

1.15. “Common Expenses” means all of the actual and estimated expenses and liabilities of the Association for owning, leasing, administering, Maintaining, managing, operating, insuring, repairing, and replacing the Common Areas and Association Property (including unpaid Common Assessments and Special Assessments not paid by the Owner responsible for payment), and performing its rights and responsibilities under the Act and the Governing Documents, together with any other expenses incurred by the Association as are specifically provided for elsewhere in this Declaration or are otherwise reasonably incurred by the Association in connection with the Association, Common Areas or Association Property or for the benefit of the Owners and their Permitted Users. Declarant’s cost to acquire and improve

the Property or the Common Areas are not Common Expenses.

1.16. “Community” means that planned community known as Hillcrest and depicted on the Subdivision Plat.

1.17. “County” means Franklin County, North Carolina.

1.18. “Declarant” means ARS Hillcrest Development, LLC, its successors and those assigns to which the Declarant may assign all or a portion of its rights hereunder in a written assignment recorded in the Registry. In the event of a partial assignment, the assignee shall not be deemed the Declarant, but may exercise such rights of Declarant specifically assigned to it. Any such assignment may be made on a nonexclusive basis.

1.19. “Declarant Control Period” means any period of Declarant control of the Association, as provided in §3-103(d) of the Act and established in this Declaration. For purposes of this Declaration and other Governing Documents, “Declarant Control Period” refers to the period during which the Declarant shall have the right to control the Association and appoint all of the Board of Directors. The Declarant Control Period shall expire on the first to occur of the following events:

1.19.1. Twenty years from the first recording date of this Declaration; or

1.19.2. the later of (x) 240 days or (y) the first annual meeting, in each case, after the date on which one hundred (100%) percent of the Units in all phases of the Community that may ultimately be subject to this Declaration have been conveyed to Class A Members.

1.20. “Declarant’s Permittees” means the Declarant’s officers, directors, partners, joint venturers, managing members (and the officers, directors and employees of any such corporation, partnership, joint venture or limited liability company), employees, beneficiaries, agents, independent contractors (including both general contractors and subcontractors), suppliers, visitors, licensees and invitees and those of any affiliate of the Declarant.

1.21. “Declaration” and “this Declaration”, “herein”, “hereto”, “hereof”, “hereunder” and words of similar import shall mean and refer to this document together with all exhibits and amendments to the document and Supplemental Declarations thereto regardless when recorded.

1.22. “Eligible Mortgagee” means a First Mortgagee which owns, services, insures or guarantees a First Mortgage encumbering a Unit which has notified the Association in writing of its name and address and status as a holder, insurer or guarantor of a First Mortgage. Such notice will be deemed to include a request that the Eligible Mortgage Holder be given the notices and other rights described in Article 16.

1.23. Emergency Escape and Rescue Easement Area means the areas designated on the Site Plan or Subdivision Plat for emergency ingress and egress required to comply with Section R310 of the North Carolina Residential Code.

1.24. “Fiscal Year” means the calendar year until such time as the Board, by appropriate resolution, establishes a different Fiscal Year for the Association.

1.25. “Future Development Property” means the real property more particularly described in Exhibit B attached hereto, as amended from time to time, which may be developed as Lots, Units or Common Areas; however, the boundaries, location, size, configuration, and uses of any such Lots, Units, and Common Areas have not been determined as of this Declaration. The Declarant has no obligation to declare all or any portion of the Future Development Property to be Lots, Units or Common Areas.

1.26. “Governing Documents” means collectively this Declaration (including any Supplemental Declaration), Articles, Bylaws, architectural guidelines and the rules and regulations of the Association and all exhibits to any of the foregoing, all as they may be amended, restated or supplemented from time to time.

1.27. “Guest” means any Person who is physically present in or occupies a Unit on a permanent or temporary basis at the invitation of the Owner or Tenant without the payment of consideration.

1.28. “Improvement” means any structure or artificially created condition or appurtenance located on the Property, including any building constructed on any Lot, any additions and structural alterations to any Unit or Lot, any walkway, sprinkler pipe, road, driveway, parking area, fence, screening wall, retaining wall, stairway, deck, landscaping, hedge, fountain, tree, planting, shrub, windbreak, pole, swimming pool, pool deck, sign, screen enclosure, sewer, drain, disposal system, grading, paving, or exterior heating, ventilating or air-conditioning equipment, solar panels, or water softener fixture or equipment.

1.29. “Include,” “includes,” or “including” is intended to include of the particular matter described and to be interpreted as if it were followed by either the phrase “without limitation” or “but not limited to,” unless otherwise clearly obvious from the context.

1.30. “Lot” means that portion of the Property (1) which is developed or intended for development, use and occupancy as a Unit and is shown as a numbered or letter parcel on any Subdivision Plat of any part or all of the Property and is declared to be a Lot in this Declaration or a Supplemental Declaration and (2) which is not a Common Area, dedicated street or transit right of way, or greenway or park lands owned in fee simple by the City or County. The Declarant may declare a portion of the Property to be a “Lot” subject to the Governing Documents on a Subdivision Plat, replat, or by this Declaration, any Supplemental Declaration or any other recorded instrument. The term “Lot” shall include any Unit constructed thereon. No portion of the Future Development Property shall be deemed to be a Lot unless and until it is expressly declared to be a Lot in a Supplemental Declaration.

1.31. “Maintain,” “Maintenance,” “Maintaining,” or any similar term used in this Declaration includes any one or more of the following, as the context requires: re-construction, maintenance, inspection, examination, upkeep, remedy of defects in the materials or workmanship of an Improvement, cleaning, renewal, alteration, repair, replacement, repainting,

remodeling, restoration, removal, improvement, administration, operation, use, landscaping, planting, mowing, cutting, trimming, pruning, fertilizing, watering and preservation, and with respect to any replacement items, acquisition, purchase, construction and installation.

1.32. “Member” means each Person who or which holds membership in the Association by virtue of his ownership of a Lot.

1.33. “Mortgage” means any mortgage or deed of trust encumbering a portion of the Property, including a Lot. “First Mortgage” means any recorded Mortgage with first priority or seniority over other Mortgages on a particular portion of the Property.

1.34. “Mortgagee” means any beneficiary, payee or holder of any Mortgage, and the term Mortgage is deemed to refer to both mortgages and deeds of trust. “First Mortgagee” means any beneficiary, payee or holder of a First Mortgage.

1.35. “Operating Deficit” means for any calendar year, the difference between the total amount of the Assessments for such calendar year levied on all Lots and the amount of actual expenditures by the Association during such calendar year for Common Expenses, excluding (1) expenditures for the funding of reserves, and (2) Special Assessments for capital improvements.

1.36. “Owner” means the record Owner, whether one or more Persons, of fee simple title to any Lot. “Owner” shall not include Declarant (during the Declarant Control Period), or any Person who holds an interest in a Lot merely as security for the performance of an obligation or as a Tenant or as a purchaser under an executory contract of sale.

1.37. “Permitted Users” means the Tenants or Guests of an Owner.

1.38. “Person” includes any natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, governmental entity (including the City), or other entity.

1.39. “Property” means, collectively, all of the real property and interests in real property subject to any part or all of the terms of this Declaration. The Property is legally described in Exhibit A hereto (plus all Improvements thereon), plus whatever additional real property (together with all Improvements thereon) is declared to be Property in any Supplemental Declaration, less whatever portions of the Property (together with all Improvements thereon) are declared to be withdrawn from the provision of this Declaration in any Supplemental Declaration.

1.40. “Registry” means the office of the County Register of Deeds (or any successor office under applicable law). All references herein to recording or to any requirement to record a document or Subdivision Plat refer to recording in the Registry of the County or Counties in which the applicable portion of the Property is situated.

1.41. “Restore,” “Restoration,” “Restoring” or any similar term used in this Declaration includes any one or more of the following, as the context requires: debris removal, alteration, re-

construction, installation, inspection, examination, repair, replacement, repainting, restoration of an Improvement lost or damaged by fire or other casualty, deterioration or obsolescence, or any taking by condemnation or eminent domain proceedings.

1.42. “Restoration Costs” shall have the meaning set forth in Section 9.4.

1.43. “Site Plan” means the graphic representation of the proposed plan for development of the Community depicted on the Hillcrest Subdivision site plan as approved by Franklin County, North Carolina on May 11, 2021, as amended from time to time. The Declarant reserves the right to alter or modify the Site Plan as it deems desirable in its sole discretion.

1.44. “Stormwater Covenant” means any covenant recorded in the Registry as required by the Code relating to Stormwater Facilities for the Property or any part thereof, and includes all amendments and supplements to such agreements.

1.45. “Stormwater Facilities” shall have the meaning ascribed to “Facility/ies” set forth in the Stormwater Covenant. All Stormwater Facilities are Common Area.

1.46. “Stormwater Facilities Manual” means that manual, however named, referenced in the Stormwater Covenant as establishing the requirements for maintenance of Stormwater Facilities.

1.47. “Subcontractor” means any first tier or further tier subcontractor of a Builder. Any Person shall cease to be considered a Subcontractor with respect to a Unit immediately upon occupancy of and residing in the Unit for residential purposes, notwithstanding that such person originally was recognized as a Subcontractor.

1.48. “Subdivision Plat” means that certain plat recorded in the Registry on February 3, 2022, at Book 2022, Page 42, for Phase 1 of the Property as well as any other plat recorded in the Registry by the Declarant for any additional phase(s) of Property. The Declarant reserves the right to alter, modify or replat all or any portion of a Subdivision Plat as it deems desirable in its sole discretion.

1.49. “Supplemental Declaration” means any instrument recorded by the Declarant or the Association in the office of the Registry for the purpose of: adding additional property to the Property; declaring Future Development Property or other property to be Lots, Units or Common Areas; requiring the Association to perform Exterior Maintenance for portions of the Property; withdrawing property from the Property; or changing the designation of certain property as Lots, Units, Common Areas or Future Development Property.

1.50. “Tenant” means any Person who is physically present in or is entitled to occupy a Unit in exchange for consideration. Tenants shall not be Members of the Association, but shall, through the Owner, be entitled to certain rights and undertake certain obligations with respect to the Unit.

1.51. “Owner” means the Owner of a Unit.

1.52. “Unit” means a Lot on which has been constructed an Improvement intended for use as a detached single residential dwelling unit.

1.53. “Working Capital Contribution” means an amount equal to two (2) times the then-current amount of monthly Common Assessments for each Lot. The Working Capital Contribution amount is subject to increases to be determined by the Board pursuant to this Declaration.

1.54. Interpretation and Flexibility. In the event of any ambiguity or question as to whether any Person, property or Improvement falls within any of the definitions set forth in this Article 1, the determination made by Declarant in such regard (as evidenced by a recorded Supplemental Declaration stating same) during the Declarant Control Period shall be binding and conclusive.

## 2. GENERAL PLAN OF DEVELOPMENT; PROPERTY SUBJECT TO THIS DECLARATION; ADDITIONS THERETO.

2.1. General Plan. Declarant is the owner of the Property. Declarant presently plans to develop all or a portion of the Property as a planned community comprised of residential, recreational and related uses.

2.2. Legal Description. The legal description of the Property is provided on Exhibit A attached hereto. Declarant hereby subjects the Property to this Declaration. The real property and Improvements thereto described in Exhibit B attached hereto are designated as “Future Development Property.”

2.3. Future Development. Declarant has the right, but not the obligation to subject any portion of the Future Development Property to this Declaration. Declarant does not represent or warrant that the development shown in any Site Plan, drawings, renderings, plans or models for the Future Development Property will be carried out or that the Future Development Property will actually be developed or built. Any Site Plan or drawings, renderings, plans or models for the Future Development Property are conceptual in nature and do not represent a final development or improvement plan. No portion of the Future Development Property shall be deemed to be a Lot, Unit, or Common Area unless and until it is declared to be such in a Supplemental Declaration executed by the Declarant and the Owner of the Future Development Property if other than the Declarant. The Declarant has no obligation to declare all or any portion of the Future Development Property to be Lots, Units or Common Areas.

The Owners acknowledge, covenant and agree that Declarant and any Builder will have no liability to the Owners for any changes to, or failure to complete any development or Improvements in accordance with the Site Plan, or any drawings, renderings, plans or models, all of which are subject to change without notice. Each Owner acknowledges that the development of the Property may extend over a number of years, and agrees and consents to all changes in the uses or density of Units within the Property and the architectural scheme of the Property. Each Owner acknowledges and agrees that the Owner is not entitled to rely upon, and has not received

or relied upon, any representations, warranties, or guarantees whatsoever as to the current or future: (1) design, construction, completion, development, use, benefits, or value of land within the Property; (2) number, types, sizes, prices, or designs of any Unit, structure, building, facilities, amenities or improvements built or to be built in any part of the Property; or (3) use or development of any land adjacent to or in the vicinity of the Property.

2.4. Supplements. Declarant has the right, but not the obligation, to develop the land constituting the Property in “phases” from time to time and to declare such portions of the Property to be Lots, Units or Common Areas by Supplemental Declaration. As long as the Declarant owns any property in the Community, the Declarant may designate as “Property” other land in the Community or any adjacent property (including the Improvements thereon) by recording Supplemental Declarations, which shall not require the consent of then-existing Owners or the Association. If Declarant is not the owner of the land to be added to the Property as of the date the applicable Supplemental Declaration is to be made, then the owner(s) of such land shall join in such Supplemental Declaration. Once so added, such land shall be deemed a part of the Property. Nothing in this Declaration shall, however, obligate Declarant to develop the Future Development Property or any other real property (adjacent or otherwise) under the common scheme contemplated by this Declaration, nor to prohibit Declarant (or the applicable Declarant-affiliated Owner) from changing the development plans with respect to the Property.

All Owners by acceptance of their deeds to or other conveyances of their Lots thereby automatically consent to any such change, addition, withdrawal or deletion thereafter made by the Declarant (or the applicable Declarant-affiliated Owner thereof) and shall evidence such consent in writing if requested to do so by the Declarant at any time (provided, however, that the refusal to give such written consent shall not obviate the general effect of this provision).

Any such Supplemental Declaration may submit the property added by it to such additions to and modifications of the Governing Documents as may be necessary or convenient in the Declarant’s judgment to reflect or adapt to any changes in circumstances or difference in the character of the added properties or Improvements thereon.

The Declarant reserves the right to modify the voting interests, Assessment rates and Assessment commencement dates by Supplemental Declaration.

2.5. Disclaimer of Implication. Only the Property described in Exhibit A hereto is submitted to the Governing Documents by this Declaration. Unless and until a Supplemental Declaration is recorded in the fashion required by this Declaration with respect to it, no other portion of the Community, if any, shall be in any way affected by the Governing Documents, and every such portion may be freely sold, conveyed or otherwise disposed of by their owner or owners free and clear of the Governing Documents.

2.6. Amendment. This Article shall not be amended without the prior written consent of the Declarant, so long as Declarant (or any of its affiliates) owns any portion of the Community.

### 3. COMMON AREA PROVISIONS.

3.1. Common Areas. Certain portions of the Property are designated as Common Areas and are designed and intended for the common, non-exclusive use of the Declarant, Owners of all Lots, and all of the respective Permitted Users and invitees of the Declarant and the Owners, all as provided and regulated herein or otherwise by the Association. Declarant shall have the right, subject to obtaining all required governmental approvals and permits, to construct on the Common Areas such facilities as Declarant deems appropriate. The timing and phasing of all such construction shall be solely within the discretion of Declarant.

Common Areas may change from time to time in connection with changes in development plans and other factors not now known (including by increase, decrease or transfer to a governmental entity). Accordingly, references in this Declaration to the Common Areas shall be deemed to refer to the Common Areas as they may exist as of the relevant time.

3.1.1. This Declaration is subject to any other easement currently of record which affects any of the Property. Any easement in favor of the Association and its benefits and burdens shall be deemed Common Area. Additionally, Declarant reserves on behalf of the Association the right to accept any easements in favor of the Association over, under, across or through any portion of the Property or real property which abuts or is adjacent to the Property, and such easements shall be deemed Common Area to the extent of such easements created. Any real property shall be considered adjacent to or abutting the Property even though a street, lake, canal or similar geographic separation may lie between any of such properties.

3.1.2. Declarant will endeavor to specifically identify (by recorded legal description, signage, physical boundaries, site plans, Subdivision Plat, or other means) the Common Areas of the Property, but such identification shall not be required in order for a portion of the Property to be Common Area hereunder. The Association need not have fee simple title to a portion of the Property in order for such portion to be designated as a Common Area.

3.2. Prior to Conveyance. The Owners shall have no right in or to any portion of the Community unless and until same is declared to be a Common Area in this Declaration or any Supplemental Declaration and actually constructed, completed, and conveyed to, leased by, dedicated to, and/or Maintained by the Association. The Declarant has no obligation or responsibility to construct or supply any such Common Area of the Association, and no party shall be entitled to rely upon any statement contained in this Declaration as a representation or warranty as to the extent of the Common Areas to be owned, leased by, or dedicated to the Association. During the Declarant Control Period, the Declarant shall retain the right to add to, delete from, and modify any of the Common Areas.

