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DECLARATION OF

COVENANTS, RESTRICTIONS AND EASEMENTS

FOR

SOUTHPOINTE TOWNHOMES

WARREN COUNTY, NORTH CAROLINA

THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF THE UNITED STATES OF AMERICA OR THE STATE OF NORTH CAROLINA.

THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF POLITICAL SIGNS.

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DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR SOUTHPOINTE TOWNHOMES
WARREN COUNTY, NORTH CAROLINA

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS is made by East Oaks, LLC, a Virginia limited liability company (the "Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner, or has the consent of the owner, of all that tract or parcel of land lying and being in Warren County, North Carolina, as shown on the legal description attached hereto as Exhibit "A", incorporated herein (the "Property"); and

WHEREAS, Declarant intends to impose on the Property mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Property and to establish a procedure for the overall development, administration, maintenance and preservation of the Property; and

WHEREAS, in furtherance of such plan, it is desirable to create Southpointe Home Owners Association, Inc. to own, operate, maintain and/or manage, as applicable, the Area of Common Responsibility (as defined below) and to administer and enforce the covenants and restrictions and design guidelines imposed hereby; and

WHEREAS, it is intended that every owner of any of the Units automatically, and by reason of such ownership in this Declaration, become a Member of the Association and be subject to its rules and regulations and the assessments and charges made by the Association;

NOW THEREFORE, Declarant does hereby submit the Property to the provisions of this Declaration. This document establishes a mandatory membership homeowners association pursuant to the provisions of the North Carolina Planned Community Act, N.C. Gen. Stat. §§ 47F-1-101, et seq.

1. DEFINITIONS

As used in this Declaration, the following terms shall have the meanings ascribed to them in this Section, such definitions being cumulative of those set forth in the recitals and elsewhere in this Declaration.

"***Additional Property***" shall mean any and all real property lying and being within five (5) miles of the Property.

"***Annual Assessment***" shall have the meaning specified in Section 6, entitled "ASSESSMENTS", and shall constitute the assessments which, pursuant to the provisions of such Section 6, shall be levied by the Association against all Units each year for the purpose of raising the funds necessary to pay the "Annual Expenses" (as that term is defined in such Section 6).

"***Areas of Common Responsibility***" shall mean the areas which by the terms of this Declaration or by contract or agreement with any other Person become the responsibility of the Association.

"***Articles of Incorporation***" shall mean the Articles of Incorporation of the Association, as the same may be amended from time to time.

"***Association***" shall mean Southpointe Home Owners Association, Inc., a North Carolina non-profit corporation.

"***Board of Directors***" shall mean the body responsible for the administration of the Association, as provided in the Bylaws.

"***Bylaws***" shall mean the Bylaws of the Association, as the same may be amended from time to time.

"***Builder***" shall mean any Person who purchases one or more Units from the Declarant for the purpose of constructing improvements for later sale to consumers or who purchases units from others for such purpose and is designated as "Builder" by Declarant. Any Person occupying or leasing a Unit for residential purposes shall cease to be considered a Builder with respect to such Unit immediately upon occupancy of the Unit for residential purposes, notwithstanding that such Person originally purchased the Unit for the purpose of constructing improvements for later sale to consumers. A Builder leasing from an individual purchaser a completed Unit for use as a model or sales office pursuant to this Declaration shall be permitted and shall not result in a violation of the residential use restriction of Section 11.1 by the Owner-lessor and the required occupancy for residential purposes.

"***County***" shall mean and refer to the Warren County, North Carolina, a municipal corporation.

"***Declarant***" shall mean East Oaks, LLC, a Virginia limited liability company, and shall include any successor or assign who shall acquire any portion of the Property for the purpose of development and/or sale and who is designated as Declarant in a recorded instrument executed by the immediately preceding Declarant; provided, however, that there shall be only one "Declarant" hereunder at any one time.

"***Declaration***" shall mean this Declaration of Covenants, Restrictions and Easements, as the same may be hereafter amended in accordance with the terms hereof.

"***Development Period***" shall mean the longer of (a) period of time during which Declarant or Builder owns any property that is subject to this Declaration or (b) the period of time during which Declarant has the unilateral right to subject Additional Property to this Declaration pursuant to Section 2. Declarant may, but shall not be obligated to, unilaterally relinquish its rights under this Declaration and terminate the Development Period by recording a written instrument with the Register of Deeds.

"***Improved Unit***" shall mean a Unit (i) upon which there is located a structure for which a certificate of occupancy has been issued by the applicable government authority, and (ii) which has been sold to a Person who is not Declarant.

"***Member***" shall mean a Person subject to membership in the Association pursuant to Section 4 entitled "The Association".

"***Mortgage***" shall mean a deed or other document by means of which title to any Unit is conveyed or encumbered to secure a debt. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"***Owner***" shall mean any Person who is a record owner by purchase, transfer, assignment or foreclosure of a fee or undivided fee interest in a Unit; provided, however, that any Person who holds such interest merely as security for the performance of an obligation shall not be an Owner.

"***Person***" shall mean a natural person, corporation, trust, partnership or any other legal entity.

"***Plats***" shall mean all plats for any portion of the Property, and any amendments to such Plats, which are hereafter recorded in the Register of Deeds' plat book records, and shall also include any Plats, or amendments thereto recorded for the purpose of subjecting any of the Additional Property to this Declaration.

"***Property***" shall have the meaning ascribed to it hereinabove.

"***Register of Deeds***" shall mean the Register of Deeds for the County where the property is located.

"***Supplemental Declaration***" shall mean an instrument filed with the Register of Deeds which imposes additional restrictions and/or obligations on the land described in such instrument.

"*Unit*" shall mean each portion of the Property that may be independently owned and conveyed and which is intended for development, use and occupancy as a residence for a single family, as shown and indicated as a "Unit" or a "Lot" on any of the Plats which are hereafter recorded.

"*Unimproved Unit*" shall mean any Unit that is not an Improved Unit.