3.3. Conveyance or Dedication of Common Areas. Except for those areas which the Code requires be conveyed to the City or County, the Common Areas shall be conveyed to the Association, subject to this Declaration, drainage, greenway, utility, conservation and other easements, restrictions, reservations, conditions, limitations, and declarations of record at the time of conveyance, zoning, land use regulations and survey matters and the lien of real property taxes not yet due and payable. Title to Common Areas shall be conveyed to the Association at

such time as may be determined by Declarant in its sole discretion, or when required by the Code or Act. The Association shall accept all Common Areas deeded to it and/or dedicated to it on any recorded Subdivision Plat of the Property, including any Improvements installed thereon by Declarant, whether or not the conveyance or dedication occurs prior to the time of the conveyance of the first Lot within the applicable phase of the Property. The Association shall be responsible for the Maintenance of all Common Areas (whether or not conveyed or to be conveyed to the Association) in a continuous and satisfactory manner provided, however, Declarant, in its sole discretion may elect, but shall not be obligated, to maintain such Common Areas in such manner as Declarant deems reasonable prior to its conveyance of such Common Area(s) to the Association.

The conveyance or transfer of Common Areas shall be by a general warranty deed in a completed and well maintained condition. Subject to any rights it may have under the Act, the Association shall be deemed to have assumed and agreed to pay all continuing obligations and services and similar contracts relating to the ownership, Maintenance and operation of the Common Area and other obligations relating to the Common Area imposed herein. The Association hereby accepts such dedication(s) or conveyance(s) without setoff, condition, or qualification of any nature.

3.4. Operation After Conveyance. After the conveyance or transfer of any portion of the Common Area to the Association, the portion of the Common Area so conveyed or transferred shall be owned, operated, Maintained and administered by the Association for the use and benefit of the Owners, in accordance with the Governing Documents. Subject to the Association's right to grant easements, leaseholds and other interests as provided herein, the Association may not convey, transfer or encumber all or a portion of the Common Areas to a third party without (a) the approval of eighty (80%) percent of the total voting interests of the Members; and (b) the written consent of the Declarant during the Declarant Control Period.

3.5. Taxes. It is intended that all real estate taxes assessed against the Common Areas owned or to be owned by the Association shall be (or have been, because the purchase prices of the Units have already taken into account their proportionate shares of values of the Common Area) proportionally assessed against and payable as part of the taxes of the Units within the Property. However, in the event that, notwithstanding the foregoing, any such taxes are assessed directly against the Common Areas, the Association shall be responsible for the payment (subject to protest or appeal before or after payment) of the same, including taxes on any Improvements and any personal property thereon accruing from and after the date this Declaration or Supplemental Declaration designating the portion of the Property as Common Areas was recorded. Such taxes shall be prorated between Declarant (or the then Declarant-affiliated Owner thereof) and the Association as of the date of such recordation. Any taxes on the Common Areas shall be Common Expenses of the Association.

3.6. Assumption of Risk. Without limiting any other provision herein, each Person using any portion of the Common Areas accepts and assumes all risk and responsibility for liability, injury, loss or damage connected with use of such Common Areas. The Person also expressly indemnifies and agrees to hold harmless the Declarant, the Association and all employees, directors, representatives, officers, agents, members and partners of the foregoing,

from any and all damages, whether direct or consequential, arising from or related to the Person's use of the Common Areas, including attorneys' fees and costs at trial, upon appeal or otherwise.

3.7. Negligence. The expense of any Maintenance, repair or construction of any portion of the Common Areas necessitated by the negligent or willful acts of an Owner, its Permitted User or other Person utilizing the Common Areas, through or under such Owner, shall be borne solely by such Owner and the portions of the Property owned by that Owner shall be subject to an Individual Assessment for that expense.

3.8. Partition. Except as permitted in this Declaration, there shall be no judicial partition of the Common Areas or any part thereof, nor shall any Person acquiring any interest in the Property or any part thereof seek any judicial partition of the Common Areas or any part thereof, unless the Property has been removed from the provisions of this Declaration. This Article shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

#### 4. MEMBERSHIP, GOVERNANCE AND VOTING RIGHTS IN THE ASSOCIATION.

4.1. Membership. Declarant and every Owner within the Property shall be a Member of the Association, and by execution of this Declaration or by acceptance of a deed conveying to such Owner title to any Lot, each Owner consents to be a Member of the Association, subject to the terms of the Governing Documents. Membership shall be appurtenant to and may not be separated from ownership of the Member's Lot. The foregoing is not intended to include any Person that holds an interest merely as security for the performance of an obligation. Upon termination of ownership, an Owner's membership with respect to the transferred Lot shall automatically terminate and be automatically transferred to the new Owner of the Lot.

4.2. Voting Rights. During the Declarant Control Period, Declarant shall have the power to appoint and remove the officers and members of the Board without a vote of the Members. As to other matters, each Member shall have those voting rights established in this Declaration, which may be different for different classes of membership. The Association shall have two (2) classes of Members:

4.2.1. Class A. A Class A Member shall be entitled to one (1) vote for each Lot owned by the Class A Member.

4.2.2. Class B. The Class B Member shall be entitled to ten (10) votes for each Lot owned by the Class B Member. The Class B membership shall cease and be converted to Class A membership on the expiration of the Declarant Control Period.

4.2.3. Eighty Percent Threshold. Notwithstanding anything herein to the contrary, Declarant shall, at all times during the Declarant Control Period, be deemed to have no less than an eighty percent (80%) voting interest in the Association.

4.2.4. Co-Owners. When more than one Person holds an interest in any portion of the Property, all such Persons shall be Members of the Association and may attend any meeting of the Association. The vote or votes for such portion of the Property shall be exercised as such Persons may determine among themselves, but in no event shall more votes be cast with respect to any portion of the Property than the number provided in this Declaration. If a Lot is owned by two or more co-owners and only one of the co-owners is present at a meeting of the Owners, the co-owner who is present is entitled to cast all the votes allocated to that Lot. If more than one of the co-owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple co-owners. Majority agreement is conclusively presumed if any one of the co-owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other co-owners of the Lot. The President of the Association shall have the authority to require that such multiple Owners of a Lot file a certificate with the Secretary of the Association, signed by all of the Owners, designating the person entitled to cast the vote or votes for such Lot. Such certificate shall be valid until revoked by a subsequent certificate. If such certificate is not filed when required, the vote of such Owners shall not be considered in determining the requirements for a quorum or for any other purpose.

4.3. Modifications. The Declarant shall have the right in its sole discretion to modify the voting allocations as set forth in this Article and to set forth such modified allocations in a Supplemental Declaration.

4.4. General Matters. When reference is made in the Governing Documents to a majority or specific percentage of Owners or Members, such reference shall be deemed to be reference to a majority or specific percentage of the voting interests of Members represented at a duly constituted meeting thereof (i.e., one for which proper notice has been given and at which a quorum exists) and not of the number of the Members themselves or number of Lots or the total aggregate number of voting interests unless this Declaration or Act expressly requires a majority or specific percentage of the "total voting interests," in which case the majority or specific percentage shall be computed on the total aggregate number of voting interests in the Association.

## 5. CERTAIN EASEMENTS AND RIGHTS.

5.1. Owners' Rights of Use. Each Owner and Permitted User on the Property shall have a non-exclusive right of use and enjoyment and easement in the Common Areas, including the right of ingress and egress to and from all Common Areas throughout the Property, subject to such rules and regulations as are allowed under the Governing Documents to be imposed by the Association and subject to suspension of use rights allowed in the Governing Documents; provided that no suspension of rights shall occur without first providing notice of the charge, opportunity to be heard and to present evidence, and notice of the decision as required by §3-107.1 of the Act. But the right of access and support, the right to drain stormwater and the right to use Stormwater Facilities, private streets, private utility services provided to the Lot through easements in Common Area, and any assigned parking areas shall not be suspended for violation of the Association's rules and regulations.

5.2. Limitations on Use of Common Areas. All rights of use and enjoyment in the Common Areas are subject to the following:

5.2.1. Easements over and upon the Common Areas in favor of the Association and its Members shall not be deemed to grant any easements or use rights which are not specifically granted elsewhere herein or in any other documents to which the Property (or any applicable portion(s) thereof) are now or hereafter made subject.

5.2.2. The right of the Association to:

5.2.2.1. Suspend the rights of an Owner and his Permitted Users to use the Common Areas (except legal access and drainage easements) as set forth in this Declaration for any period during which any applicable Assessment remains unpaid subject to the requirements of the Act and this Declaration.

5.2.2.2. Adopt and enforce rules and regulations governing the use of the Common Areas. Any rule and/or regulation so adopted by the Association shall apply until rescinded or modified.

5.2.3. The Declarant, Declarant's Permittees, any Builder and any Subcontractor shall have the right to construct, erect and build Improvements over such streets, drives, roadways, sidewalks, paths, walks and parking areas within or upon the Common Area. Notwithstanding the foregoing, as long as the Declarant or any of its affiliates owns any property in the Community, the Declarant, by Supplemental Declaration or other written instrument, may limit or restrict access to certain private streets, drives, roadways, walkways, paths and parking areas within or upon the Common Area.

5.2.4. Declarant, Declarant's Permittees, any Builder and any Subcontractor shall have the right from time to time to enter upon the Common Areas and other portions of the Property (including Lots and Units) for the purpose of the installation, construction, reconstruction, repair, replacement, operation, expansion or alteration of any Improvements or facilities on the Common Areas or elsewhere in the Property that the Declarant, Declarant's Permittees and any Builder, as appropriate, elect to effect.

5.2.5. Declarant shall have the right to convert Common Areas to Lots or Lots to Common Areas, in which event Declarant shall record an amendment to this Declaration in the Registry, together with such plats showing the boundaries of any such Lots or Common Areas so converted.

5.2.6. Association shall have the right to use funds of the Association to purchase, lease, finance, and otherwise acquire interests in real property and improvements for addition to the Community as Common Area and related amenities. Declarant and the Association shall further have the right to borrow funds in the name of the Association for such purposes, on such terms as may be determined by Declarant or the Board. Notwithstanding the foregoing, no funds of the Association shall be used to pay for Declarant's acquisition or development of the Property.

5.2.7. Association shall have the right to enter into agreements with other communities, neighborhoods, municipalities or other third parties for the use of amenities and facilities owned or operated by such third parties. Any cost to the Association with respect to such agreements may be included as a part of Common Assessments.

5.3. Right to Grant or Relocate Easements. The Declarant (as long as the Declarant or any of its affiliates owns any property in the Community) and thereafter the Association shall have the right to grant, convey and relocate easements, licenses or rights of way in, on, over or under the Common Areas for purposes consistent with the terms of this Declaration, including constructing, installing, erecting, operating or Maintaining thereon, therein and thereunder: (1) streets, walks, trails, driveways, parkways, landscaping, parks and open space areas; (2) lines, cables, wires, conduits, facilities and other devices for the transmission of electricity, heating, cooling, water, sanitary sewerage, gas, television, telephone, voice or electronic data and other similar purposes; (3) Stormwater Facilities; (4) irrigation systems; (5) any Improvements or uses for the general health or welfare of the Owners, for the Maintenance of the Property, or any portion thereof, or for the purpose of carrying out any provision of this Declaration; and (6) any similar Improvements or uses not inconsistent with the use of such property pursuant to this Declaration as the Declarant shall deem necessary or desirable. Notwithstanding the foregoing, such easements or the relocation of existing easements will not prevent or unreasonably interfere with the use and enjoyment of the Common Areas or the use of or ingress and egress to the Lots for their intended purposes.

5.4. Association Easements over Lots and Units. The Association and its duly authorized agents, employees or independent contractors shall have an easement over each Lot and Unit as may be reasonably necessary to carry out any provision of this Declaration, including the Maintenance of Common Areas, performance of landscaping, Exterior Maintenance, Restoration of portions of the Property, enforcement of this Declaration, inspection (in a reasonable manner) in order to determine whether any Maintenance is necessary, performance of remedial work, and to the extent that the Association is obligated or authorized to perform any landscaping, Exterior Maintenance, or Restoration, to perform such landscaping, Exterior Maintenance, or Restoration provided that any such entry is during reasonable hours. Nothing contained in this Section shall be construed or interpreted to impose upon the Association the obligation to Maintain any of the Property except as expressly set forth in this Declaration. Neither the Declarant, the Association, nor any of their respective directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any portion of the Property or failure to Maintain the same. The Declarant, the Association, any Builder, any Subcontractor or any other authorized Person undertaking such Maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the Maintenance of any portion of the Lots, Units, Common Areas or Improvements thereon or portion thereof. In addition, the Association may, without notice, perform such emergency Maintenance as it may determine is necessary for the safety of any Person or to prevent damage to any property. The provisions of this Section shall not be deemed to create any right of the Association to enter upon the property of the Declarant.

5.5. Utility Easements. Utilities in the Common Areas for the service of the Property

shall be installed underground except as otherwise permitted by Declarant.

5.6. Access for Governmental Agencies; Service and Emergency Easements. A non-exclusive, perpetual right of access over all Lots and Common Areas (including private streets, if any) on the Property is established for the benefit of governmental entities for installing, removing and reading utility meters, Maintaining and replacing utility facilities and lines, and acting for other purposes consistent with public safety and welfare, including law enforcement, fire protection, animal control, emergency services, garbage collection and public or private mail and package delivery. In order to conform to Section R310 of the North Carolina Residential Code, each Owner and Guest, and law enforcement, fire and safety personnel, shall have a permanent and perpetual right of way and easement over the Emergency Escape and Rescue Easement Area for ingress and egress to access the public right of way for emergency purposes.

5.7. Easements for Pedestrian and Vehicular Traffic. In addition to the general easements for use of the Common Area reserved herein, there shall be, and the Declarant hereby reserves and grants for itself and all future Owners and the members of their household, Permitted Users, Builders, Subcontractors, invitees, contractors, Mortgagees and the Association, a perpetual, non-exclusive easement for: (1) vehicular traffic over all streets dedicated to the public use, if any, and private streets, roadways and alleys within or upon the Common Area; (2) pedestrian traffic over, upon and across all sidewalks, walkways, walking trails and paths within or upon the Common Area; and (3) vehicular parking on such portions of the Common Area as from time to time may be intended and designated for general parking purposes by the Board of Directors.

5.8. Encroachments; Easements. If (1) any Improvement on the Common Area encroaches upon any Lot; (2) any Improvement on any Lot encroaches upon the Common Area or another Lot; or (3) any encroachment shall hereafter occur as a result of (a) construction of a Unit or Improvement to a Common Area; (b) settling or shifting of a Unit, or Improvement to Common Area; (c) any alteration or repair to a Unit, or Improvement to Common Area made by or with the consent of the Owner, Association or the Declarant, as appropriate, or (d) any Restoration of the Improvements to a Unit, Lot, or Common Area (or any portion thereof) damaged by fire or other casualty or any taking by condemnation or eminent domain proceedings of all or any portion of any Unit, Lot or Common Area, then, in such event, a valid easement is granted and shall exist for such encroachment and for the maintenance of the same so long as the Improvements causing the encroachment shall stand. This provision shall not entitle any Owner to intentionally construct Improvements which encroach upon any other portion of the Property and no easement for encroachment shall exist if such encroachment occurred due to the willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, Permitted User or the Association.

5.9. Utility and Other Services; Stormwater Facilities. In the event that any Unit contains utilities, telecommunications and security systems, irrigation and other services and systems and/or Stormwater Facilities which serve more than one Unit or Lot, then there shall be an easement reserved in favor of the Association and/or the entities providing such utilities, telecommunications and security systems, and irrigation and other services and systems and/or

drainage facilities under, through and over each Unit therein and the Lot on which it is located as may be required from time to time in order to Maintain such utilities, telecommunications and security systems, irrigation and other services and systems and drainage facilities so long as the easement does not materially adversely affect the Owner's use and enjoyment of its Unit as a residence. Stormwater Facilities serving more than one Lot shall be Maintained continuously in good condition by the Association and easements are granted hereby over all Lots in favor of all Owners and the Association with respect thereto.

No Owner shall do anything within or outside its Unit that interferes with or impairs, or may interfere with or impair, the provision of such utilities, telecommunications and security systems, and other services and systems and/or Stormwater Facilities or the use of easements for the foregoing purposes. The Association or its agent shall have a right of access to each Lot and Unit thereon to Maintain the pipes, wires, ducts, vents, cables, conduits and other facilities for utilities, telecommunications and security systems, and other services and systems and for Stormwater Facilities located on the Lot or elsewhere in the Property and serving a Unit, and to remove any improvements interfering with or impairing such facilities or easements reserved herein. Such right of access, except in the event of an emergency, shall not unreasonably interfere with the Unit Owner's permitted use of the Unit. Except in the event of an emergency (which shall not require prior notice), entry shall be made on not less than one (1) day's notice (which notice shall not, however, be required if the Owner is absent when the giving of such notice is attempted).

5.10. Easements of Support. Whenever any structure included in the Common Areas adjoins any structure included in any other portion of the Property, each said structure shall have and be subject to an easement of support and necessity in favor of the other structure.

5.11. Cluster Mailbox Easement. Declarant reserves for the benefit of itself, the Association, the Owners, and the United States Postal Service and its successors and assigns easements for access to, and the installation, use, maintenance, repair, and replacement of, Cluster Mailboxes over the Cluster Mailbox Easement Areas.