2. PROPERTY SUBMITTED TO THIS DECLARATION

2.1. Units Hereby Subjected to this Declaration. Declarant, for itself and its successors and assigns, does hereby submit the Property and the Units to this Declaration. The Property shall hereafter be held, transferred, sold, conveyed, used, leased, occupied, mortgaged or otherwise encumbered subject to all of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in this Declaration, including, but not limited to, the lien provisions set forth herein. All of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in this Declaration as applicable to the Units shall be a permanent charge thereon, and shall run with the Units.

2.2. All Units Bear the Burdens and Enjoy the Benefits of this Declaration. Every Owner, by taking record title to a Unit, agrees to all of the terms and provisions of this Declaration. Each of the Units is subject to all burdens, and enjoys all benefits, made applicable hereunder.

2.3. Annexation of Additional Property. Declarant may, at any time, and from time to time, prior to ten (10) years from the date hereof, subject all or part of the Additional Property to the terms, provisions, liens, charges, easements, covenants and restrictions of this Declaration by executing and recording with the Register of Deeds an amendment to this Declaration describing the property being annexed.

From and after such recording, the annexed property shall be held, transferred, sold, conveyed, used, leased, occupied, mortgaged or otherwise encumbered subject to all of the terms, provisions, liens, charges, easements, covenants and restrictions of this Declaration, including, without limitation, all lien and assessment provisions set forth in this Declaration, and all of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in this Declaration shall be a permanent charge on, and shall run with, such annexed property.

In addition to the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration, Declarant shall further have the right at its election, without the consent of any Owner or Owners, to subject any such annexed property to additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens by filing a Supplemental Declaration with the Register of Deeds covering only such annexed property. The Association shall have the right and authority to enforce all controls, covenants, conditions, restrictions, easements, and developments contained in such additional declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the annexed property in order to reflect the different character and intended use of such property.

No approval from any Member of the Association, or from anyone else whomsoever, shall be required for Declarant to subject Additional Property to this Declaration.

2.4. Withdrawal of Property. Declarant reserves the right to amend this Declaration during the Development Period for the purpose of removing any portion of the Property from the coverage of this Declaration, provided such withdrawal is not contrary to the overall, uniform scheme of development for the Property and is not contrary to the planned residential development requirements of the zoning ordinance in effect for the Property. This provision includes Declarant's right to deed over property to any governmental entity as required or deemed necessary in Declarant's discretion. Such amendment shall not require the consent of any Person other than the Owner of the property to be withdrawn, if same is not Declarant.

2.5. Other Acts of Declarant. Declarant reserves the right to amend this Declaration during the Development Period, to merge the Association into other homeowners' or community associations, and to combine this Declaration with the declaration of such association.

2.6. Unit Boundaries. If the side boundary of a Unit abuts the side boundary of another Unit, the side boundary shall be a line consistent with and along the center of the firewall(s) separating such Unit from the abutting

Unit. Otherwise the Unit boundaries shall be as shown on the recorded Plats. If any discrepancy between the boundaries of a Unit, as described herein, and the boundaries of such Unit when shown on the recorded Plats, the description of the boundaries of the Unit set forth herein shall control. All of the area within the boundaries of each of the Unit, as herein described, and as shown and depicted on the recorded Plats, shall for all purposes constitute real property which may be owned in fee simple, subject to the terms, provisions, liens, charges, covenants, easements and restrictions of this Declaration.

3. EASEMENTS OVER AND AGREEMENTS REGARDING THE PROPERTY

3.1. Easements over Units. The Units shall be subject to, and Declarant does hereby grant, the following non-exclusive perpetual and temporary easements for the enjoyment of Declarant, the Association, any Builders and subcontractors authorized by Declarant, the Members, the Owners, and the successors-in-title of each:

3.1.1. Easements Shown on Plats. Each Unit shall be subject to all easements, borders, buffers and the like which are shown and depicted on the Plats as affecting and burdening such Unit.

3.1.2. Entry. Each Unit shall be subject to an easement for the entry by the authorized agents and representatives of the Association to go upon such Unit under such circumstances and for such purposes as are described elsewhere in this Declaration

3.1.3. Encroachments and Overhangs. Each Unit shall have a three (3) foot easement as measured from any point on the common boundary between such Unit and any adjoining Unit, or between such Unit and adjacent Common Areas, for encroachments and overhangs due to the placement or settling of the improvements constructed, reconstructed or altered thereon; unless such encroachment or overhang was due to the willful act of an Owner or the Association.

3.1.4. Maintenance. Each Unit shall be subject to a perpetual easement in favor of the Association and its contractors for such maintenance of the Units by the Association as is provided for in the Section 7 entitled "Maintenance of Units" herein. There is further reserved for the benefit of each Unit a reciprocal appurtenant easement between all adjacent Units, for the purpose of maintaining, repairing or replacing the improvements located on each such Unit. All such maintenance shall be performed with a minimum of interference to the quiet enjoyment of the Owner of the adjacent Unit. Except in emergencies, entry onto a Unit shall occur only after providing the Owner of such Unit not less than forty-eight (48) hours advance notice and shall occur only during reasonable hours. Each Owner and the Association shall cooperate with each other Owner and/or occupant for purposes of exercising these easement rights and these easements shall be exercised only for such period of time as is reasonably necessary in order to complete the maintenance or repair. The Owner or Association exercising these easement rights shall pursue such work promptly and diligently and shall promptly repair any damage that arises out of such maintenance or repair work to the Unit(s) over which this easement is exercised.

3.1.5. Slope Control. Each Unit shall be subject to an easement for slope control purposes, including the right to grade and plant slopes and prevent the doing of any activity that might interfere with slopes or which might create erosion or sliding problems or which might change, obstruct or retard drainage flow.

3.1.6. Surface Water Drainage. Each Unit shall be subject to a perpetual easement in favor of the Association and all other Units for the drainage of surface waters over, under or across such Unit, including any runoff or carryover of water from one Unit to another, provided that such cross Unit drainage condition was created by Declarant or by a Builder authorized by Declarant.

3.1.7. Utilities. Each Unit shall be subject to a perpetual easement in favor of Declarant, the Association, and authorized Builders and subcontractors, as well as any public utility company, water main, water services, septic or sewer services or cable company, for the erection, installation, construction and maintenance, repair and replacement of wires, lines, conduits, pipes, and attachments both above and below ground or attached to any building wall in connection with the transmission of electricity, gas, water, telephone, community antennae or satellite dish, television cables and other utilities. The easement rights to which the Units shall be subject shall include the right of contractors engaged by the Association to enter upon said Units from time to time as necessary in order to perform repair and maintenance work.

3.1.8. Easements for Roof Drainage System. There shall be a perpetual nonexclusive easement in favor of the Association, its agents and assigns, to enter upon any Unit or any other portion of the Property if and to the extent necessary for the Association, it officers, agents, employees, and independent contractors, to perform and satisfy all duties and obligations of the Association with respect to the maintenance of any system for the collection, conveyance and management of water falling upon the roof of each Improved Unit.

3.2. Easements Over Association Property. All Common Areas shall be subject to, and Declarant and the Association do hereby grant, the following easements:

3.2.1. Utility and Drainage. An easement across, in, under, over and through the Common Areas for purposes of the construction, installation, repair, maintenance and use of all utility and drainage facilities serving any portion of the Property. Any easement reserved pursuant to the provisions of this Section will be located so as not to interfere unreasonably with the use of any Common Area and, to the extent practicable, along the boundaries of the Common Area. Without limiting the generality of the foregoing, no utility easement may be installed under an existing structure or so close to a structure as to have a material adverse effect on the structure. When the Declarant or Association requests that an easement arising under this Section be relocated, agrees to bear the expense of relocating the easement, and when the easement can be accomplished without diminishing the quality or quantity of utility service, without increasing the cost of delivering that service and without an interruption in that service of more than eight (8) hours, then the Person that benefits from the easement must agree to the requested relocation.

3.2.2. Declarant's Development Easement. An easement in favor of Declarant for the exclusive use of such portions of the Common Areas as may be reasonably desirable, convenient or incidental to the construction and installation of improvements on, and the sale of, any Units, including, but not limited to, sales and business offices, storage areas, construction yards and signs. Such easements may be exercised by any and all persons who the Declarant authorizes to exercise the same, including, without limitation, real estate sales agents and brokers and Builders, and their subcontractors, of improvements upon the Units, irrespective of whether such persons are affiliated with the Declarant. Such easements shall exist notwithstanding any provision of this Declaration which might be construed to the contrary, but shall terminate thirty days after the date that all of the Units are Improved Units. Such easements shall and do exist without affecting the obligation of the Owner of any Unit to pay assessments or charges coming due during such period of time as portions of the Common Areas shall be used by authorized persons pursuant to the exercise of the easements herein stated.

3.2.3. Declarant's Activity Easement. Notwithstanding any provision contained in this Declaration, the Bylaws, the Articles of Incorporation, use restrictions, rules and regulations, or any amendments thereto, during the Development Period, it shall be expressly permissible for Declarant to maintain and carry on, upon such portion of the Property as Declarant may deem necessary, such facilities and activities as may reasonably be required by the Declarant, including but without limitation, the right of access, ingress and egress for vehicular and pedestrian traffic over, under, on or in the Property; the right to tie into any portion of the Property with driveways, parking, areas and walkways; the right to tie into and/or maintain and repair any device (without a tap-on or any other fee for doing so), replace, relocate, maintain, and repair any device which provides utility or similar service including, without limitation, electrical, telephone, natural gas, water, septic and/or sewer and drainage lines and facilities constructed or installed in, on, under, or over the Property; the right to carry on sales and promotional activities on the Property; and the right to construct and operate business offices, signs, construction trailers, and model residences.

Notwithstanding any provisions or restrictions contained in this Declaration to the contrary, each Builder and its agents, employees, successors, and assigns, is permitted to maintain and carry on any Unit owned by such Builder such facilities and activities as may be reasonably required, convenient, or incidental to the development, construction, completion, improvement, and sale of the Builder's Unit(s), including, without limitation, the installation and operation of development, sales and construction trailers and offices, signs and models upon any Unit(s) owned by the Builder. The rights under this Section 3.2 to maintain and carry on such facilities and activities will include specifically the right to use a Unit as a model and as offices for the sale or lease of Units and for related activities.

4. THE ASSOCIATION

4.1. The Association. Prior to the date this Declaration has been recorded with the Register of Deeds, Declarant has caused the Association to be formed, and the Association does now exist, under its Articles of Incorporation and Bylaws.

The Association is and shall be responsible for the maintenance of the Area of Common Responsibility, the enforcement of the covenants and restrictions set forth in this Declaration, and the performance of such other duties and services as are required of the Association hereunder or as the Board of Directors shall deem to be in the best interests of the Members of the Association.

4.2. Membership. Every Owner is and shall be a Member of the Association. In no event shall such membership be severed from the Ownership of such Unit.

4.3. Classes of Membership; Voting Rights. The Association shall have two classes of voting membership: Class A and Class B.

4.3.1. Class A. The Class A Members shall be all those Persons holding an interest required for membership in the Association, as specified in this Section 4.3, except for those Persons who are Class B Members. Until such time as the Class A Members shall be entitled to full voting privileges, as hereinafter specified, the Class A membership shall be a non-voting membership except as to such matters and in such events as are hereinafter specified.

The Class A Members shall be entitled to full voting privileges on the earlier of the following dates to occur: (i) the date which the Declarant may so designate by notice in writing delivered to the Association, or (ii) the termination of the Development Period. Until the earliest of these dates occurs, the Class A Members shall be entitled to vote only on matters for which it is herein specifically provided, or for which it is provided by law, that approval of each and every class of membership of the Association is required. When entitled to vote, Class A Members shall be entitled to cast one (1) vote for each Unit in which they hold an interest required for membership.