5.12. Easements Appurtenant. The easements provided in this Article shall be appurtenant to and shall pass with the title to each Lot and, if applicable, title to Future Development Property.

## 6. FUNCTIONS OF THE ASSOCIATION.

6.1. Powers and Duties. Subject only to such limitations expressly set forth in the Governing Documents, the Association (1) shall have all of the powers of a North Carolina not-for-profit corporation; (2) shall have and may exercise any right or privilege given to it expressly in the Governing Documents; (3) shall have and may exercise any right or privilege given to it by the Act or other law and (4) shall have and may exercise every other right, privilege, power or authority necessary or desirable to fulfill its obligations under the Governing Documents.

6.2. Assessments. The Association shall have the power and duty to impose Assessments on the Owners of Lots with respect to which Assessments have commenced and to

collect and enforce payment of such Assessments in accordance with the provisions of Article 10.

6.3. Maintenance of Other Property. The Association may Maintain other property which it does not own, including property dedicated to the public, (1) if such Maintenance is required by this Declaration, any covenants binding the Property or any governmental order, (2) if the Board of Directors determines that such Maintenance is necessary or desirable to cause compliance with this Declaration or to enhance the appearance or value of the Property, or (3) if the Maintenance is requested by the Person responsible for such Maintenance and the cost of it is charged to such Person with security or other assurances for payment acceptable to the Board. As to any Maintenance performed by the Association pursuant to the Governing Documents as to property it does not own, the Association shall have the right to file, amend, release and terminate claims of lien pursuant to N.C. Gen. Stat. §44A.

6.4. Rules. The Association shall have the power to adopt, amend and enforce rules and regulations applicable within the Property with respect to any Common Areas and those portions of a Lot or Unit Maintained by the Association, and to implement the provisions of the Governing Documents. All rules and regulations adopted by the Association shall be reasonable and shall be uniformly applied, except such rules may differentiate between reasonable categories of the Property and Owners, Permitted Users, invitees and contractors. Notwithstanding the foregoing provisions of this Section, the Association shall not have the right or power to amend this Declaration or impose rules and regulations which limit or interfere with the rights of the Declarant under this Declaration. A copy of the rules, as they may from time to time be adopted, amended or repealed, shall be posted in a conspicuous place in the Association's office or may be mailed or otherwise made available to each Owner. Thereafter, the rules and regulations shall have the same force and effect as if they were set forth herein; provided, however, that the rules and regulations shall be enforceable only to the extent that they are consistent with the Governing Documents, and may not be used to amend any of such documents. If any Owner has actual knowledge of any rules and regulations, such rules and regulations shall be enforceable against such Owner as though notice had been given.

6.5. Borrowing. The Association has the right with the consent of the Declarant, during the Declarant Control Period, to borrow money for any purpose, subject to any limitation in this Declaration, to execute promissory notes, other documents evidencing or securing the indebtedness; provided that in the event the aggregate amount of principal indebtedness incurred by the Association in any Fiscal Year exceeds the greater of \$250,000, as adjusted by the CPI, or forty (40%) percent of the Association's budget for the previous year, then such actions must be approved by Members holding a majority of the voting interests present in person or by proxy at a duly called meeting of the Association at which a quorum is attained. In the event that the Association desires to mortgage, pledge or encumber any or all of its Common Area as security for money borrowed or debts incurred, then the Association must obtain the approval of eighty (80%) percent of the total voting interests of the Members.

6.6. Marketing. Subject to the Declaration, the Association and any Builder may provide a suitable and continuing program to promote the Community as a desirable residential community, including advertising, organizing and coordinating major events, advertising,

placing articles in news media, and establishing uniform standards for promotional events.

6.7. Special Events. The Declarant and the Board of Directors shall have the right, but not the obligation, to grant special use rights, permits and privileges in the Common Area and Improvements thereon for special events, festivals, street fairs, valet parking and other usage. In addition, the Association shall have the right to enter into agreements with others for purposes relating to, the joint or cooperative marketing, advertising and promoting of the Community, regulating and providing parking within the Community, including special event parking, and other areas of interest to the Association and its Members.

6.8. Indemnification. The Association shall be obligated to and shall indemnify the Declarant and/or its affiliates and hold them harmless from all liability, loss, cost, injury, damage and expense, including attorneys' fees, arising with respect to any operations of or services provided by the Association hereunder.

6.9. Management. The Association shall have the power to hire a management company to operate the day to day affairs of the Association, and the fees, costs and expenses of the management company shall be a Common Expense. During the Declarant Control period, the Declarant shall have the authority to hire a management company on behalf of the Association.

## 7. MAINTENANCE OF UNITS, LOTS AND COMMON AREAS

7.1. Maintenance of Improvements. The Association shall Maintain the landscaping as determined by the Board in the front, side and back yards of each Lot in a neat, orderly and attractive manner. The Association shall not be obligated to Maintain any landscaping (a) within any enclosed or fenced areas on a Lot; or (b) when an unsafe condition exists on a Lot, including a loose animal. The Maintenance of the landscaping may include, but shall not necessarily be limited to: the cutting or trimming of grass, trees and shrubs; the re-seeding, re-sodding or replanting of grass; the replanting trees or shrubs; the re-mulching and weeding of mulched areas, the repair and replacement of Lot irrigation installed by the Declarant or the Association; and the routine, customary application of fertilizer, pesticide and algacide or fungicide, if necessary or recommended. The Association shall not be required to Maintain any shrubbery, grass and other landscaping other than the usual and customary landscaping provided by the Declarant or its replacement provided by the Association. The Association shall have the sole discretion to determine the time at which such landscaping shall take place, the manner and materials to be used. The replacement of landscaping of any particular Lot, which is necessitated by deterioration of existing materials, shall also be the responsibility of the Association. Except as set forth in the foregoing, each Owner shall Maintain or cause to be Maintained all portions of the Lot (including without limitation individual Lot lawn and landscaping) and Improvements thereon (including without limitation all appliances, interior walls, structural components, and plumbing, electrical and mechanical systems of his Unit) located on his Lot in a neat, orderly and attractive manner consistent with the standards set forth in Section 7.5. The Association shall have the right to remove any landscaping which becomes a nuisance. Notwithstanding the foregoing, the Association shall Maintain retaining walls on the Property, other than those located on a Lot and that exclusively serve that Lot. The Association shall have the power, but

not the obligation, in its sole discretion, to undertake Maintenance of any Improvements.

7.2. Remedies for Noncompliance.

7.2.1. In the event an Owner other than a Builder fails to Maintain or cause to be Maintained his Improvements and Lot in accordance with this Article, the Association shall have the right (but not the obligation), upon five (5) days' prior written notice to the Owner at the address last appearing in the records of the Association, to enter upon the Owner's Lot and perform such work as is necessary to bring the Lot or Improvements, as applicable, into compliance with the standards set forth in Section 7.5. Such work may include, but shall not necessarily be limited to, the repainting or re-staining of exterior surfaces of an Improvement, the repair of walls, fences, roofs, doors, windows and other portions of Improvements on a Lot; and such other remedial work as is judged necessary by the applicable entity.

7.2.2. The remedies provided for herein shall be cumulative with all other remedies available under this Declaration or other applicable covenants or deed restrictions (including the imposition of Individual Assessments or the filing of legal or equitable actions).

7.3. Costs of Remedial Work; Surcharges. In the event that the Association performs any remedial work on an Improvement or Lot pursuant to this Article or any other applicable covenants or deed restrictions, the costs and expenses thereof shall be deemed an Individual Assessment under Article 10 of this Declaration and may be immediately imposed by the Association. In order to discourage Owners from abandoning certain duties hereunder and, additionally, to reimburse itself for administrative expenses incurred, the Association may impose a surcharge of not more than twenty-five (25%) percent of the cost of the applicable remedial work, such surcharge to be a part of the Individual Assessment. No bids need be obtained for any of the work performed pursuant to this Section and the Person(s) performing such work may be selected by the applicable enforcing entity in its sole discretion.

7.4. Right of Entry; Right to File Notices of Lien Rights.

7.4.1. There is hereby created an easement in favor of the Association and its designees, over each Lot including the Unit thereon for the purpose of entering onto the Lot in the performance any Maintenance for which the Association is permitted to Maintain, provided that the Association shall exercise such easement for entry into a Unit during reasonable hours.

7.4.2. In addition to the assessment and lien rights created hereby, the Association shall have, pursuant to N.C. Gen. Stat. §44A, the right to file notices of lien rights, claims of lien, amendments thereto, notices of termination and satisfactions as to any Lot for which it is permitted to perform Maintenance pursuant to this Declaration.

7.5. Standards for Maintenance; Restoration**Error! Bookmark not defined.** All Maintenance and Restoration of Property, Units and Lots shall be performed in a manner consistent with the general appearance of the developed portions of the Property and, as to Units, the portion of the Property in which the Unit is located, except a Builder Owner is excepted from the requirements of this Section. The minimum (though not sole) standard for the landscaping

shall be the more stringent of the following: the Community standard or the general appearance of the Property (and the applicable portion thereof as aforesaid) as initially landscaped (such standard being subject to being automatically raised by virtue of the natural and orderly growth and maturation of applicable landscaping, as properly Maintained). The minimum (though not sole) standard for Maintenance and Restoration of Property, Units and Lots shall be the more stringent of the following: the Community standard or the prevailing standard for the portion of the Property in which the Unit is located taking into account, however, normal weathering and fading of exterior finishes, but not to the point of unsightliness, in the judgment of Declarant or the ARB (as hereinafter defined). The Person responsible for Maintenance (the Association or Owner, as applicable) shall repaint, re-stain, or refinish, as appropriate, the exterior portions of his Improvements (with the same colors and materials as initially used or as approved by Declarant or the ARB) as often as is necessary to comply with the foregoing standards.

7.6. Other Maintenance Services. The Association may also assume Maintenance responsibilities with respect to any other Lots in addition to those that may be designated in this Declaration or in any Supplemental Declaration, except Lots owned by a Builder. This assumption of responsibility may take place by agreement with Owners of Lots or because, in the opinion of the Board of Directors, the level and quality of service then being provided is not consistent with the standards set forth in Section 7.5. All costs of Maintenance pursuant to this Section shall be assessed as a Special Assessment or Individual Assessments only against the Lots to which the services are provided, unless specifically provided otherwise in a Supplemental Declaration. The provision of services in accordance with this Section shall not constitute discrimination within a class.

7.7. Common Area Maintenance. The Association shall at all times Maintain in good repair, operate, manage, insure, and replace as often as necessary the Common Areas and all Improvements situated on the Common Areas (upon completion of construction by Declarant or its affiliates, if applicable) in a neat, orderly and attractive manner consistent with the standards set forth in Section 7.5. Without limiting the generality of the foregoing, the Association shall assume all of Declarant's, its affiliates' (and its and their predecessors') responsibility to the City or County, its respective governmental and quasi-governmental subdivisions and similar entities of any kind with respect to the Common Areas, including roads and entry features, and shall indemnify Declarant and its affiliates and hold Declarant and its affiliates harmless with respect thereto.

7.8. Maintenance of Stormwater Facilities. If the Stormwater Facilities are not owned or Maintained by the City or County, the Association shall Maintain, operate, repair and replace the Stormwater Facilities in accordance with the Stormwater Facilities Manual (as defined in the Stormwater Covenant) as a Common Expense in order to provide drainage, water storage, conveyance, or other stormwater management capabilities as required by the City or County.

7.9. Street Lighting. If the street lighting is not Maintained by the City or County, the Association shall Maintain street lighting (the term "street lighting" shall include light poles and appurtenances thereto, the light bulbs and wiring therefor) located within the Property and on nearby property and the cost of electricity therefor, and the cost and expense for the foregoing in such a case shall be a Common Expense, notwithstanding that such street lighting may be located

on portions of the Property which are not owned by the Association or are not Common Areas.

7.10. Trash Collection. The Association may, but shall not be required to, provide solid waste removal services for disposal or collection of waste for the Community, which may include the placement of equipment for the storage or disposal of such material on Common Areas. Any costs related thereto shall be included as a Common Expense.

## 8. INSURANCE.

### 8.1. Insurance by Owners.

8.1.1. Each Owner of a Lot other than a Builder shall Maintain: (1) property insurance on such Owner's Unit, Lot and Improvements thereon insuring against all risks of direct physical loss commonly insured against, including fire and extended coverage perils, wind and hail, and flood; and the total amount of such insurance after application of any deductibles shall be not less than one hundred percent (100%) of the Restoration Costs of the insured property at the time the insurance is purchased and at each renewal date; (2) liability insurance in reasonable amounts, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the Lot, Unit and Improvements thereon; and (3) insurance insuring personal property, additional living expense, and any other coverage obtainable to the extent and in the amount such Owner deems necessary to protect his own interest. If the insurance described in this Subsection is not reasonably available, the Owner promptly shall cause notice of that fact to be hand-delivered or sent by United States certified mail, return receipt requested, to the Association.

8.1.2. An insurer that has issued an insurance policy under this Section shall, upon written request, issue a certificate or memoranda of insurance to the Association.

8.1.3. The Owner of a Lot shall be responsible for the cost of Restoration of any Improvement on such Lot in excess of insurance proceeds received by such Owner.

8.2. Insurance by the Association. The Association shall obtain and Maintain insurance coverage required by the Act and, unless prohibited by the Act, obtain and Maintain insurance covering the following, the cost of which will be a Common Expense:

8.2.1. Property insurance on the Common Areas insuring against all risks of direct physical loss commonly insured against, including fire and extended coverage perils; and the total amount of insurance after application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies;

8.2.2. Flood insurance covering loss or damaged to the areas of the Property owned by the Association in the event it is located in Flood Zone A or V as defined by the Federal Emergency Management Agency ("FEMA"). The Association may obtain such insurance through any available governmental programs providing for such coverage.

8.2.3. General liability insurance covering loss or damage to Persons or property arising out of or in connection with the use, ownership or Maintenance of the Common Areas. Such insurance shall cover the acts or omissions of the Association, its officers, directors, employees, contractors, agents or invitees on or about or in connection with the Lots or adjoining driveways and walkways. The coverage amount for such insurance shall be required by the Board, but with a minimum combined single limit liability of not less than \$2,000,000 for each accident or occurrence.

8.2.4. If the insurance described in this Section is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners. The Association may carry any other insurance it deems appropriate to protect the Association or the Owners.

8.2.5. Any loss covered by the property policy under this Section shall be adjusted with the Association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any Mortgagee. The insurance trustee or the Association shall hold any insurance proceeds in trust for Owners and lienholders as their interests may appear. The proceeds shall be disbursed first for the Restoration of the damaged property, and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely Restored, or the Association is dissolved.

8.2.6. An insurance policy issued to the Association does not prevent an Owner from obtaining insurance for the Owner's own benefit.

8.2.7. An insurer that has issued an insurance policy under this Section shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Owner, mortgagee or beneficiary under a deed of trust.

### 8.3. Other Insurance to be Maintained by the Association.

8.3.1. To the extent reasonably available, the Association shall maintain fidelity coverage against dishonest acts by the Association's officers, employees and others who are responsible for handling funds of the Association. If the Association contracts with another Person to receive and disburse the monies of the Association, then such Person shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph. Any such fidelity coverage shall name the Association as an obligee, shall be written in such amount as the Board shall deem appropriate, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar term.

8.3.2. To the extent obtainable at reasonable cost, the Association shall maintain appropriate insurance to protect the Board and officers of the Association from personal liability arising in connection with their duties and responsibilities in such capacities on behalf of the Association.

8.3.3. The Association shall maintain workers compensation with respect to its employees, if any, as required by law.

The Association may obtain insurance against such other risks as the Executive Board shall deem appropriate.

## 9. RESTORATION AFTER CASUALTY.

9.1. Plans and Procedures for Restoration. Immediately after damage or destruction by fire or other casualty to all or any part of the Property owned by the Association covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the Restoration Costs of such damaged or destroyed portion of the Property.

9.2. Restoration by Association. Any damage or destruction to the Common Areas shall be repaired or reconstructed unless the Members representing at least seventy five (75%) percent of the total votes of the Association, shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such funds or information shall be made available; provided, however, such extension shall not exceed sixty (60) additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to Common Areas shall be repaired or reconstructed. In the event that it should be determined in the manner described above that the damage or destruction to the Common Areas shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the affected portion of the Property shall be cleared of all debris and ruins and maintained by the Association, or the Owners, as applicable, in a neat and attractive, landscaped condition consistent with the standards prevailing in the neighborhood.

9.3. Proceeds. If the damage or destruction for which the proceeds of insurance policies held by the Association are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repair or reconstruction shall be retained by and for the benefit of the Association and placed in a capital improvements account. In the event no repair or reconstruction is made, any proceeds remaining after making such settlement as is necessary and appropriate with the affected Owner or Owners and their Mortgagee(s), as their Interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. If the damage or destruction to the Common Areas for which insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors may, without the necessity of a vote of the Members, levy a special assessment as set forth in this Declaration.

9.4. Restoration Costs. "Restoration Costs" means the cost of repairing, replacing, restoring or reconstructing all loss, damage or destruction to the applicable portion of the Property (including the deductible under any applicable insurance policies) or any part thereof, including all costs of adjusting the loss; inspections, investigations and reports as to the damage; permit and inspection fees, architectural and engineering fees; fees of the Association's representative; demolition, removal and disposal fees; costs of securing and protecting the portions of the Property to be Restored; accounting fees and costs; and attorneys' fees and costs; construction costs, and the Association's fees and costs for reviewing the plans for the Restoration and holding and disbursing the insurance proceeds and other funds.

## 10. COVENANT FOR ASSESSMENTS AND OTHER AMOUNTS.

10.1. Obligation for Assessments. Each Owner is deemed to consent and agree to pay to the Association (or to any Person who may be designated by the Association to collect such monies) all Assessments and other charges required by this Declaration, including the following: (1) Common Assessments; (2) Special Assessments; (3) Individual Assessments for any expense under the Code or this Declaration for which the Association becomes obligated to pay and pays on behalf of an Owner or otherwise is authorized by this Declaration; (4) fines for violations of the provisions of this Declaration or other Governing Documents or Assessments levied against Owners for misuse and damage to the Common Areas by the Owners or their household members, Tenants, Guests, agents or contractors; (5) Working Capital Contributions; (6) late payment charges, interest on unpaid Assessments, costs of collection, including court costs, service charges, and attorneys' fees as provided in the Act, and charges for dishonored checks, all as established by the Board from time to time; and (7) all other Assessments and charges imposed or allowed to be imposed by this Declaration. No Unit shall be assessed separately from the Lot on which it is situated. Notwithstanding the foregoing, Declarant or its predecessors or affiliates may exempt any Builder for all or any portion of any of the above Assessments and charges in its contract with such Builder or otherwise.

10.2. Purpose of Assessments. The Common Assessment is for the purpose of funding the Common Expenses of the Association, including monies allocated for reserve funds, for the Fiscal Year to which the Common Assessment applies and in accordance with the budget for that Fiscal Year adopted by the Association, although such Assessments may be used for payment of any Common Expenses as determined by the Board.

10.3. Classes of Membership. The Declarant has the authority to create different classes of membership in the Association and to impose different levels of Assessments and other Assessments for different classes of membership pursuant to a Supplemental Declaration.

10.4. Amount of Assessments. Subject to any exemptions or limitations stated in this Declaration or otherwise granted by the Declarant, the Association is at all times empowered to levy Common Assessments against the Lots and the Owners of Lots within the Property for the payment of Common Expenses; and to levy such other Assessments as are authorized by this Declaration.

10.5. Budgets. All budgets of the Association shall be prepared and proposed in good

faith and with the intent to cover all reasonably necessary Common Expenses for the applicable Fiscal Year of the Association, including reasonable reserves for replacement and deferred Maintenance. Prior to the beginning of each Fiscal Year, the Board shall adopt budgets for such Fiscal Year which shall estimate all of the Common Expenses of the Association during the Fiscal Year, including reserves.

The budget shall be based on the estimated Common Expenses for the Lots which have been declared to be part of the Property and any additional Lots reasonably anticipated to be added to the Property during the Fiscal Year to which the budget relates.

The budgets shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than the amount to be generated through Common Assessments.

The Board shall then establish the Common Assessments for each Lot subject to such assessment and shall notify each Owner in writing of the amount, frequency, and due dates of such Assessments. The Board may round any Assessments charged by the Association to the nearest dollar.

Notification of any increase in an annual budget shall be provided by any of the following: (a) in a conspicuous place in the Common Area; (b) on an Internet website maintained by the Association; (c) by electronic mail; or (d) through methods provided in the Association's bylaws that ensure actual notice.

The Board of Directors of the Association shall fix the date of commencement and the amount of the Assessments against each Lot for each Assessment period, to the extent practicable, at least thirty (30) days in advance of such date or period, except as to emergency Assessments. The Association shall at that time prepare a roster of the Lots, the Owners thereof and the Assessments applicable thereto, which shall be kept in the office of the Association and shall be open to inspection by any Owner or First Mortgagee.

From time to time during the Fiscal Year, the Board may modify the budget. Pursuant to the revised budgets or otherwise, the Board may, upon written notice to the Owners, change the amount, frequency or due dates of the Assessments. In no event shall any such Assessment be due less than ten (10) days from the date of the notification of such Assessment.

10.6. Common Assessments. The Board of Directors shall assess all Lots for the actual and estimated Common Expenses incurred by the Association, which may include a reasonable reserve for capital repairs and replacements, all as may be determined from time to time by the Board of Directors in accordance with this Declaration. Unless this Declaration, a Supplemental Declaration or any other recorded instrument shall provide otherwise, the Owner of a Lot shall become obligated to pay the full amount of the Common Assessment commencing on the day the Declarant conveys the Lot to an Owner other than the Declarant. At the time that the budget for the Common Expenses is prepared by the Board as set forth in this Declaration, the Board shall determine the amount of the Common Assessments that are applicable to each Lot for such Fiscal Year. In determining the amount of each Lot's Common Assessment, the Board may also

consider the estimated income from Common Assessments on any additional Lots reasonably anticipated to be added to the Property by the Declarant during the Fiscal Year to which the budget relates. Notwithstanding anything in this Declaration to the contrary, (i) the Declarant shall have no obligation to pay Common Assessments, (ii) the Declarant shall have the express right, in its sole discretion, to allow any Builder to pay a one-time assessment per Lot or no assessment pursuant to a separate contractual agreement ("Builder Dues"), in order to satisfy such Builder's obligation to pay Common Assessments on any Lot it purchases, and thereafter no Common Assessments shall be due with respect to such Lot until such Lot is conveyed to a consumer.

10.7. Special Assessments for Common Expenses. In addition to the Common Assessments on the Lots, the Board of Directors may assess, from time to time, Special Assessments to defray, in whole or in part, (1) unbudgeted expenses or expenses in excess of the amounts budgeted for Common Expenses; (2) expenses incurred by the Association for repair, replacement or reconstruction of any Improvements on any portion of the Common Areas or Association Property; (3) expenses incurred by the Association for installation or construction of any Improvements in the nature of a capital improvement on any portion of the Common Areas or Association Property. In the event that the amount of the Special Assessments for Common Areas payable in any one Fiscal Year in the aggregate exceeds one hundred (100%) percent of the Common Assessments (including reserves) allocated to such Lot for the previous Fiscal Year, then such Special Assessments shall require the vote or written consent of a majority of the Board and the vote of a majority of the voting interests of the Members present in person or by proxy at a duly called meeting of the Association. It is the intent of this Section that any expenses costing less than the aforesaid amount be paid for by Common Assessments, with an appropriate adjustment to the budget of the Association and the Common Assessments assessed thereunder, if necessary. No action authorized in this Section shall be taken without the prior written consent of the Declarant as long as the Declarant or any of its affiliates owns any property in the Community. Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any Builder shall have the obligation to pay Special Assessments.

10.8. Individual Assessments. Each Owner shall be liable to the Association for all damage to any portion of the Common Areas, Association Property or other Lots resulting from misuse, negligence, failure to Maintain or otherwise caused by the Owner, its Permitted Users or the Tenants, contractors, subcontractors, licensees, invitees, employees, directors, officers, household members or guests of either. The Association shall have the right to levy an Individual Assessment therefor against such Owner or Owners. The Association may also levy an Individual Assessment against an Owner to reimburse the Association for costs incurred in any enforcement action or in bringing any Lot or Unit into compliance with the Governing Documents. To the extent permitted by law, such Individual Assessment shall be a lien against the Lot as provided in this Article and shall be subject to the provisions of the Act relating to notice, filing of a claim of lien, collection and enforcement of delinquent Assessments. Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any Builder shall have the obligation to pay Individual Assessments. Notwithstanding the foregoing, to the extent a group of Units' use of a utility, including, but not limited to, water, is administered and/or paid by the Association, the cost of such utility applicable to an individual Unit within such group, as reasonably determined by the Association, shall be imposed against the Owner of

such Unit as an Individual Assessment.

10.9. Future Development Property. No Assessments shall be imposed against any portion of the Future Development Property unless and until such portion of the Future Development Property is declared to be a Lot or Common Area in a Supplemental Declaration by the Declarant and Owner of the Future Development Property, if other than the Declarant.

10.10. Due Dates. The Common Assessments shall be payable in advance in monthly installments, or, if so determined by the Board of Directors, in quarterly, semi-annual or annual installments. The Assessment amount (and applicable installments) may be changed at any time by the Board from that originally stipulated or subsequently adopted. The original Common Assessments for any Fiscal Year shall be assessed for the Fiscal Year (but may be reconsidered and amended, if necessary, at any time), but the amount of any revised Assessments to be assessed during any period shorter than a full Fiscal Year shall be in proportion to the number of months (or other appropriate installments) remaining in such Fiscal Year. The due date of any Special Assessments shall be fixed in the Board resolution authorizing such Assessment.

10.11. Disapproval of Budgets. The Board of Directors shall adopt a proposed budget for the Association at least annually. Within thirty (30) days after the adoption of the proposed budgets for the Assessments, the Board shall provide to each Owner a copy of those budgets for the Assessment(s) applicable to the Owner's Lot together with a notice of an Owners' meeting to consider ratification of the budgets including a statement that the budgets may be ratified without a quorum. The Board shall set the date for such meeting not less than 10 days or more than 60 days after the mailing of the budgets and notice. Such meeting may, but need not be, combined with the annual meeting of the Owners. There shall be no requirement that a quorum of the Owners be present at the meeting in person or by proxy to vote on ratification of the budget (although a quorum must be present to vote on other matters). The budget for Common Expenses shall be deemed ratified unless at that meeting Owners having eighty (80%) percent or more of the total voting interests of the entire membership vote to reject such budget. Notwithstanding the foregoing, in the event the proposed budget is disapproved or in the event the Board of Directors fails for any reason to determine the annual budget and to set the Assessments, then and until such time as the budget and Assessment have been determined as provided herein, the budget and Assessments will be the default budgets and default Assessments calculated as set forth in this Declaration.

The provisions of this Section shall not apply to, nor shall they be a limitation upon, any change in the Assessment incident to a merger or consolidation as provided in §2-121 of the Act.

10.12. Determination of Default Budget and Default Assessments. Upon the failure of the Board of Directors to adopt a budget, the default budgets and default Assessments will be increased to one hundred fifteen (115%) percent of the then-current budgets and Assessments.

10.13. Certificate of Payment. The Association shall, within ten (10) business days after receipt of a written request from an Owner, Mortgagee or the Owner's authorized agent, and for such reasonable charge as the Board may determine, furnish a certificate signed by an officer of the Association, or by a Person or employee of any Person employed by the Association and to

whom the Association has delegated the authority to issue such certificates, setting forth whether the Assessments and other charges against a specified Lot have been paid. If such certificate states that an Assessment has been paid, such certificate shall be conclusive evidence of payment and is binding on the Association, the Board, and every Owner.

#### 10.14. Monetary Defaults and Collection of Assessments.

10.14.1. Late Fees and Interest. If any Assessment is not paid within thirty (30) days after the due date, the Association shall have the right to charge the defaulting Owner a late fee of ten (10%) percent of the amount of the Assessment or Twenty (\$20.00) Dollars, whichever is greater, plus interest at the rate of 18% per year or the highest rate of interest allowed by the Act (whichever is lower) from the due date until paid. If there is no due date applicable to any particular Assessment, then the Assessment shall be due twenty (20) days after written demand by the Association.

10.14.2. Acceleration of Assessments. If any Owner is in default in the payment of any Assessment owed to the Association for more than thirty (30) days after written demand, the Association shall have the right to accelerate and require such defaulting Owner to pay to the Association the Assessments for the balance of the Fiscal Year, based upon the then existing amount and frequency of such Assessments. In the event of such acceleration, the defaulting Owner shall continue to be liable for any increases in the Assessments and for all other amounts payable to the Association.

10.14.3. Effect of Non-Payment; Lien Rights. No Owner shall be exempt from liability for any Assessment for reason of non-use of the Common Area or such Owner's Lot, or abandonment or leasing of such Owner's Lot, or unavailability of the use or enjoyment of the Common Area. All Assessments and other charges shall be established and collected as provided in this Declaration. All Assessments and other charges remaining unpaid for thirty days (30) days or longer, together with late charges, interest, and the costs of collection thereof, including attorneys' fees, shall be charged on the Owner's Lot as provided in §3-116 of the Act and, upon filing of a claim of lien in the office of the clerk of Superior Court of the County in the manner provided in §3-116(g), shall be a continuing lien upon the Lot against which such Assessment is made until paid in full. The Association shall be obligated to comply with all conditions precedent set forth in the Act to filing a claim of lien for Assessments. The lien may be foreclosed by the Association in any manner permitted under the Act or by law. In the event a holder of a First Mortgage or other purchaser of a Lot obtains title thereto as a result of a foreclosure of a First Mortgage pursuant to a power of sale or judicial foreclosure, or by deed in lieu of foreclosure, such purchaser and its successors and assigns shall not be liable for the Assessments and other charges against such Lot which became due prior to the acquisition of title to such Lot by such purchaser. Each Assessment and other charges due hereunder, together with late charges, interest, the costs of collection thereof, including attorneys' fees, shall also be the personal obligation or corporate obligation of each Person who was Owner of the Lot at the time when the Assessment or other charge first became due and payable and may be collected by appropriate action at law. If more than one Person held an ownership interest in the Lot at the time the Assessment or other charge first became due, then each Person shall be both jointly and severally liable. An Owner's personal obligation for payment of such Assessments and other

charges shall not become the personal obligation of a subsequent Owner unless expressly assumed by the subsequent Owner, although the lien shall continue against the Lot until the amounts due are paid. Upon payment in full of all sums secured by the lien, the Person making the payment is entitled to a satisfaction of the lien. Notwithstanding the foregoing, no lien shall attach hereunder to a Lot owned by Declarant during the Declarant Control Period.

10.14.4. Collection and Foreclosure. The Association may bring an action in its name to foreclose its lien for Assessments in the manner a mortgage on real property is foreclosed pursuant to a power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes. If the debt consists solely of fines imposed by the Association or of service, collection, consulting or administrative fees not authorized in this Declaration, then the Association may bring an action in its name to foreclose its lien for such Assessments by judicial foreclosure as provided in Article 29A of Chapter 1 of the North Carolina General Statutes. The Association may also bring an action at law against the Owner(s) personally obligated to pay the Assessments due the Association to recover a money judgment for such unpaid Assessments without waiving any claim of lien. The Association shall have such other remedies for collection and enforcement of Assessments as may be permitted by applicable law. All remedies are intended to be and shall be cumulative. The Association may pursue one or more of such remedies at the same time or successively. The Owner shall be liable to the Association for all costs and expenses incurred by the Association in connection with the collection of the Assessments due the Association, and the filing, administration, enforcement, or foreclosure of the Association's lien, including reasonable attorneys' fees and costs and costs of the action, and all sums advanced and taxes paid and payments made on account of superior Mortgages, liens or encumbrances by the Association in order to preserve and protect the Association's lien. In the event a judgment is obtained, such judgment shall include all amounts provided above. The Association shall also be entitled to attorneys' fees and costs in connection with any alternative dispute resolution or appellate proceedings. The Board is authorized to settle and compromise the Association's lien if the Board deems a settlement or compromise to be in the best interest of the Association.

10.14.5. Rental and Receiver. The Association shall be entitled to the appointment of a receiver to collect the rent (1) if the Unit is leased during the pendency of the foreclosure; or (2) if an Owner, any household member or Permitted User remains in possession of a Unit after the claim of lien against a Unit is foreclosed, and the court in its discretion requires the Owner to pay a reasonable rental for the Unit.

10.14.6. Suspension of Rights of Delinquent Owner. In addition to any other rights and remedies of the Association as set forth in this Article, in the event an Owner is delinquent in payment of Assessments or other monetary obligations to the Association for more than thirty days (30) days, the Association may suspend: (1) the voting rights of such Member in Association matters, (2) the right of such Owner, its household members, Permitted Users, licensees or invitees to use the Common Areas, Association Property and/or common facilities, and (3) any "non-essential services" which are provided to, by, or on behalf of the Association to such Owner, its household members, Permitted Users, licensees or invitees until such time the Owner pays in full all obligations due to the Association, including delinquent Assessments. Prior to suspension of the foregoing rights, the Association shall give the Owner written notice of

the delinquency, an opportunity to be heard, to present evidence and written notice of the decision in accordance with Article 12. For the purposes of this Declaration, “non-essential services” shall be defined as those facilities, services or amenities that are not absolutely necessary or crucial to the health or safety of the Owner, or Common Areas that are not required for legal access to or drainage for the Unit. Examples of non-essential services include cable, internet, telecommunications and wireless local area network system (“Wi-Fi”) services, recreational facilities, and other facilities, services or amenities provided to, by or on behalf of the Association within the Common Areas or the Association Property, either now or in the future, or such other facilities, services or amenities provided to, by or on behalf of the Association within the Common Areas or the Association Property as are designated as “non-essential services” in writing by the Board of Directors from time to time in its reasonable discretion.