4.3.2. Class B. Declarant shall be the only Class B Member. Class B membership shall be a full voting membership and, during its existence, the Class B Members shall be entitled to vote on all matters and in all events. At such time as the Class A Members shall be entitled to full voting privileges, as provided in Subsection 4.3.1 hereof, the Class B membership shall automatically terminate and cease to exist, and the Class B Member shall be and become a Class A Member insofar as it may then hold any interest required for membership.

From and after the date at which the Class B membership automatically terminates and ceases to exist, such membership shall not be renewed or reinstated.

4.4. Suspension of Membership Rights. The membership rights of any Member of the Association, including the right to vote, may be suspended by the Board of Directors pursuant to the authority granted in the Bylaws. Any such suspension shall not affect such Member's obligation to pay assessments coming due during the period of such suspension and shall not affect the permanent charge and lien on the Member's Unit in favor of the Association.

4.5. Meetings of the Membership. All matters concerning the meetings of Members of the Association, including the time at which and the manner in which notice of any said meeting shall be given to Members, the quorum required for the transaction of business at any meeting, and the vote required on any matter, shall be as specified in this Declaration, or in the Articles of Incorporation or the Bylaws, or by law.

4.6. Association Acts Through Its Board of Directors. Whenever approval of, or action or inaction by, the Association is referred to or called for in this Declaration, such action, inaction or approval shall be by the Board of Directors of the Association, unless it is specifically stated in this Declaration, the Articles of Incorporation or the Bylaws with respect to such action, inaction or approval that the Members of the Association, or the Owners of Units, must vote. No member of the Board of Directors of the Association or any officer of the Association (including, without limitation, any such individual who shall have been elected by a vote of the Class B Member) shall be personally liable to any owner of any Unit for any mistake of judgment or for any other act or omission of any nature whatsoever, and shall be liable to the Association only for any acts or omissions found by a court of competent jurisdiction to constitute gross negligence, compensation for services beyond reimbursement for expenses, acting in bad faith, obtaining an improper personal benefit in transaction involving the Association, liability from the operation of a motor vehicle, unlawful loans or distributions from the Association, or fraud against the Association.

4.7. Professional Management. The Association may, but shall not be obligated to, obtain and pay for the services of any Person or other entity to manage the affairs of the Association, or any part thereof, as the Board of Directors deems to be in the best interests of the Association.

5. ASSOCIATION PROPERTY

5.1. Common Areas and Association Property. The Declarant shall have the right to transfer and convey to the Association any portion of the Property. All portions of the Property which the Declarant transfers to the Association shall thereafter constitute Common Areas. Said right may be exercised by the Declarant any time, and from time to time, prior to twenty years from the date hereof.

The Association will govern use of the Common Areas and may promulgate rules and regulations related to such use. The Declarant or the Association may authorize persons who are not Owners to use the Common Areas or portions of the Common Areas.

The Common Areas shall be conveyed to the Association by special warranty deed free of debt encumbrance, and subject to easements and encumbrances recorded with the Register of Deeds, irrespective of whether the deed of conveyance shall make a specific reference to such rights and easements. COMMON AREAS SHALL BE CONVEYED TO THE ASSOCIATION WITHOUT WARRANTY - "AS IS" AND "WHERE IS".

5.2. Limited Common Areas. Certain portions of the Common Area shall be designated as Limited Common Area and reserved for the exclusive use of primary benefit of Owners. By way of illustration and not limitation, Limited Common Areas may include townhome patio areas, recreational facilities, landscaped areas, and other portions of the Common Area. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be an Association expense allocated, in any reasonable manner established by the Association, among the Owners.

Declarant has constructed, or intends to construct, thirty-six (36) covered wetslips which shall be Limited Common Areas. Wetslips shall be assigned one (1) per Unit.

Limited Common Areas may be designated as such in the deed conveying such area to the Association or on the Plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Units, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 2, and provided further that any assignment that would have a material adverse effect on Units owned by a Builder or Units a Builder is under contract to purchase from Declarant will require the consent of such Builder, which consent shall not be unreasonably conditioned, delayed or denied.

After recording the initial deed conveying such area to the Association or the Plat relating to such Common Area, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Declarant during the Development Period and thereafter by the Board of Directors and the vote of Voting Members representing a majority of the total votes in the Association. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 2, any such assignment or reassignment shall also require Declarant's written consent.

5.3. Resource Conservation Areas. The Declarant or the Association may delineate portions of the Common Areas as Resource Conservation Areas. Use of portions of the Common Areas designated as Resource Conservation Areas will be limited or prohibited as provided in the delineation.

A failure of Declarant or the Association to designate a portion of the Common Areas as a Resource Conservation Area will not relieve any Owner of the obligation to comply with all laws, rules, and permits.

5.4. Member's Rights in Association Property. Every Owner of any Unit shall have a non-exclusive right and easement of enjoyment and use in and to the Common Areas and such right and easement shall be appurtenant to, and shall pass with, the title to the Unit(s) owned by such Owner. Such right and easement of enjoyment and use are and shall be subject to the limitations and easements which are described in this Section and to the right of the Association to promulgate reasonable rules and regulations regarding the use of Common Areas, and the right of the Association, to suspend the enjoyment rights of the owner of any Unit during any period in which any assessment which is due to the Association from such Owner remains unpaid, and such period as the Board of Directors may consider appropriate for any infraction of the terms of this Declaration or the Associations' published rules and regulations. In addition, the Board of Directors may permit other persons who are not residents of any Units to use the Common Areas upon such terms and conditions, and for the payment of such fees, as shall be determined by the Board of Directors.