10.15. Collection of Assessments. The Association shall have the legal duty and responsibility to collect and enforce payment of the Assessments owed to the Association by the Owner. Failure to send or deliver bills or notices of Assessments shall not relieve Owners from their obligations hereunder. All Assessments owed by the Owner of a Lot, together with late fees, interest, penalties, fines, attorneys’ fees and other sums provided for herein shall accrue to the benefit of the Association.

10.16. Priority of Liens. To the extent allowed by law, the Association’s lien shall relate back to the recording of this Declaration in the Registry. Any unpaid Common Assessments or Special Assessments for Common Expenses which cannot be collected as a lien against any Lot by reason of the provisions of this Section shall be deemed to be a Common Expense divided among, payable by and a lien against all Lots, including the Lot as to which the foreclosure (or deed in lieu of foreclosure) took place. Any unpaid Special Assessment which cannot be collected as a lien against any Lot by reason of the provisions of this Section shall be deemed to be a Common Expense divided among, payable by and a lien against all Owners.

10.17. Association’s Right to Collect Rents. To the extent not prohibited by law, if a Unit is occupied by a Tenant and the Owner is delinquent in paying any monetary obligation due to the Association, the Association may make a written demand that the Tenant pay to the Association the subsequent rental payments and continue to make such payments until all monetary obligations of the Unit Owner related to the Unit have been paid in full to the Association. The Tenant must pay the monetary obligations to the Association until the Association releases the Tenant or the Tenant discontinues tenancy in the Unit.

10.17.1. The Association must provide the Tenant a notice, by hand delivery or United States mail, in substantially the following form:

“Pursuant to the Declaration of Covenants, Restrictions and Easements for Hillcrest, the Association demands that you pay your rent directly to the Association and continue doing so until the Association notifies you otherwise.

“Payment due the Association may be in the same form as you paid your landlord and must be sent by United States mail or hand delivery to ...(full address)..., payable to...(name)....

“Your obligation to pay your rent to the Association begins immediately, unless you have already paid rent to your landlord for the current period before receiving this notice. In that case, you must provide the Association with written proof of your payment within 14 days after receiving this notice and your obligation to pay rent to the Association would then begin with the next rental period.”

10.17.2. The Association must deliver written notice to the Owner of the Association’s demand that the Tenant make payments to the Association.

10.17.3. The Association shall, upon request, provide the Tenant with written receipts for payments made.

10.17.4. The Owner/landlord hereby releases and waives any claim against the Tenant and Association related to the rent paid by the Tenant to the Association after the Association has made written demand on the Tenant as a result of the Owner’s delinquency in paying any monetary obligation due the Association. Each Owner/landlord hereby indemnifies and agrees to hold harmless the Tenant, Association and its officers and directors from any and all claims, liabilities, losses, costs, injuries, and expenses (including attorneys fees and costs at trial and appellate levels) arising out of or related to any claim related to the rent paid by the Tenant to the Association after the Association has made written demand.

10.17.5. If the Tenant paid rent to the Owner/landlord for a given rental period before receiving the demand from the Association and provides written evidence to the Association of having paid the rent within fourteen (14) days after receiving the demand, the Tenant shall begin making rental payments to the Association for the following period and shall continue making rental payments to the Association to be credited against the monetary obligations of the Unit Owner until the Association releases the Tenant or the Tenant discontinues tenancy in the Unit.

10.18. Use of Common Areas. In addition to the rights of collection of Assessments stated in this Article, any Person acquiring title to or any interest in a Lot as to which the Assessments are delinquent, other than Persons acquiring title by foreclosure of a First Mortgage pursuant to a power of sale or judicial foreclosure or by or deed in lieu of foreclosure, shall not be entitled to use or enjoy the Common Areas except for the purpose of accessing the Lot until such time as all unpaid and delinquent Assessments due and owing from the selling Owner have been fully paid.

10.19. Common Areas and Certain Other Property. The following property shall be exempt from payment of Assessments: Common Areas, parks and similar open spaces, land owned by or dedicated to the County or any other governmental entity and any land owned by a publicly-regulated utility company as long as such land is used for or in connection with the provision of utilities (exclusive of business offices, retail outlets and the like). In the event of any ambiguity or doubt as to whether any particular open space or other land is subject to assessment, the determination of the Declarant (or, if there is no Class B Voting Member, the Board of Directors of the Association) shall be final and conclusive (and not subject to later

change unless the use of the property in question changes).

10.20. Exemption from Assessments; Operating Deficits. Notwithstanding any other provision of this Declaration, neither Declarant nor any Builder shall be responsible for paying any Assessment assessed against any portion of the Community. In lieu of any obligation to pay Assessments, during the Period of Declarant Control the Declarant shall pay funds to the Association in the amount of any Operating Deficit not later than thirty (30) days following the end of the calendar year in which the Operating Deficit occurred.

10.21. Association Working Capital Fund. The Association shall establish a fund ("Association Working Capital Fund") for the purpose of having funds available for initial and non-recurring items, capital expenses, permit fees, licenses, utility deposits, advance premiums for insurance policies and coverages and other expenses for operation of the Association pursuant to this Declaration. At the time of closing or settlement of the initial sale of the Unit to a purchaser other than a Builder or an affiliate of Declarant, each Unit's Working Capital Contribution shall be collected from the purchasing Owner of such Unit and transferred to the Association within ten (10) days. The Board shall have the right, in its sole discretion, to increase the amount of the Working Capital Contribution from time-to-time. The Association shall have a lien against the Unit in the event the Working Capital Contribution for the Unit is not received by the Association within ten (10) days after closing or settlement of such Unit as provided in this Article and subject to the provisions of the Act relating to notice, filing of a claim of lien, collection and enforcement of delinquent amounts due the Association. A Unit's Working Capital Contribution shall not be considered as advance payment of Common Assessments. Notwithstanding the foregoing, the Declarant shall have the right to use the Association Working Capital Fund to pay for Common Expenses of the Association during the Declarant Control Period. In the event the purchasing Owner fails to satisfy its obligations under this Section, the purchasing Owner shall indemnify the Association for the amount of the Unit's Working Capital Contribution which such purchasing Owner failed to pay to the Association hereunder. Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any Builder shall have the obligation to pay any Working Capital Contribution.

10.22. Declarant Subsidy. Declarant may, but shall not be obligated to, reduce the Assessments by payment of a subsidy, which may be in the form of a contribution, a loan, in-kind services or an advance against future Assessments due from the Declarant (if any), in Declarant's sole and absolute discretion. Payment of such subsidy in any Fiscal Year shall not obligate the Declarant to continue the subsidy in future Fiscal Years unless expressly provided in a written agreement with the Association.

10.23. Association Funds. Amounts collected by the Association shall be held by the Association in accounts clearly identified as the Association's and may be invested in interest bearing accounts or in certificates of deposit or other like instruments or accounts available at banks and financial institutions, the deposits of which are insured by an agency of the United States.

## 11. CERTAIN RESTRICTIONS, RULES AND REGULATION.

11.1. Applicability. The provisions of this Article shall apply to all of the Lots and Common Areas and the use thereof but shall not apply to the Declarant or its designees or to Builders exempted by Declarant from these provisions by a separate contractual agreement.

11.2. Land Use and Building Type. Each Lot and Unit constructed thereon shall be built and used solely for residential purposes in accordance with the applicable zoning designation of such Lot and Unit, except for such ancillary or other commercial uses permitted by applicable zoning codes and other laws and ordinances. However, without limiting the generality of the previous Section, Declarant, its affiliates, Declarant's Permittees, and, to the extent authorized by Declarant, any Builder and its Subcontractors, may use Lots and Units for model homes, sales displays, parking lots, construction, development, sales offices, rental and resale offices, management offices and other offices, or any one or any combination of such uses. No changes may be made in Units erected or approved by the Declarant (except if such changes are made by the Declarant or a Builder) without the consent of Declarant and the ARB as provided herein. The restrictions set forth in this Declaration shall not be construed in such a manner as to prohibit the uses provided in this Section.

11.3. Easements. Easements for installation and Maintenance of utilities are reserved as shown on the recorded Subdivision Plats covering the Property and as provided herein. The area of each Lot covered by an easement and all Improvements in the area shall be Maintained continuously by the Owner of the Lot, except as provided herein to the contrary and except for installations for which a public authority or utility company is responsible. The appropriate utility companies, telecommunications providers, the Association, and Declarant and its affiliates, and their respective successors and assigns, shall have a perpetual easement for the Maintenance of water, sewers, storm sewers, electric, gas, telecommunications and cable television lines, cables and conduits, under and through the utility easements as shown on a Subdivision Plat or otherwise recorded in the Registry.

11.4. Nuisances. No noxious, offensive or unlawful activity shall be carried on upon the Property, nor shall anything be done thereon which may be or may become an annoyance or nuisance to other Owners. Notwithstanding the foregoing, construction, development and marketing activities of Declarant, Builders or Subcontractors shall not be considered noxious or offensive, or an annoyance or nuisance.

11.5. Temporary Structures. No structure of a temporary character, trailer, mobile home or recreational vehicle shall be permitted on any Lots at any time or used at any time as a residence, either temporarily or permanently, except by the Declarant, its affiliates, Declarant's Permittees, and, to the extent authorized by Declarant, any Builder or its Subcontractors, during construction.

11.6. Signs. No sign, poster, display or billboard of any kind shall be displayed to the public view on any Lot, entryways or outside walls of any Unit, any fences on the Property, any Common Areas, dedicated areas, or any vehicles within the Property, except for the following

signs: (1) any signs regardless of size used by the Declarant and their respective affiliates or as authorized by Declarant or ARB (in locations and in accordance with applicable design standards); (2) one sign per Lot not to exceed 144 square inches indicating that the Unit is monitored by an alarm or monitoring service; or (3) not more than two (2) "political signs" per Lot as defined in §3-122 of the Act, the maximum dimensions of any such sign shall not exceed 24 inches by 24 inches. Political signs may not be displayed on a Lot earlier than 45 days before the applicable election and must be removed not later than 7 days after the election day. No sign of any kind which shall be visible outside the Unit shall be permitted inside a Unit or on a Lot, except as authorized by Declarant or ARB (in locations and in accordance with applicable design standards). During the Declarant Control Period, Declarant, its Permittee and any Builder may place any signs on the Property in connection with construction, sales, leasing, resales and other marketing activities.

11.7. Pets, Livestock and Poultry. Only household pets may be kept in any Unit and shall be allowed to remain in the Unit only if such pet is (1) permitted to be so kept by applicable laws and regulations, (2) not left unattended on patios or terraces, (3) not kept or maintained for commercial purposes or breeding, and (4) generally, not a nuisance to Owners or Permitted Users of other Units or Lots. No wildlife, livestock or poultry of any kind shall be kept on any Lot or any Common Areas. Any exception to the pet restrictions set forth in this Declaration must be approved by the Board, shall apply only to the specific pet and the justification for the exception and the Owner to which it applies must be set forth in writing and become a part of the official records of the Association.

All pets must be kept on a leash of a length that affords reasonable control over the pet at all times when outside the Unit. No household pets shall be permitted to leave excretions on any Common Areas, except areas designated by the Association, and Owners shall be responsible to clean up any such improper excretions. For purposes hereof, "household pets" means dogs, cats and other animals expressly permitted by the Association, if any. Nothing contained herein shall prohibit the keeping of fish or domestic (household type) birds, as long as the latter are kept indoors and do not become a source of annoyance to neighbors. By acceptance of a deed, any Owner who keeps or maintains (or whose Permitted User keeps or maintains) a pet within the Property agrees to indemnify and hold harmless Declarant and all other Owners from and against any loss, claim or liability of any kind or character whatsoever arising by reason of keeping or maintaining such pet within the Property. Pets shall also be subject to all applicable rules.

#### 11.8. Commercial Trucks, Trailers, Campers and Boats.

11.8.1. Within Lots. No campers, mobile homes, motorhomes, boats, house trailers, boat trailers, or trailers of every other description shall be permitted to be parked or to be stored at any place on any Lot, except (1) during the periods of approved development or construction on a Lot, (2) when stored out of view in an enclosed garage on such Lot, or (3) as permitted by Declarant. No truck, sports utility vehicle, van, commercial vehicle or other vehicle shall be permitted to be parked or stored at any place on any Lot unless such vehicle is three tons or less. These restrictions on parking shall not apply to temporary parking of trucks and commercial vehicles, such as for pick-up, delivery, and other commercial services or to law enforcement vehicles of an Owners or Permitted User of a Unit. No vehicle which is unlicensed

or inoperable may be kept or stored on the Property except out of view in an enclosed garage on a Lot. No repair work to any type of motor vehicle, boat or trailer shall be conducted on any Lot other than minor repairs, cleaning or waxing which is completed in less than 24 hours.

11.8.2. Common Areas. Restrictions on commercial vehicles, campers, mobile homes, motorhomes, boats, house trailers, boat trailers, or trailers (particularly as to the parking or storage thereof) shall be imposed and enforced by the Association; provided, however, that no commercial vehicles, campers, mobile homes, motorhomes, boats, house trailers, boat trailers, or trailers shall be parked or stored within the Common Areas if the Association prohibits such parking or storage by regulation or otherwise.

Subject to applicable laws and ordinances, any vehicle parked in violation of these or other restrictions contained herein or in the rules and regulations now or hereafter adopted by the Board may be towed by the Association at the sole expense of the owner of such vehicle if such vehicle remains in violation for a period of two (2) or more hours from the time a notice of violation is placed on the vehicle. The Association shall not be liable to the owner of such vehicle for trespass, conversion or otherwise, nor guilty of any criminal act, by reason of such towing and once the notice is posted, neither its removal, nor failure of the owner to receive it for any other reason, shall be grounds for relief of any kind. An affidavit of the Person posting the aforesaid notice stating that it was properly posted shall be conclusive evidence of proper posting.

11.9. Garbage and Trash Disposal. No garbage, refuse, trash or rubbish shall be deposited except as permitted by the Association. The requirements from time to time of the applicable governmental authority, trash collection company or the Association (which may, but shall not be required to, provide solid waste removal services) for disposal or collection of waste shall be complied with. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. All solid waste containers shall comply with the standards adopted by the Association (or the ARB) for such containers (the later to control over the former in the event of conflict).

11.10. Alleys. All alleys shall be used for ingress and egress only to the garages which they serve and for the furnishing of services by the Association, its agents, vendors or contractors to the Units and Common Areas. The alleys shall at all times be free from obstructions. No parking, stopping, recreational activities, dumping or storage shall be permitted in any alley. The speed limit for all vehicles using the alleys shall be twelve (12) miles per hour.

11.11. Sight Triangles. The Subdivision Plat may identify certain Lots and Common Areas as being subject to "site triangles" ("Sight Triangles"). As to any Lot or Common Area subject to a Sight Triangle except when owned by a Builder, no sight obstructing or partially obstructing wall, fence, foliage, berm, parked vehicle or sign between two (2') feet and eight (8') feet tall, as measured above the curb line elevation or the nearest traveled way if no curb exists shall be placed within any area designated on a Subdivision Plat as a Sight Triangle or other similar designation. An easement is reserved over all Sight Triangles for the benefit of the Declarant, the Association and their respective agents and contractors for the purpose of removing any such obstruction. A person entering onto a Lot or Common Area pursuant to such

easement for the purpose of removing such obstruction shall not be deemed a trespasser and shall not be liable for damages to the Association or Owner of the Lot with respect to the obstruction removed from the Sight Triangle. It shall be the responsibility of the Association as to Common Areas or Owner as to his or her Lot, as soon as reasonably practicable following removal of any obstruction from the Sight Triangle, to restore the portion of the Property previously occupied by the removed obstruction to the condition required or permitted by the Code and the Governing Documents.

11.12. Seasonal or Holiday Decorations. Any seasonal or holiday decorations (e.g., Christmas trees and lights, pumpkins, Easter decorations) shall not be visible from the street except for the period of time from thirty (30) days before such season or holiday through thirty (30) days after such season or holiday. Any Owner may apply for a variance from this provision, and the Declarant during the Declarant Control Period and thereafter the Board has the sole discretion to determine what is a reasonable period of time for such variance. The Board shall have the right to require an Owner or Permitted User to remove seasonal or holiday decorations which create a nuisance in the reasonable judgment of the Board.

11.13. Exterior Antennas, etc. No exterior antenna satellite dishes or similar equipment shall be installed on any Lot, Common Area or Improvement thereon, unless such antennae, satellite dishes and similar equipment are approved by the ARB and conform to the conditions and requirements imposed pursuant to Article 13. Such conditions and restrictions shall be reasonable, and approval shall not be unreasonably denied or delayed. No radio or shortwave operations of any kind shall be permitted to operate on any Common Areas or any Unit. The Declarant may erect an antenna or a master antenna or a cable television antenna for the use of all the Owners, and Declarant grants and hereby reserves easements for such purposes as more particularly set forth in Article 14. Notwithstanding the foregoing, to facilitate compliance with The Telecommunications Act of 1996, the following provisions apply to installation of DBS, MDS, ITFS, and LMDC dishes less than one (1) meter in diameter, and TVBS antennas:

11.13.1. No payment of any fee shall be required as a condition of installation.

11.13.2. Any installation must be placed on the Lot in a location which in not visible from any street, unless such placement would: (a) unreasonably delay or prevent installation, Maintenance or use; or (b) unreasonably increase the cost of installation, Maintenance or use; (c) preclude reception of an acceptable quality signal.