5.5. Condemnation. If any part of the Common Areas are either: (a) taken by any authority having the power of condemnation or eminent domain, or (b) conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of at least 80% of the Class A votes (and, if during the Development Period, the written consent of Declarant), then the Association shall restore or replace the improvements on the remaining land included in the Common Areas to the extent available unless, within 60 days after such taking, at least 67% of the Class A votes (and Declarant, if during the Development Period) otherwise agree. If the taking or conveyance does not involve any improvements on the Common Areas, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds may be used by the Association for such purposes as the Board shall determine.

5.6. Damage or Destruction. If any improvements located on any Common Areas are damaged or destroyed on account of the occurrence of any casualty, the Board of Directors shall proceed with the filing and settlement of all claims arising under any policy of insurance maintained by the Association with respect to such improvements and shall obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed improvements.

Any such damage or destruction shall be repaired or reconstructed unless it shall be decided, within ninety (90) days after the occurrence of casualty, by at least 67% of the Class A votes (and by Declarant, if during the Development Period), not to repair or reconstruct such damage. If that it shall be decided not to repair or reconstruct some damage or destruction, the proceeds of any insurance as may become payable to the Association as a result of such damage or destruction shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit. If the insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Class A Members, levy special assessments to cover the shortfall.

5.7. Actions Requiring Owner Approval. Any conveyance or mortgaging of the Common Areas will require the consent of at least 80% of the Class A votes held by Members other than the Declarant and, if during the Development Period, the consent of Declarant. Notwithstanding anything to the contrary in this Section, however, the Association, acting through the Board of Directors, may grant easements over the Common Areas for installation and maintenance of utilities and drainage facilities, roads and pathways, and for other purposes not inconsistent with the intended use of the Common Areas, without the approval of the Membership.

5.8. No Partition. The Common Areas shall remain undivided and no Owner shall bring any action for partition or division of the whole or any part thereof without the written consent of all Owners of all portions of the Property and without the written consent of all holders of all mortgages encumbering any portion of the Property.

5.9. Taxes and Governmental Assessments. The Association shall pay when due, and in any case before the accrual of penalties thereon, all taxes, assessments, license fees, permit fees and other charges imposed by any governmental authority in connection with the Association's ownership or operation of the Common Area. Provided, however, that the Association may institute an appropriate legal proceeding for the purpose of contesting or objecting to the amount or the validity of any such tax, assessment, fee, or charge by appropriate legal proceedings. If the Association fails to pay any governmental charge when due or fails to contest any governmental charge in a timely and appropriate legal proceeding, then each Owner shall become personally obligated to pay to the governmental authority imposing such charge a portion of the charge in an amount determined by multiplying the total charge by a fraction, the denominator of which is the total Units and the numerator of which is the Units owned by the Owner for whom the calculation is being performed (the "Owner's Share"). If the Owner does not pay the Owner's Share within thirty (30) days following actual notice to the Owner of the Owner's Share, then the Owner's Share shall become a continuing lien on the property owned by the Owner, and the governmental entity may bring an action at law against the Owner to obtain payment of the Owner's Share or may foreclose the lien against the property of the Owner.

6. ASSESSMENTS

6.1. Creation of Lien and Personal Obligation. Each Owner, by acceptance of a deed or other conveyance for an Improved Unit, covenants and agrees to pay to the Association all assessments and charges which are levied by the Association against the Unit(s) owned by such person in accordance with the terms and provisions of this Declaration.

All sums lawfully assessed by the Association against any Unit and the Owner thereof, together with interest thereon, late charges, and the costs of collection thereof, shall, from the time the sums become due and payable, be the personal obligation of the Owner of such Unit and constitute a continuing lien in favor of the Association on such Unit prior and superior to all other liens whatsoever except: (1) Liens for ad valorem taxes on the Unit; (2) The lien of any first priority mortgage covering the Unit and the lien of any mortgage recorded prior to the recording of this Declaration; and (3) The lien of any secondary purchase money Mortgage covering the Unit, provided that neither the grantee nor any successor grantee of such Mortgage is the seller of the Unit. The covenant to pay assessments herein stated is and shall be a covenant running with land.

6.2. Purposes of Assessments. The assessments levied by the Association pursuant to this Section shall be used to pay the costs and expenses which the Association shall incur in connection with the performance of its duties and responsibilities pursuant to the Act, this Declaration, the Articles of Incorporation and the Bylaws (such costs and expenses being herein referred to as the "Annual Expenses"). Without limiting the generality of the foregoing, the Annual Expenses shall include the costs of: payment of all costs and expenses incurred by the Association in connection with the maintenance of the Area of Common Responsibility and the Association's other operations; payment of the premiums for all insurance, fidelity and other bonds which shall be obtained by the Association; the payment of the fees of such management firms as the Board of Directors shall employ; payment of fees for the provision of such professional services as the Board of Directors shall determine to be required by the Association, including but not limited to legal, accounting and architectural services; and such other purposes as the Board of Directors shall deem necessary or desirable to promote the health, safety and welfare of the Association and its Members.

6.3. Determination of Annual Assessment and Shares Thereof. Prior to the commencement of each fiscal year of the Association (said fiscal year being specified in the Bylaws) or at any time it deems best, the Board of Directors shall estimate the total amount of the Annual Expenses which are anticipated to be incurred by the Association during such fiscal year and shall determine the amount which will be deposited during such fiscal year into reserve funds maintained by the Association. The Board of Directors shall thereupon adopt a budget for the Association's expenditures and reserves based upon such estimate and providing for the total annual assessment to be levied against the Members of the Association for such fiscal year (the total assessment which shall be so determined and levied for any fiscal year is herein referred to as the "Annual Assessment"). If North Carolina law requires that the Owners approve the budget, the budget shall be approved by the Owners in the manner and through the procedures specified by North Carolina law and as specified in the Bylaws.

The assessments provided for herein shall commence as to a Unit on the date that Declarant transfers the Unit. Each Owner of an Improved Unit shall pay a portion of the Annual Assessment that will be calculated by multiplying the total Annual Assessment by a fraction, the denominator will be the number of Units and the numerator will be the number of Units that Owner owns. Each Builder shall pay a portion of the Annual assessment that will be calculated by multiplying the total Annual Assessment by a fraction, the denominator will be the number of Units and the numerator will be the number of Units that the Builder owns, and dividing the product by three (3). The result may be adjusted by the Board by up to One Hundred Dollars ($100) for the purpose of creating whole dollar amounts for payments, equal periodic payments and avoiding losses due to rounding. The Board of Directors shall send a copy of the budget adopted as provided above, together with a written notice of the amount of the Annual Assessment so determined for such fiscal year and the amount of such Annual Assessment which shall be levied against each Unit, to the Owner of every Unit, prior to the commencement of the fiscal year during which such Annual Assessment is to be paid. The amount of such Annual Assessment which shall be levied against each Unit shall be due and payable to the Association in a single installment or in such multiple installments as the Board of Directors shall determine and shall be paid to the Association when due without further notice.

6.4. <u>Special Assessments</u>. If for any reason, including non-payment of any assessments to the Association by the persons liable therefore, the budget adopted by the Board of Directors for any fiscal year shall prove to be inadequate to defray the Annual Expenses for such fiscal year, or if the Board of Directors shall determine that it is in the best interests of the Association to levy a special assessment to pay the costs of any capital improvements or capital repairs, the Board of Directors shall have the authority to levy a special assessment against the Units and the Owners thereof to raise such needed funds. Any special assessment levied by the Board of Directors pursuant to the provisions of this Section shall be payable at such times and such installments as the Board of Directors shall determine. Each Improved Unit shall be liable for the payment of an equal share of every special assessment which shall be levied by the Association pursuant to the provisions of this Section.

6.5. <u>Specific Assessments</u>. The Board may levy specific assessments against individual Owners (i) for the purpose of paying for the costs of any construction, reconstruction, repair or replacement of anything maintained by the Association, which is occasioned by the act(s) of individual Owner(s), their family, pets or their invitees, and not the result of ordinary wear and tear, (ii) for the payment of fines, penalties or other charges imposed against an individual Owner relative to such Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws, or any rules or regulations promulgated hereunder, or (iii) for any common expenses, other than expenses for the maintenance of the Areas of Common Responsibility, which benefit less than all of the Units or which significantly disproportionately benefit all Units (which expenses may be specially assessed equitably among all of the Units which are benefited according to the benefit received); provided that in no event shall Declarant be obligated to pay any specific assessment. Failure of the Board to exercise its authority under this Section shall not be grounds for any action against the Association or the Board of Directors and shall not constitute a waiver of the Board's right to exercise its authority under this Section in the future with respect to any expenses.

Upon the establishment of a specific assessment under this Section, the Board shall send written notice of the amount and due date of such specific assessment to the affected Owner(s) at least thirty (30) days prior to the date such specific assessment is due.

6.6. <u>Special Assessment for Working Capital Reserve</u>. At the time of closing of the initial sale of each Improved Unit a sum equal to no greater than a single Annual Assessment shall be collected from the purchaser of such Improved Unit and transferred to the Association as part of its working capital. The purpose of the working capital fund is to ensure that the Association will have adequate cash available to meet its initial operating expenses or to acquire additional equipment or services deemed by the Board of Directors to be necessary or desirable. Amounts paid to the Association pursuant to this Section shall not be considered as an advance payment of any regular assessment.

6.7. <u>Effect of Non-Payment of Assessments; Remedies of the Association</u>.

6.7.1. If any member of the Association fails to pay, within fifteen (15) days after the date the same is due and payable, any annual, special, or specific assessment, or any installment of any such assessments which is payable by him to the Association, the entire amount of such assessment, including the portion thereof which would otherwise be payable in installments, may be declared by the Board of Directors to be immediately due and payable in full to the Association. All such amounts so declared by the Board of Directors to be due and payable in full to the Association shall be secured by the lien of the Association on every Unit owned by the delinquent Member, which lien shall bind such Unit or Units in the hands of the then Owner, and his heirs, devisees, successors and assigns. In addition to the lien rights, the personal obligation of the then Owner to pay such assessments shall remain his personal obligation and shall also pass to his successors in title. Such Owner shall nevertheless remain as fully obligated as before to pay to the Association any and all amounts which said Owner was obligated to pay immediately preceding the transfer; and such Owner and such successors in title shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such Owner and successors in title creating any indemnification of the Owner or any relationship of principal and surety as between themselves.

6.7.2. All amounts which the Board of Directors shall declare to be due and payable pursuant to this Section will be subject to a twenty-five dollar ($25.00) late charge and shall bear interest beginning on the sixtieth day of delinquency at the lower of the rate of eighteen (18%) percent per annum or the highest rate permitted by law. The Association may bring legal action against the Member of the Association personally obligated to pay the same, or foreclose its lien upon the Unit or Units of such Member, in either of which events such Member shall also be liable to the Association for all costs and attorneys' fees which the Association shall incur in connection with the collection of such delinquent amounts.

6.8. Budget Deficits During Development Period. Declarant may advance funds to the Association sufficient to satisfy the deficit, if any, in any fiscal year between the actual operating expenses of the Association (exclusive of any allocation for capital reserves) and the annual and special assessments for such fiscal year. Such advances shall be evidenced by promissory notes from the Association in favor of Declarant and shall be paid back to Declarant if and to the extent that sufficient funds are generated by assessments in future years until such time as Declarant no longer has the authority to appoint the directors and officers of the Association. Declarant may, but is not obligated to, forgive any promissory notes from the Association made pursuant to this Section 6.8.

6.9. Failure to Assess. The failure of the Board to fix the assessment amounts or to deliver to each Owner the assessment notice shall not be deemed a waiver, modification or release of any Owner of the obligation to pay assessments. In such event, each Owner shall continue to pay assessments on the same basis as for the last year for which an assessment was made until a new assessment is made, at which time any shortfalls in collections may be assessed retroactively by the Association.