11.13.3. The Owner must take reasonable measures to screen the installation. "Reasonable" means an installation which is consistent with the overall landscape standards of the Community, but does not (a) unreasonably delay or prevent installation, Maintenance or use, (b) unreasonably increase the cost of installation, Maintenance of use; or (c) preclude reception of an acceptable quality signal.

11.14. Solar Panels. No solar panels or other equipment shall be installed on a Lot that, after installation, are visible by a person on the ground: (1) on the façade of a structure that faces areas open to common or public access; (2) on a roof surface that slopes downward toward the

same areas open to common or public access that the façade of the structure faces; or (3) within the area set off by a line running across the façade of the structure extending to the property boundaries on either side of the façade, and those areas of common or public access faced by the structure.

11.15. Trees, Shrubs and Artificial Vegetation. No tree or shrub, the trunk of which exceeds two (2) inches in diameter, may be cut down, destroyed or removed from any Lot without the prior approval of the ARB or Declarant. No artificial grass, plants or other artificial vegetation or sculptural landscape decor shall be placed or maintained upon the exterior portion of any Lot without the prior approval of the ARB or Declarant.

11.16. Games and Play Structures. No play or game structures including basketball hoops or tennis courts shall be located on any Lot unless approved in advance pursuant to Article 13. Additionally, no platform, doghouse, playhouse, storage shed or auxiliary structure of any kind or nature shall be constructed on any part of a Lot unless approved in advance pursuant to Article 13.

11.17. Fences and Walls. The composition, location, color and height of any fence or wall to be constructed on any Lot, along with the right to construct any such fence or wall, is subject to the approval of the ARB. The ARB shall, among other things, require that the composition of any fence shall be white vinyl fencing. The ARB shall, among other things, require that the composition of any wall be consistent with the material used in the surrounding buildings and other fences, if any. The location of fences shall not interfere with community mowing and Lot maintenance. No chain link fences and walls shall be permitted on any Lot or portion thereof, unless installed by Declarant, its affiliates, Declarant's Permittees, and, to the extent authorized by Declarant, any Builder, during construction periods or as otherwise approved by Declarant or the ARB.

11.18. Utility Connections. Permanent building connections for all utilities installed after a Unit is conveyed to a consumer for residential purposes, including water, electricity, gas, telecommunications and television, shall be run underground from the proper connecting points to the structure in such a manner to be acceptable to the County and applicable utility. The foregoing shall not apply, however, to transmission lines, transformers and other equipment installed by public utility companies.

11.19. Motor Vehicles. No motorized vehicle may be operated off of paved roadways and drives except as specifically approved in writing by the Declarant or Association for the purpose of Maintenance or similar purposes and except as operated by the Association, Declarant or their respective contractors, subcontractors or designees.

11.19.1. Parking Rules. No vehicles shall be permitted on the Property except as set forth herein, or as expressly permitted by Declarant. Notwithstanding any other provision of this Declaration, vehicles are permitted to be operated, parked or otherwise stored except as allowed by law. All persons will adhere to the posted signs.

11.19.1.1. "Unrestricted Vehicles" are: (a) law enforcement vehicles;

and (b) any vehicles operated by the employees, agents, and contractors of Declarant or a Builder, for the purpose of development, construction, marketing and leasing. Unrestricted Vehicles are permitted to be operated, parked and otherwise stored on the Property.

11.19.1.2. “Restricted Vehicles” means vehicles that do not have a proper and up to date registration and license plate with the State of North Carolina, vehicles that are not operated by a properly licensed driver that is legally permitted to operate such vehicle, inoperable vehicles, vehicles that are not permitted to be operated by law, commercial vehicles, campers, mobile homes, motorboats, boats, vehicles with more than two (2) axles, vehicles with more than four (4) tires (excluding dually trucks), box trucks, golf carts, all-terrain vehicles, recreational vehicles, tractors, house trailers, boat trailers, trailers, or other vehicles other than Class A Motor Vehicles under North Carolina General Statute §20-4.01; other than Unrestricted Vehicles. The term “commercial vehicle” shall include all automobiles, trucks, vans, sports utility vehicles or other vehicles designated by the Board, including station wagons, which bear a sign, lettering, graphics or logo or shall have printed thereon some reference to any commercial undertaking or enterprise. Restricted Vehicles are not permitted on the Property, except as follows:

11.19.1.2.1. Restricted Vehicles may be stored out of view in an enclosed and properly approved garage on a Lot as permitted by the Owner of such Lot.

11.19.1.2.2. Trucks and commercial vehicles permitted by an Owner or Permitted User shall be permitted on the Property in the areas designated for Permitted Vehicles between the hours of 5:00 a.m. and 10:00 p.m. for the sole purpose of pick-up, delivery or other commercial services.

11.19.1.2.3. If the Association is required by law to provide parking spaces designated as restricted to vehicles driven by or transporting the handicapped (“Handicap Parking Spaces”) to Restricted Vehicles, then Restricted Vehicles may be parked in Handicap Parking Spaces if the driver or passenger of such vehicle is permitted to parking in Handicap Parking Spaces pursuant to North Carolina law.

11.19.1.2.4. Not as a limitation on the foregoing, no Restricted Vehicles shall be operated, parked or otherwise stored in the Property if such operating, parking or storage is prohibited as to a Permitted Vehicle or an Unrestricted Vehicle.

11.19.1.3. “Permitted Vehicles” shall include any vehicle other than a Unrestricted or a Restricted Vehicle. Permitted Vehicles shall not be parked or otherwise stored in the Property except as follows:

11.19.1.3.1. Permitted Vehicles may be stored out of view in an enclosed and properly approved garage on a Lot as permitted by the Owner of such Lot.

11.19.1.3.2. Permitted Vehicles may be parked in Handicap Parking Spaces if the driver or passenger of such vehicle is permitted to parking in Handicap Parking Spaces pursuant to North Carolina law.

11.19.1.3.3. Permitted Vehicles shall not park on the roadways or in front of a dumpster area.

11.19.1.4. Each Unit shall have two parking spaces designated for that Unit's number ("Designated Parking Spaces"). In addition, there may be additional parking spaces designated within the Common Area that are not Designated Parking Spaces or Handicap Parking Spaces ("Overflow Parking Spaces"). Permitted Vehicles of an Owner and the Owner's Permitted Users shall not park in Overflow Parking Spaces unless that Owner's garage, driveway and Designated Parking Spaces are occupied. Once a Permitted Vehicle is parked in an Overflow Parking Space, it may remain in that Overflow Parking Space for no more than two consecutive days, and then it must be parked in another permitted location or removed from the Property. Overflow Parking Spaces shall be available on a first come, first serve basis.

11.19.1.5. No repair or maintenance work shall be conducted on any Restricted Vehicle or Permitted Vehicle, except that the Owner or its tenant may make minor repairs, perform routine maintenance, clean or wax a Restricted Vehicle or Permitted Vehicle on their lot, as long as such repair, maintenance, cleaning or waxing is completed in less than 24 hours.

11.19.1.6. No property shall be permitted in the Designated Parking Spaces or the Overflow Parking Spaces except: (a) an Owner or its tenant may place a moving truck or storage container in one of its Designated Parking Spaces during the process of moving into a Unit for no more than three (3) consecutive days; and (b) as otherwise provided herein for Unrestricted Vehicles, Restricted Vehicles and Permitted Vehicles.

11.19.1.7. Subject to applicable laws and ordinances, any vehicle may be towed at the direction of the Association: (a) immediately if any portion of such vehicle is parked within fifteen (15) feet of any fire hydrant or if otherwise necessary to prevent an emergency or to allow for effective operation of law enforcement vehicles; or (b) two (2) or more hours from the time notice of violation is placed on the vehicle or given orally or in writing to the owner or passenger of the vehicle, any Owner that the owner or passenger of the vehicle is visiting (the "Visited Owner"), or any Permitted User of the Visited Owner. An affidavit of the Person providing the aforesaid notice stating that it was properly posted shall be conclusive evidence of proper posting. In addition or alternatively to towing, the Board may set fines for violations of the Parking Rules in this Section in the Board's discretion. Any such fines and the expense of any towing shall be owed by the Visited Owner and may be assessed against her lot as provided herein. The Association, Board and Declarant shall not be liable to the owner or passenger of such vehicle for trespass, conversion or otherwise, nor guilty of any criminal act, by reason of such towing and once the notice is posted, neither its removal, nor failure of the owner to receive it for any other reason, shall be grounds for relief of any kind.

11.20. Additional Use Restrictions. The Board of Directors of the Association may adopt such additional use restrictions, rules or regulations, applicable to all or any portion of the Property. The Association may waive or modify application of those use restrictions which it has authority to enforce with respect to any Lot(s) or Unit(s) as the Board deems appropriate.

11.21. Exemption for Declarant and Builders. To enable the development of the Property

as a fully occupied residential community, neither the Association, nor any Owner shall do anything to interfere with the activities of the Declarant or any Builder or its Subcontractors. During the Declarant Control Period, nothing in the Governing Documents shall be understood or construed to:

11.21.1. Prevent Declarant, its successors or assigns, or its contractors or subcontractors or any Builder or its Subcontractors, from doing on any property owned or controlled by Declarant, or its successors or assigns or any Builder, whatever they determine to be necessary or advisable in connection with the completion of the development of the Property, including the alteration of its construction plans and designs as Declarant deems advisable in the course of development. (All models or sketches showing plans for future development of the Property may be modified by the Declarant at any time and from time to time, without notice);

11.21.2. Prevent Declarant, its successors or assigns, or their respective contractors, subcontractors or representatives or any Builder or its Subcontractors, from erecting, constructing and Maintaining on any property owned or controlled by Declarant, or its successors or assigns or any Builder, such structures as may be reasonably necessary for completing said development and establishing the Property as a community and disposing of the same by sale, lease or otherwise;

11.21.3. Prevent Declarant, its successors or assigns, or its contractors or subcontractors or any Builder or its Subcontractors, from conducting on any property owned or controlled by Declarant, or its successors or assigns or any Builder, the business of developing, subdividing, grading and constructing Improvements in the Property, or of disposing of Lots and/or Units by sale, lease or otherwise;

11.21.4. Prevent Declarant, its successors or assigns or any Builder, from determining in their sole discretion the nature of any type of Improvements to be initially constructed as part of the Property;

11.21.5. Prevent Declarant, its successors or assigns or its or their contractors or subcontractors or any Builder or its Subcontractors, from Maintaining such sign or signs on any property owned or controlled by Declarant, or its successors or assigns or any Builder, as may be necessary in connection with the operation of any of the Property owned or controlled by Declarant, or its successors or assigns or any Builder, and the sale, resale, lease or other marketing of Lots and/or Units;

11.21.6. Prevent Declarant, or its successors or assigns from filing Supplemental Declarations which modify or amend this Declaration, or which add or withdraw additional property as otherwise provided in this Declaration; or

11.21.7. Prevent Declarant from modifying, changing, re-configuring, removing or otherwise altering any Improvements located on the Common Areas.

In general, the Declarant and any Builder or its Subcontractors shall be exempt from all restrictions set forth in this Declaration to the extent such restrictions interfere in any matter with

Declarant's or any Builder's plans for construction, development, use, sale, leasing, resale or other disposition of the Property.

## 12. COMPLIANCE AND ENFORCEMENT.

12.1. Compliance. Every Owner, and its Permitted Users, Tenants, Guests, invitees, officers, employees, contractors, subcontractors and agents, shall comply with the Governing Documents. No provision of this Declaration shall relieve Declarant of its contractual obligations.

12.2. Enforcement. Failure to comply with any of the Governing Documents shall be grounds for immediate action which may include an action to recover sums for damages, injunctive relief or any combination thereof.

12.3. Individual Assessments; Suspension of Rights. In addition to all other remedies and to the maximum extent lawful, the Board of Directors of the Association shall have the right to (1) impose Individual Assessments for fines on an Owner for failure of an Owner or its Permitted Users, Tenants, Guests, invitees, officers, employees, contractors, subcontractors and agents to comply with this Declaration or with any rule or regulation, or (2) suspend the rights of an Owner whose Assessments are more than 30 days delinquent; provided that no suspension of rights shall occur or Individual Assessments for fines shall be imposed without first providing notice of the charge, opportunity to be heard and to present evidence, and notice of the decision as required by §3-107.1 of the Act.

12.3.1. Payment of Individual Assessments. Individual Assessments shall be paid not later than fifteen (15) days after notice of the imposition or assessment of the fines.

12.3.2. Collection of Individual Assessments. As to Owners, to the extent not prohibited by law, Individual Assessments shall be treated as a lien for Assessments subject to requirements of the Act for perfecting a lien and the provisions of this Declaration for the collection of Assessments.

12.3.3. Application of Individual Assessments. All monies received from Individual Assessments shall be allocated as determined by the Association.

12.3.4. Non-exclusive Remedy. The imposition of an Individual Assessment or suspension of rights shall not be construed to be exclusive and shall exist in addition to all other rights and remedies to which the Association may be otherwise legally entitled; however, any Individual Assessment paid by the offending Owner shall be deducted from or offset against any damages which the Association may otherwise be entitled to recover by law from such Owner.

## 13. DEVELOPMENT REVIEW; GENERAL POWERS.

13.1. Members of ARB. During the Declarant Control Period, the Declarant shall be entitled to determine the number or, appoint and remove all members of the ARB. After the Declarant Control Period, the Board of Directors shall have the right to change the number of,

appoint and remove all members of the ARB. Each new member of the ARB shall be appointed by the Board of Directors and shall hold office until such time as he has resigned or has been removed or his successor has been appointed, as provided herein.

The members of the ARB shall not be compensated for their services as such, although they may be reimbursed for their reasonable out of pocket expenses incurred in connection with the performance of their duties under this Declaration. Such expenses shall be a Common Expense of the Association. The ARB may, with the approval of the Board of Directors as to amounts, require the payment of a nonrefundable filing fee as a condition to the consideration of any matter presented to it, such fees to be applied to expenses of the ARB (including overhead, development, review, enforcement and other Association expenses reasonably allocable to the ARB) and fees for professional services and consultants. In addition, the Board of Directors may require, at its sole discretion, that a structural engineer, architect, or other professional review proposed construction, with such review to be at the Owner's sole expense.

In addition to the power and duties set forth herein, the ARB shall have the right and duty to enforce such design and development review, architectural control, Maintenance and other requirements and restrictions imposed on any portion of the Property by Declarant as Declarant may, in its sole discretion, elect to have it enforce (subject at all times to Declarant's right to modify or revoke such right and duty). Such election may be made by Declarant by means of deed restrictions, contract or by way of an exclusive or non-exclusive assignment of Declarant's rights to enforce same. Further, Declarant may provide for specific criteria and procedures to be used by the ARB in such regard (subject to later modification). Absent such provision the ARB shall proceed in the manner set forth in this Article.

13.2. Review of Proposed Construction. No Unit, fence, wall or other structure or Improvement (including landscaping, basketball hoops, birdhouses, other pet houses, asphaltting or other improvements or changes thereto of any kind) shall be commenced, altered, removed, painted, erected or Maintained on any Lot or Common Area, nor shall any addition, removal, change or alteration (including paint or exterior finishing) visible from the exterior of any Unit be made, nor shall any awning, canopy or shutter be attached to or placed upon outside walls or roofs of Units or other Improvements, until the plans and specifications showing the nature, kind, shape, height, materials and location of the same have been submitted to, and approved in writing pursuant to this Article. The ARB shall approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alteration, removal or addition contemplated thereby in the location(s) indicated will not be detrimental to the appearance of the Community as a whole, and that the appearance of any structure affected thereby will be in harmony with the surrounding structures and is otherwise desirable. The ARB may condition its approval of proposals and plans and specifications as it deems appropriate, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The ARB may also issue rules or guidelines setting forth procedures for the submission of plans for approval. The ARB may require such detail in plans and specifications submitted for its review as it deems proper, including floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior materials and colors. Until receipt by the ARB of any required plans and specifications, the ARB may postpone review of any plans submitted for approval. Upon such receipt, the ARB shall have forty-five

(45) days in which to accept, accept with conditions or reject any proposed plans. If the ARB does not reject the plans and specification within such period, they shall be deemed approved.

All changes and alterations shall also be subject to all applicable permit requirements, to all applicable governmental laws, statutes, ordinances, rules, regulations, orders and decrees.

13.3. Meetings of the ARB. The ARB shall meet from time to time as necessary to perform its duties hereunder. The ARB may from time to time, by resolution unanimously adopted in writing, designate a ARB representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARB, except the granting of variances or exemptions from the requirements of this Article. In the absence of such designation, the vote of any two (2) members of the ARB shall constitute an act of the ARB.

13.4. No Waiver of Future Approvals. The approval of the ARB of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval of the ARB, shall not be deemed to constitute a waiver of any right to withhold approval as to any similar proposals, plans and specifications, drawings or matters whatever subsequently or additionally submitted for approval.

13.5. Inspection of Work. Inspection of work and correction of defects therein shall proceed as follows:

13.5.1. Upon the completion of any work for which approved plans are required under this Article, the Owner shall give written notice of completion to the ARB.