7. MAINTENANCE OF UNITS

7.1. Association's Maintenance Responsibility. Except as may be specifically provided otherwise below, the Association shall maintain the Area of Common Responsibility, including: (a) any landscaping and Yard Improvements (as defined further below) located within Common Areas and all grass including grass located on an Owner's Unit; (b) storm water drainage facilities located on and serving the Units; (c) private streets; (d) privately owned utility lines; (e) wetslips including wetslip roof maintenance and payment of all permit fees associated with the wetslips. . In the event that the Association determines that any maintenance which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner, or the occupant, family, guest, invitee or lessee of an Owner, then the Association may perform such maintenance and all costs thereof may be assessed to the Owner as a specific assessment. The Association may be relieved of all or any portion of its maintenance responsibilities to the extent that such property is dedicated to any local, state or federal government or quasi-governmental entity and said entity accepts the responsibility for maintenance. In the event of any such assumption, assignment or dedication, however, the Association may reserve or assume the right or obligation to continue to perform all or any portion of its maintenance responsibilities, if the Board determines that such maintenance is desirable or necessary. All exterior portions of the Units, including but not limited to exterior materials, shutters, painting and roofs (with the exception of roofs constructed using asphalt shingles), windows, doors and light fixtures, and termite and wood-infestation treatment and bond shall be maintained by the Owner.

The Board of Directors, in its sole discretion, may leave portions of the Property as undisturbed natural areas and may change the landscaping on the Area of Common Responsibility at any time and from time to time, including the adding or modifying of landscaping improvements, such as the planting of seasonal flowers.

Sanitary sewer and/or septic and water may be provided to the Units through a single connection to municipal services, a master meter, and distribution and collection lines maintained by the Association between municipal lines as individual Units or a septic system serving the Units. Costs incurred by the Association arising out of, or related to, municipal use, septic upkeep or similar charges, the maintenance, repair, or replacement of, distribution or collection lines and all related matters shall be included as part of the Annual Expenses. The Association may promulgate reasonable rules and regulations regarding the consumption and use of such utilities. The Association shall have the right to install individual meters on each of the Units and bill each Unit respectively.

7.2. Owner's Maintenance Responsibility. All maintenance and repair of each Unit not undertaken by the Association shall be the sole responsibility of the Owner thereof, who shall maintain such Unit and its appurtenances in a manner consistent with this Declaration. Such maintenance obligation shall include, without limitation, the following: prompt removal of litter and waste; keeping improvements in neat and clean condition, and compliance with all governmental requirements.

The Owner of each Unit shall be responsible for maintaining the plants, shrubs, trees, and landscaping (hereinafter the "Yard Improvements") located upon such Owner's Unit. If individual irrigation systems are installed to serve the Units individually, the Association may set the times at which such irrigation systems will water a Unit's landscaping, the duration of such watering and may control an Owner's use of such system, all without incurring any cost for water or other utility charge.

If the Board of Directors determines that any Owner has failed or refused to discharge properly such Owner's obligations hereunder, the Board of Directors shall have the right, exercisable by it or through its agents or employees, and after giving to the Owner of such Unit at least fourteen (14) days' notice and an opportunity to correct the unsatisfactory condition (except in the event of an emergency situation, which shall be solely determined by the Board, in which case no notice and opportunity to correct shall be required), to enter upon such Unit or appurtenance and correct the unsatisfactory condition. The Owner of the Unit with respect to which such maintenance work is performed by the Association (or its agents or employees) shall be personally liable to the Association for all direct and indirect costs as may be incurred by the Association in connection with the performance of such maintenance work, and the liability for such costs shall be secured by all the liens, and shall be subject to the same means of collection, as are the other assessments and charges provided for in this Declaration. In addition, all such costs shall be paid to the Association by such Owner at the same time as the next due Annual Assessment payment, or at such other time, and in such installments, as the Board of Directors shall determine.

7.3. Damage or Destruction. In the event of the occurrence of any damage or destruction by fire or other casualty to the improvements on a Unit, such damage or destruction shall be repaired or rebuilt, as applicable, in all events. All repair, reconstruction or rebuilding of the improvements shall be substantially in accordance with the plans and specifications for such damaged or destroyed Improved Unit prior to the occurrence of such damage, or in accordance with such differing plans and specifications as are approved for such purpose by the Owner of such Unit and the Board of Directors. The Owner of such damaged or destroyed Improved Unit shall be responsible for ensuring that the work of repairing, reconstructing or rebuilding a damaged or destroyed Improved Unit is completed as soon after the occurrence of such damaged or destruction as is reasonably practicable, at no cost or expense to the Association.

7.4. Party Walls. Each wall built as part of the original construction of the Units, which serves and separates any two adjoining Units, and each fence built as part of the original construction of the Units, which serves and separates any two adjoining patio areas, shall constitute a party wall and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligent or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in equal proportions. If a party wall is destroyed or damaged by fire or other casualty, then any Owner who has benefited by the wall may restore it, and the other Owner who is benefited by the wall shall contribute one-half of the cost of restoration, without prejudice, however, the right of any Owner to call for a larger contribution from any other Owner under any rule of law regarding liability for negligent or willful acts or omissions. No other fences shall be allowed unless installed by the Declarant or the Association in an Area of Common Responsibility with said fence to be maintained by the Association.