13.5.2. Within sixty (60) days thereafter, the ARB or its duly authorized representative may inspect such Improvement. If the ARB finds that such work was not effected in substantial compliance with the approved plans, it shall notify the Owner in writing of such noncompliance within such sixty (60) day period, specifying the particulars of noncompliance, and shall require the Owner to remedy them.

13.5.3. If the Owner fails to correct such noncompliance within thirty (30) days from the date of notice, the ARB shall notify the Board in writing of such failure. The Board shall then determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall correct or remove the same within a period of not more than forty-five (45) days from the date of announcement of the Board ruling. If the Owner does not comply with the Board ruling within such period, the Board, at its option, may either remove the non-complying Improvement or correct the noncompliance. The Owner shall reimburse the Association upon demand for all expenses incurred in connection therewith, plus an administrative charge to be determined by the Association (to cover the Association's administrative expenses in connection with the foregoing and to discourage the Owner from failing to comply). If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy Individual Assessments against the Owner and his Lot for reimbursement.

13.5.4. If for any reason the ARB fails to notify the Owner of any noncompliance

within sixty (60) days after receipt of written notice of completion from the Owner, the Improvement shall be deemed to have been made in accordance with the approved plans.

13.6. Builder Exemption. Notwithstanding the foregoing, as to any Builder, Declarant or its predecessors or affiliates may provide, in a contract with the Builder or otherwise, blanket exemption from the provisions of this Article or blanket approval of construction activities, site plans, general housing styles or finishes which may then be constructed or performed on any Lot without the need for additional written approvals of, or the submission of, specifications, exterior color and finish, landscape plan, site development or any other matter otherwise required for submission or payment of any fees to the ARB or the Association. Once granted, such blanket approval shall be irrevocable and binding on the ARB and Association as to any Lots owned by Builder or subject to any contract to purchase or option to purchase of Builder. Once blanket approval is granted, a Builder shall not be obligated to provide any further submittals nor obtain any other approvals from, or pay any fees to, the Association, Declarant, Board or ARB.

#### 14. ADDITIONAL SPECIAL DECLARANT RIGHTS.

14.1. General. Notwithstanding any other provision in this Declaration to the contrary, the Declarant and each affiliate of the Declarant shall have, in addition to the other special Declarant rights set forth in the Act or the Governing Documents, the rights described below during the Declarant Control Period:

14.1.1. Effectuation of General Plan of Development. The right to modify the Site Plan and Subdivision Plat, execute all documents and take all actions affecting any portion of the Property owned or controlled by it which, in its sole discretion, are desirable or necessary to effectuate or facilitate the development of the Community.

14.1.2. Platting. The right to plat, re-plat, subdivide and re-subdivide any portion or portions of the Property owned or controlled by it.

14.1.3. Development Planning. The right to determine, in its sole discretion, the type of Improvements, if any, to be constructed on any portion of the Property owned or controlled by it and the Common Areas and the right to revise its plans concerning such Improvements. Declarant may exempt any Builder from all or any portion of the provisions of immediately foregoing Article of this Declaration in its contract with such Builder or otherwise.

14.1.4. Construction. The right to construct and Maintain, on any portion of the Property owned or controlled by it or the Common Areas, any Improvements it considers desirable; and the right to construct and Maintain sales, marketing, leasing, management or other general business offices, temporary construction offices, and storage facilities. The rights shall include a right of ingress and egress by any and all types of vehicles and equipment to, through, over and about the Common Areas during whatever period of time the Declarant or Declarant's Permittees is engaged in any construction or improvement work on or within the Community as well as an easement for the parking and storage of materials, vehicles, tools, equipment and the like which are being utilized in such work.

14.1.5. Marketing. The right to sell, lease, resell, market, promote, operate, and manage existing and planned Units (and portions thereof), which right shall include the right to construct and Maintain marketing, sales and leasing offices and models and to be open for business seven (7) days per week on any portion of the Property owned or controlled by it and the Common Areas, to solicit and receive the visits of unlimited numbers of prospective purchasers and Tenants (all of whom shall have the right while visiting to use parking spaces on the Common Areas), and to place signs, lighting, flags, banners and other promotional devices on any portion or portions of the Property owned or controlled by it or the Common Areas without regard to the size or aesthetic appeal of such signs or devices.

14.1.6. Alteration of Common Areas. The right, without the vote or consent of the Association or Owners, to expand, alter or add to all or any part of the Common Areas or any Improvements thereon.

14.1.7. Assignment. The right to assign the foregoing rights, in whole or in part, to any one or more Declarants or Declarant's assignees by a written assignment recorded in the Registry.

14.1.8. Use of Common Areas. Anything to the contrary in this Declaration notwithstanding, during the Declarant Control Period, the Declarant and the Declarant's Permittees shall have the right to non-exclusive use of the Common Areas, without charge, for sales, leasing, promotions, special events, signage, display, access, ingress, egress, construction and exhibit purposes during the period of construction, development, sale or lease of any land, Lots or Units owned by Declarant and its affiliates within the Community. Further, the Declarant shall have the right to permit Persons other than Owners, their Permitted Users to use certain portions of the Common Areas under such terms as Declarant, its successors and assigns, may from time to time desire without interference from the Association. Without limiting the generality of the foregoing, the Declarant may grant employees of the Declarant and their families the right to use all Common Areas.

14.2. Easement. There is hereby created and reserved a blanket easement for the Declarant and each affiliate of the Declarant to enable each of them and (to the extent authorized in writing by Declarant) the Declarant's Permittees to exercise the rights set forth in the Governing Documents free of any interference by the Association or any Owner.

14.3. Injunctive Relief for Interference. The Declarant and each affiliate or assignee of the Declarant shall be entitled to injunctive relief for any actual or threatened interference with its or their rights under this Article, in addition to whatever remedies at law it or they might be entitled to.

15. LEASING AND OCCUPANCY OF UNITS. No Owner other than the Declarant may occupy or lease a Unit except by complying with the following provisions:

15.1. Residential Use Only. Use and occupancy of the Units is restricted to residential uses only. These use restrictions shall not be construed in such a manner as to prohibit an Owner or Permitted User from maintaining his personal professional library, keeping his personal

business or professional records or accounts or handling his personal, business or professional telephone calls, electronic transmissions or correspondence in and from his Unit to the extent permitted by applicable law; provided such activities do not interfere with the quiet enjoyment of other Units. Notwithstanding the foregoing, the Declarant and Builders, shall be permitted to use Units which such entity owns or leases as model homes, as sales, leasing, development, marketing, construction, management or other offices.

15.2. Leased Units. An Owner may lease his Unit, provided that any such lease must be for not less than twelve (12) months. Only entire Units may be leased. No subleases or assignments of leases of a Unit are allowed. All leases shall be in writing and shall contain the following provisions:

15.2.1. Each Tenant shall comply, and all leases shall require the Tenant to comply, with the covenants, terms, conditions and restrictions of the Governing Documents. A violation of any of the terms of any of the Governing Documents shall constitute a material breach of the lease and shall constitute grounds for damages, termination of the lease and eviction by the Association.

15.2.2. Pursuant to the foregoing provisions of this Declaration, the Association has the right to collect all rental payments due to the Owner and apply them against unpaid Assessments if, and to the extent that, the Owner is in default in the payment of Assessments.

15.2.3. The Board of Directors shall have the power and authority to terminate the lease and/or bring proceedings to evict the Tenant in the name of the Owner if either the Tenant defaults under the lease or the Association forecloses a lien for unpaid Assessments on the Unit.

15.2.4. This Declaration and other Governing Documents then in effect must be given to the Tenant by or on behalf of the Owner at or before the commencement of the lease term; provided, however, that such Tenant's obligations under this Article shall not be affected by the failure to receive the Governing Documents. All tenancies are hereby made subordinate to any lien filed by the Association, whether prior or subsequent to such lease.

15.2.5. If an Owner fails to include any of the foregoing provisions in any lease, the provisions shall be deemed to be included and part of the lease.

15.2.6. Prior to the time a Tenant takes possession of the Unit, the Owner shall furnish the Association with a copy of the lease for the Unit. Each Owner or Tenant of a leased Unit shall be obligated to deliver a copy of the lease to the Association within seven (7) days after request by the Association.

15.3. Owner Responsible for Conduct of Permitted Users. The Owner of a Unit, except a Builder Owner, is responsible for all conduct of each Permitted User of the Unit, including any claim for injury, loss or damage to Persons or property caused by the acts or omissions of the Owner's Permitted User(s). Each Owner, except a Builder Owner, shall be jointly and severally liable with the Permitted User to the Association for any amount which is required by the Association to repair any injury, loss or damage to the Common Area resulting from acts or

omissions of the Permitted User and to pay any claim for injury, loss or damage to property caused by the negligence of the Permitted User, and the Association may levy an Individual Assessment against the non-Builder owned Unit therefor.

15.4. Use of Common Areas. When a Unit is leased, the Permitted User shall have all use rights in Common Areas and Association Property otherwise readily available for use generally by Owners, and the Owner of the leased Unit shall not have such rights, except as a Guest of another Owner or the Tenant. Nothing herein shall interfere with the access and eviction rights of the Owner as a landlord pursuant to North Carolina law. The Association shall have the right to adopt rules to prohibit dual usage by an Owner and a Permitted User of Common Areas.

15.5. Declarant's Use. The Declarant, its successors and assigns, shall be permitted to use Units which the Declarant owns, leases or manages for any activities relating to marketing, selling, purchasing, reselling, leasing or promoting those Units as well as for models, sales, resales, leasing, and management offices, overnight accommodations by its designees or any other lawful purpose.

## 16. ADDITIONAL RIGHTS OF ELIGIBLE MORTGAGEES.

16.1. Books and Records. Any Eligible Mortgagee shall have the right, during normal business hours, to examine copies of the Governing Documents, 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.

16.2. Notice to Eligible Mortgagees. Eligible Mortgagees shall be entitled to timely written notice of:

16.2.1. A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;

16.2.2. Association's meetings and attend such meetings;

16.2.3. Any alleged default by any Owner whose Lot is subject to a First Mortgage it holds or has insured or guaranteed, if the default is not cured within sixty (60) days after notice of the default to the Owner;

16.2.4. Any condemnation or casualty loss which affects a major portion of the Common Areas;

16.2.5. A copy of, within reasonable time after it requests it, financial statement of the Association for the immediately preceding Fiscal Year;

16.2.6. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

16.2.7. Any proposed action by the Association which would require hereunder

the consent or approval of a specified percentage of Eligible Mortgagees.

16.3. Approval of Eligible Mortgagees. After the expiration of the Declarant Control Period, unless at least a majority of the Eligible Mortgagees based on the original principal amount of their First Mortgages encumbering Units have given their prior written approval, the Association shall not:

16.3.1. By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer Common Areas or any other real property which is owned, directly or indirectly, by the Association. The granting of easements or relocation of easements for utilities or other purposes shall not be deemed a transfer within the meaning of this subsection.

16.3.2. Change the method of determining the obligations, Assessments, dues or other charges which *may* be levied against a Unit;

16.3.3. Fail to maintain property insurance on insurable improvements on the Common Area on a current replacement cost basis in an amount not less than one hundred (100%) percent of the full insurable replacement value;

16.3.4. Use the proceeds of any property insurance policy covering losses to any part of the Common Area for other than the repair, replacement or reconstruction of the damaged Improvements; or

16.3.5. Use the proceeds of any property insurance policy covering losses to any part of any Unit for other than the repair, replacement or reconstruction of the damaged Improvements, if so applicable.

16.4. Payment of Taxes and Insurance Premiums. Eligible Mortgagees, jointly or singularly, 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 Area and may pay delinquent premiums on property insurance policies or secure new property insurance coverage upon the lapse of a policy covering the Common Areas or Association Property. The Eligible Mortgagees making such payments shall be owed immediate reimbursement therefor by the Association.

17. AMENDMENTS. This Declaration, Articles and Bylaws shall be amended as follows:

17.1. By the Declarant. During the Declarant Control Period, this Declaration, the Articles and Bylaws may be amended, changed or added to at any time and from time to time by an instrument executed by Declarant and recorded in the Registry without the requirement of the consent of the Association or any of the Owners or their mortgagees; provided, however, the Association shall, forthwith upon request of the Declarant, join in any such amendments or modifications and execute such instruments to evidence such joinder and consent as the Declarant shall, from time to time, request.

17.2. By the Association. After the Declarant Control Period, this Declaration, the Articles and Bylaws may be amended, changed or added to at any time and from time to time by

the affirmative vote or written consent of the Class A Members (through their respective Voting Members) having not less than sixty-seven (67%) percent of the voting interests of Class A Members and, to the extent not prohibited by law, the affirmative vote or written approval of the Declarant so long as the Declarant is a Member.

17.3. Scrivener's Errors. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by the Declarant alone so long as the Declarant owns any portion of the Community, and thereafter by the Board without the need for approval of the Owners.

17.4. Limitations on Amendments Affecting Declarant Rights. No amendment shall be permitted which changes the rights, privileges and obligations of the Declarant or any affiliate of the Declarant respectively without the prior written consent of whichever of them is affected. Nothing contained herein shall affect the right of the Declarant to make whatever amendments or Supplemental Declarations are otherwise expressly permitted hereby without the consent or approval of any Owner or Mortgagee.

17.5. Amendments Required by Secondary Mortgage Market. Notwithstanding anything herein to the contrary, the Declarant shall have an absolute right to make any amendments to this Declaration (without any other party's consent or joinder including the Association or any Owners) that are requested or required by or necessitated by a change in the guidelines of the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), U.S. Department of Housing and Urban Development ("HUD") and U.S. Department of Veterans Affairs ("VA"), the Government National Mortgage Association, or any other governmental, quasi-governmental or government-chartered entity which owns or expects to own one or more Mortgages on Lots or portions of the Property within the Community or to insure or guarantee the payment of one or more such Mortgages or that are requested or required by any institutional First Mortgagee to enhance the salability of its Mortgages on Lots or portions of the Property to one or more of the foregoing.

17.6. Mortgagee's Consent. No amendment may be adopted which would eliminate, modify, prejudice, abridge or otherwise adversely affect any rights, benefits, privileges or priorities granted or reserved to mortgagees or make any materially adverse change the requirements for insurance covering the Common Area unless a majority of the Eligible Mortgagees whose Mortgages encumber the Common Area (based on the original principal amount of the Mortgages held by the Eligible Mortgagees) shall join in the amendment. Except as specifically provided herein, the consent and/or joinder of any lien or mortgage holder on a Unit shall not be required for the adoption of any amendment to this Declaration and, whenever the consent or joinder of a lien or mortgage holder is required, such consent or joinder shall not be unreasonably withheld or delayed. Whenever the consent or approval of an Eligible Mortgagee or other mortgagee is required by the Governing Documents, or any applicable statute or law to any action of the Association or to any other matter relating to the Association, the Board, or by the Governing Documents, the Association shall request such consent or approval of such Eligible Mortgagee or other mortgagee by written request sent by certified mail, return receipt requested. Any Eligible Mortgagee or other mortgagee receiving such request shall be required to consent to or disapprove the matter for which the consent or approval is requested in

writing within sixty (60) days after the Eligible Mortgagee or other mortgagee receives such request. The response of the Eligible Mortgagee or other mortgagee must be sent by certified mail, return receipt requested (or equivalent delivery evidencing such request was delivered to and received by the Association) and the response must be received by the Association. If such response is not timely received by the Association, the Eligible Mortgagee or other mortgagee shall be deemed to have consented to and approved the matter for which such approval or consent was requested. Such consent or approval given or deemed to have been given, where required, may be evidenced by an affidavit signed by a majority of the Directors, the President or Secretary of the Association, which affidavit, where necessary, may be recorded in the Register's Office for the County. Such affidavit shall be conclusive evidence that the applicable consent or approval was given as to the matters therein contained.

17.7. Effective Date. Amendments to this Declaration are valid from the later of the time of recording in the Registry or such later date specified in the amendment.

17.8. Challenge. No action to challenge the validity of an amendment adopted pursuant to this Article may be brought more than one (1) year after the amendment is recorded.

18. EFFECT AND DURATION OF COVENANTS. This Declaration shall run with, bind, benefit and burden all of the Property, and shall run with, bind, and be enforceable by and against the Declarant, the Association, every Owner, and the respective legal representatives, heirs, successors and assigns of each, for a term of thirty (30) years from the date this Declaration is recorded. After that time they shall be automatically extended for successive periods of ten (10) years each unless an instrument has been recorded in which eighty (80%) percent of the then Owners and majority of the Eligible Mortgagees (based on the original principal amount of the Mortgages held by the Eligible Mortgagees) agree by signing it to revoke this Declaration in whole or in part.

## 19. GENERAL PROVISIONS.

19.1. Exculpation. No personal liability is assumed by nor shall at any time be asserted or enforceable against the Declarant or its affiliates on account of any representation, covenant, undertaking or agreement of the Declarant or its affiliates contained in this Declaration either expressed or implied. All such personal liability, if any, is expressly waived and released by the Association, the Owners and by all Persons claiming by, through or under the Owners.

19.2. Notice. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when personally delivered or mailed, postpaid, to the last known address of the Person who appears as Member or Owner on the records of the Association at the time of such mailing. It shall be the duty of each Owner to keep the Association advised of his name and addresses and any changes therein.

19.3. Severability. Invalidation of any part, clause or word of the Governing Documents, or the application thereof in specific circumstances, by judgment or court order shall not affect any other provisions or applications in other circumstances, all of which shall remain in full force and effect.

19.4. Performance of Association's Duties by Declarant. Declarant shall have the right from time to time at its sole discretion, to perform at Declarant's expense the duties and obligations required hereunder to be performed by the Association. In connection therewith Declarant shall have the right to reduce the budget of the Association and the Assessments payable by the Owners; provided, however, that any such performance on the part of Declarant may be discontinued by Declarant at any time, and any such performance shall not be deemed to constitute a continuing obligation on the part of Declarant.

19.5. Conflict. The provisions of this Article control over any inconsistent provisions of any other portion of this Declaration, any Supplemental Declaration or any other Governing Documents. In the event of a conflict between any of the Governing Documents, the following order of precedence shall apply: First, this Declaration (except as to matters of compliance with the North Carolina Nonprofit Corporation Act, in which event the Articles shall control), Second, Articles of Incorporation of the Association; Third, Bylaws of the Association; Fourth, rules and regulations of the Association.

19.6. Effective Date. This Declaration shall become effective upon its recordation in the Registry.

19.7. Standards for Consent. Approval, Completion, Other Action and Interpretation. Whenever the Governing Documents shall require the consent, approval or other action by the Declarant or its affiliates, Association or Architectural Review Board, such consent, approval or action may be withheld in the sole and reasonable discretion of the party requested to give such consent or approval or take such action. All matters required to be completed or substantially completed by the Declarant or its affiliates, Association or ARB shall be deemed so completed or substantially completed when such matters have been completed or substantially completed in the reasonable opinion of the Declarant, Association or ARB, as appropriate. As to matters relating to the Common Areas or the Association, the Governing Documents shall be interpreted by the Board of Directors and an opinion of counsel of the Association rendered in good faith that a particular interpretation is not unreasonable shall establish the validity of such interpretation.

19.8. Easements. If any easement provided for in this Declaration fails because at the time of creation there may be no grantee having the capacity to take and hold such easement, then any such grant of easement shall nevertheless be considered as having been granted directly to the Association as agent for such intended grantees for the purpose of allowing the original parties to whom the easements were originally to have the benefit of such easement. The Owners hereby designate the Declarant and the Association (or either of them) as their lawful attorney-in-fact to execute any instrument on such Owners' behalf as may hereafter be required or deemed necessary for the purpose of later creating such easement as it was intended to have been created herein.

19.9. CPI. Whenever a specific dollar amount is recited in Governing Documents, unless limited by law or by the specific text hereof or unless held to be unconscionable, such amounts shall be increased from time to time by application of a nationally recognized consumer

price index using the date of recordation of this Declaration as the base year. The index used shall be that published by the United States Department of Labor, Bureau of Labor Statistics, designated as "Consumer Price Index, all urban consumers, United States, 1982-84 = 100, all items". If the Bureau of Labor Statistics shall change the method for determining the consumer price index or in the event the Bureau of Labor Statistics shall cease to publish said statistical information and it is not available from any other source, public or private, then the Board shall choose a reasonable alternative to compute such increases.

19.10. Attorneys' Fees; Enforcement Costs. Unless limited by the Act, in the event that any legal action or other proceeding is brought for the enforcement of the Governing Documents, including because of any Assessments, fines, or any alleged dispute, breach, default or misrepresentation in connection with any provisions of the Governing Documents, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees, court costs and all expenses even if not taxable as court costs (including all such fees, costs and expenses incident to appeals), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

19.11. Principles of Interpretation and Definitions. In this Declaration, unless the context requires otherwise: (1) the singular includes the plural, and the plural includes the singular; (2) the pronouns "it", "its", "he", "his", "she", "her", "they" and "their" include the masculine and feminine; (3) references to contracts and agreements shall be deemed to include all amendments thereto; (4) references to an "Article", "Section", "section", or "paragraph" shall mean an article or section of this Declaration; (5) headings and titles of sections, paragraphs, and articles are for convenience only and shall not be construed to affect the meaning of this Declaration; (6) the word "shall" is mandatory; and (7) all exhibits, attachments, or documents attached or referred to in this Declaration are incorporated by reference as if fully set forth herein.

19.12. Litigation. The Association may not commence any litigation, arbitration, legal action or any other legal proceeding against any non-Owner, any Builder or Declarant, unless two-thirds (2/3) of the Members vote to approve such proceeding.

[signature page follows]

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first above written.

DECLARANT:

ARS Hillcrest Development LLC

By: \_\_\_\_\_

Name: Brent E. Wood

Title: Secretary and Authorized Agent

STATE OF NC  
COUNTY OF Wake

I, Dusty Drake Batten, a Notary Public of Wake County, State of NC certify that Brent E Wood, (the "Signatory"), appeared before me this day and that Signatory, being authorized to do so, acknowledged the execution of the foregoing instrument.

I certify that the Signatory personally appeared before me this day, and *(check one of the following)*:

X (I have personal knowledge of the identity of the Signatory); or

\_\_\_\_\_ (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of: *(check one of the following)*:

\_\_\_\_\_ a driver's license or

\_\_\_\_\_ in the form of \_\_\_\_\_); or

\_\_\_\_\_ (a credible witness has sworn to the identity of the Signatory).

Sworn to and subscribed before me this the 24<sup>th</sup> day of February, 2022.

Dusty Drake Batten  
(Notary Public)

Print Name: Dusty Drake Batten

My Commission Expires: 8-23-26

☞ [NOTARY SEAL] (MUST BE FULLY LEGIBLE)

DUSTY DRAKE BATTEN  
NOTARY PUBLIC  
Wake County  
North Carolina

Exhibit A

**BEING ALL of those certain tracts or parcels lying and being in Youngsville Township, Franklin County, North Carolina, and being more particularly described as follows:**

**TRACT 1:**

**Being that certain tract or parcel of land lying to the east of Cedar Creek Road, Youngsville Township, Franklin County, containing 65.044 acres, more or less, as shown on plat of Elingburg Land Survey Co., P.A., entitled "Boundary Survey O'Neal Tracts 1-3 for Greenpointe LLC", recorded in Plat Book 2020, Page 94, Franklin County Registry, which plat is referenced for a more particular description.**

**TRACT 2:**

**Being that certain tract or parcel of land containing 4.476 acres, more or less, lying in Youngsville Township, Franklin County, and lying to the west of Ray's Creek as shown on plat thereof recorded in Plat Book 2020, Page 94, Franklin County Registry, which plat is referenced for a more particular description.**

**TRACT 3:**

**Being that certain tract or parcel of land containing 0.525 acres, more or less, lying in Youngsville Township, Franklin County, and lying to the south of Hill Road (S.R. 1113) as shown on plat thereof recorded in Plat Book 2020, Page 94, Franklin County Registry, which plat is referenced for a more particular description.**

Exhibit B

Any real property located within 5,000 feet of any boundary of the Property.

**Consent of Lien Holder**

North State Bank, is the current holder of a Deed of Trust from ARS Hillcrest Development, LLC, a North Carolina limited liability company ("Borrower") in favor of Lien Holder dated November 30, 2020, and recorded November 30, 2020, with the Franklin County, North Carolina Register of Deeds at Book 2232, Page 1853 (the "Deed of Trust"). Lien Holder hereby consents to the grant and recordation of that certain Declaration of Covenants, Restrictions and Easements for Hillcrest (the "Declaration") by Borrower encumbering the Property described in the Deed of Trust, and joins in the execution hereof solely as Lien Holder and hereby does agree that in the event of the foreclosure of the Deed of Trust, or a deed in lieu of foreclosure of the Property described in the Deed of Trust under judicial proceedings, the Declaration shall survive any foreclosure and sale of the Property, the Property shall be sold subject to said Declaration, and all rights and interests granted thereby shall be unaffected.

SIGNED AND EXECUTED this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

North State Bank

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Jonathan E Hand  
JONATHAN E HAND  
SUP

STATE OF North Carolina )  
 COUNTY OF Wake )

I, Naomi Linn  
Zimmer, a Notary Public of Wake County, State of North Carolina,  
 certify that Jonathan E Hand, (the "Signatory"), appeared before me this day and that  
 Signatory, being authorized to do so, acknowledged the execution of the foregoing instrument.

I certify that the Signatory personally appeared before me this day, and (check one of the following):

\_\_\_\_ (I have personal knowledge of the identity of the Signatory); or

✓ (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of: (check one of the following):

✓ a driver's license or

\_\_\_\_ in the form of \_\_\_\_\_); or

\_\_\_\_ (a credible witness has sworn to the identity of the Signatory).

Sworn to and subscribed before me this the 25 day of February, 2022.

Naomi Linn Zimmer

Notary Public

Print Name: Naomi Linn Zimmer

My Commission Expires: 7-16-2022

[NOTARY SEAL] (MUST BE FULLY LEGIBLE)

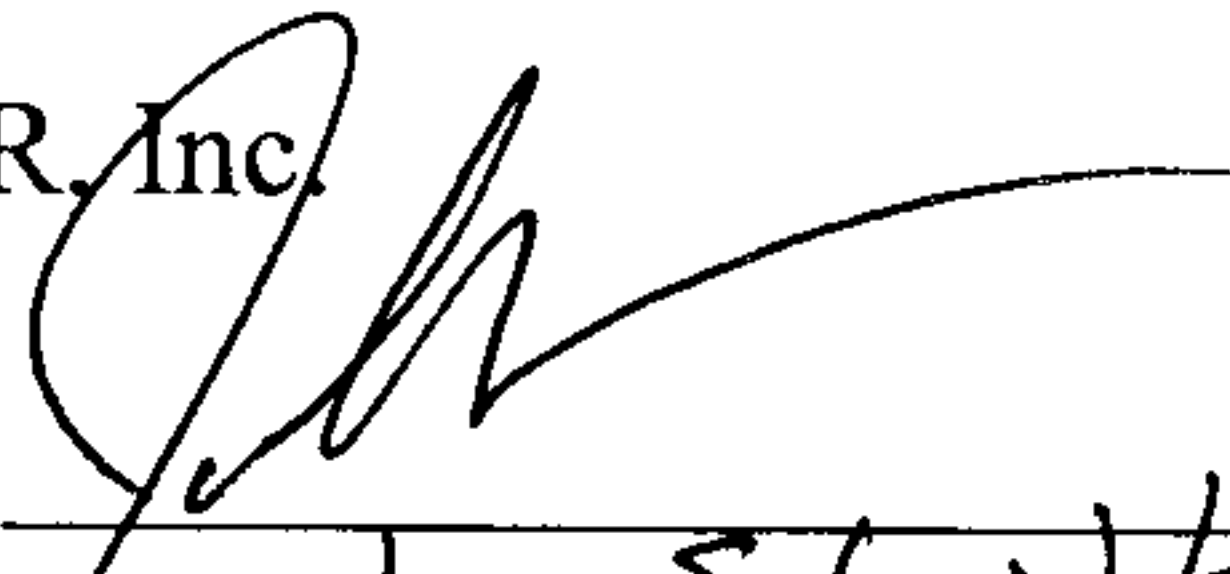
**NAOMI LINN ZIMMER**  
**NOTARY PUBLIC**  
**WAKE COUNTY, NC**

**Consent of Lien Holder**

NVR, Inc., is the current holder of a Deed of Trust from ARS Hillcrest Development, LLC, a North Carolina limited liability company ("Borrower") in favor of Lien Holder dated November 30, 2020, and recorded November 30, 2020, with the Franklin County, North Carolina Register of Deeds at Book 2232, Page 1880 (the "Deed of Trust"). Lien Holder hereby consents to the grant and recordation of that certain Declaration of Covenants, Restrictions and Easements for Hillcrest (the "Declaration") by Borrower encumbering the Property described in the Deed of Trust, and joins in the execution hereof solely as Lien Holder and hereby does agree that in the event of the foreclosure of the Deed of Trust, or a deed in lieu of foreclosure of the Property described in the Deed of Trust under judicial proceedings, the Declaration shall survive any foreclosure and sale of the Property, the Property shall be sold subject to said Declaration, and all rights and interests granted thereby shall be unaffected.

SIGNED AND EXECUTED this 24 day of February, 2022.

NVR, Inc.

By: 

Name: Joe Schmidtke

Title: VP

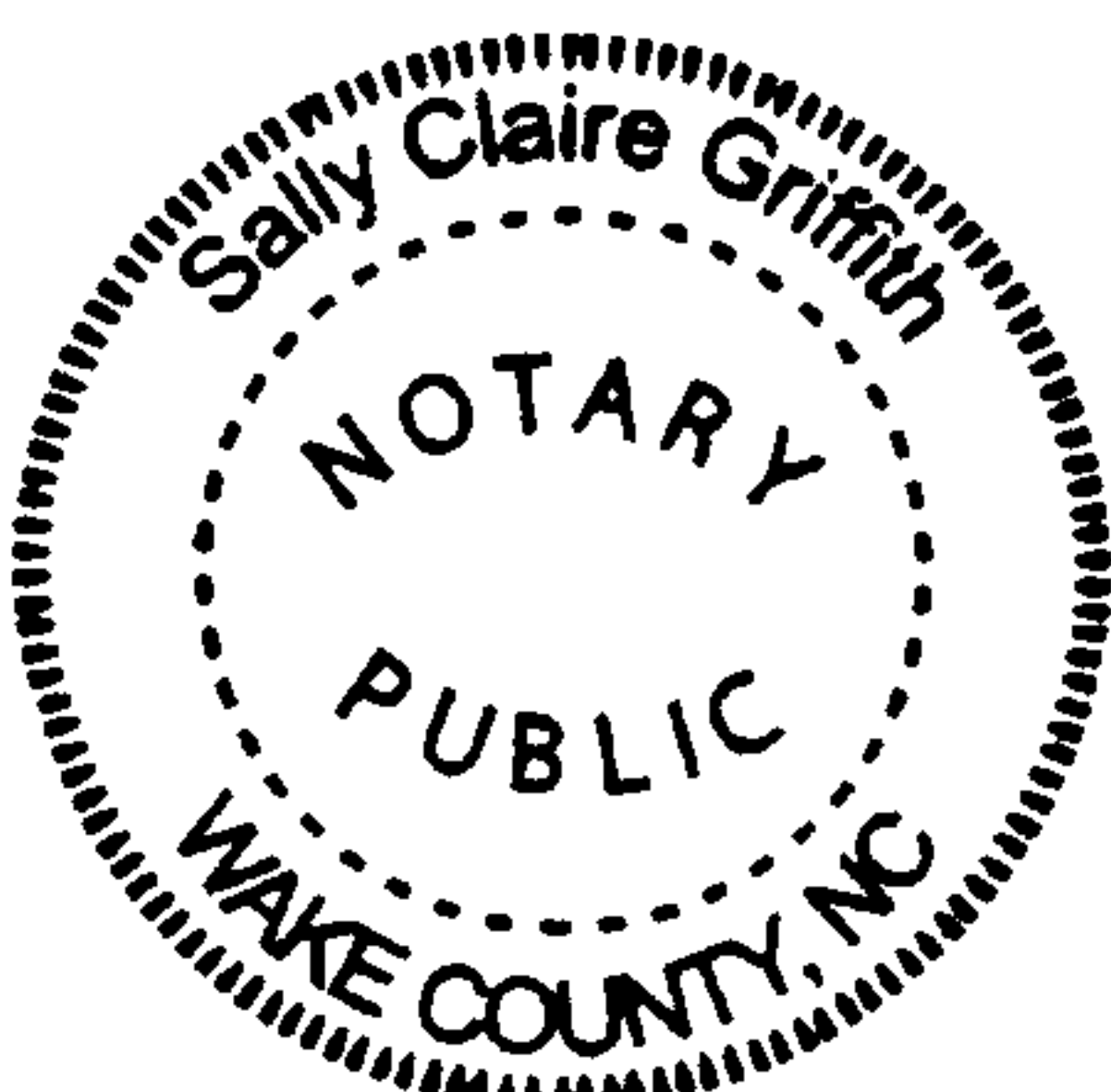
STATE OF North Carolina )  
COUNTY OF Wake )

I, Sally Claire Griffith, a Notary Public of Wake County, State of North Carolina certify that Joe Schmidtke, (the "Signatory"), appeared before me this day and that Signatory, being authorized to do so, acknowledged the execution of the foregoing instrument.

I certify that the Signatory personally appeared before me this day, and (*check one of the following*):

- ☒ (I have personal knowledge of the identity of the Signatory); **or**  
☐ (I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of: (*check one of the following*):  
☐ a driver's license *or*  
☐ in the form of \_\_\_\_\_); *or*  
☐ (a credible witness has sworn to the identity of the Signatory).

Sworn to and subscribed before me this the 24<sup>th</sup> day of February, 2022.



Sally Claire Griffith  
Notary Public

Print Name: Sally Claire Griffith

My Commission Expires: 11/7/2026

[NOTARY SEAL] (MUST BE FULLY LEGIBLE)