8. ARCHITECTURAL CONTROL

8.1. Architectural Control.

8.1.1. No exterior construction, alteration or addition of any nature whatsoever (including but not limited to a building, outbuilding, driveway, walkway, fence, wall, garage, patio, carport, playhouse, play set, swing set, trampoline, swimming pool or other structure, staking, clearing, excavation, ditching, grading, filling, change in color or type of any existing improvement, planting or removal of landscaping materials, exterior lighting, placement or installation of statuary, flags, fountains and similar items, improvements or modifications to the roof, material, color, paint stain or varnish, or the interior porches, patios or similar portions of a structure which are visible from outside the Unit), shall be commenced, placed or maintained upon any portion of the Property until complete and final plans and specifications setting forth the information hereinafter described shall have been submitted to, and approved in writing by, the Architectural Review Committee (the "ARC") as to the harmony of the exterior design and general quality with the existing standards, and as to location in relation to surrounding structures and topography. The ARC is authorized to adopt procedures regarding applications for design approvals and the procedure it uses for processing applications.

The owner of each Unit shall include with each application for approval such information, plans and documents as the ARC may reasonably request and shall include the name of the contractor a statement as to the classification of contractor's license held by such contractor and the address and telephone number of the contractor. This information shall be submitted to the ARC with the application. If the identity and license information for the contractor is not available when the Owner makes application to the ARC, the information shall be submitted to the ARC at least thirty (30) days prior to commencement of construction.

ARC approvals shall be valid for one year from the date of issuance, except as to ARC approvals issued to a Builder that specify a longer duration and then only as to the duration stated in such approval, and ARC approvals will not be modified or terminated during such period. If construction does not commence on a project for which plans have been approved within one year after the date of approval, except as to ARC approvals issued to a Builder that specify a longer duration and then only as to the duration stated in such approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the ARC grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, without limiting the generality of the foregoing, the Association may, in its sole discretion, either restore the Unit to the condition that existed before construction began or may complete construction, either at the Owner's costs and with lien rights created herein and under North Carolina law.

8.1.2. The plans and specifications, which must be submitted to the ARC prior to the commencement of any such work upon any Unit, as hereinabove provided, shall contain at least the nature, kind, shape, height, materials, color, texture and location of such structure, alteration or landscaping and such other information as the ARC may reasonably request in order to render a decision.

8.1.3. The ARC shall, within thirty (30) days after receipt of a request by an Owner, furnish to any Owner a written response signed by a member of the ARC, stating whether any exterior addition to, change in, or alteration of any structure or landscaping owned by such member on a Unit is in compliance with the provisions of this Section, and such certificate shall be conclusive as to whether the same is in such compliance.

8.1.4. If any construction or alteration or landscaping work is undertaken or performed upon any portion of the Property (i) without application having been first made and approval obtained as provided in Subsection 8.1.1 of this Section, (ii) in a manner that deviates from the plans approved by the ARC, or (iii) without prompt completion, as determined by the ARC, said work shall be deemed to be in violation of this covenant, and the Owner upon whose Unit said work was undertaken or performed or the Neighborhood Association upon whose Property said work was undertaken or performed may, in the case of unapproved work, be required to restore to its original condition, at his sole expense, the property upon which said work was undertaken or performed, or in the case of approved work, complete the work promptly and in strict compliance with approved plans. Upon the failure or refusal of any Person to perform the work required herein, the ARC, or their authorized agents or employees, may, after fourteen (14) days' notice to such Person, enter upon the property, and make such restoration or complete such work as the ARC, in the exercise of its discretion, may deem necessary or advisable. The Person upon whose property such work shall have been performed shall be personally liable to the Association for all direct and indirect costs which the Association shall incur in the performance of such work, including without limitation, reasonable attorneys' fees, and the liability for such cost shall be secured by all the liens, and shall be subject to the same means of collection, as the assessments provided for in this Declaration. Such costs shall be paid to the Association by the Person liable for the same at the same time as the next due Annual Assessment payment, or at such earlier time, and in such installments, as the Board of Directors shall determine.

8.2. No Combination of Units. Contiguous Units may not be combined without the prior written consent of the ARC. If the ARC approves a combination, such combination shall thereafter be deemed to be a single Unit for all purposes of this Declaration, except that notwithstanding the foregoing, the amount of assessments for which such single Unit shall be thereafter liable shall be equal to the total assessments for which all of the Units that were combined would have been liable had such combination not taken place.

8.3. Declarant Exemption. Notwithstanding anything stated to the contrary herein, nothing contained in this Section 8 shall be construed as prohibiting any construction, alteration, addition or removal by the Declarant upon any portion of the Property while such property is owned by the Declarant. Any construction, alteration, addition or removal performed by the Declarant upon any property while such property is owned by the Declarant shall be exempt from the provisions of this Section.

8.4. Architectural Review Committee. Responsibility for the review of all applications under this Section 8 shall be vested in the ARC, the members of which need not be Owners, Members of the Association or representatives of Owners or Members, and may, but need not, include architects, landscape architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Association. The ARC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the ARC in having any application reviewed by architects, engineers or other professionals.

The ARC shall have exclusive jurisdiction over all construction, alterations or additions on any portion of the Property. Until one hundred percent (100%) of the Units are Improved Units, the Declarant retains the right to appoint all members of the ARC, who shall serve at the Declarant's discretion. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration or surrender of such right, the Board shall appoint the members of the ARC, who shall thereafter serve and may be removed in the Board's discretion.

ARC approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

8.5. Delegation. The ARC, with the approval of the Board, may delegate its responsibilities in defined categories of review (such as, but not limited to, changes during construction to previously approved plans) to a subcommittee, designated ARC member or staff member, and may create from among its staff and/or members subcommittees to perform certain or all of its review tasks, and may also employ professional assistance in carrying out its duties and responsibilities. No delegation of the ARC's responsibilities will prevent the ARC from reviewing and overturning the decision of the person or entity to which such authority was delegated. The ARC or the Board may revoke, at any time, any delegation of the ARC's responsibilities.

8.6. Limitation of Liability. The standards and procedures established pursuant to this Section 8 are intended to provide a mechanism for maintaining and enhancing the overall aesthetics of the Property only and shall not impose on Declarant, the Association or the ARC any duty to any Person. Neither Declarant, the Association, nor the ARC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, the adequacy of soils or drainage, or for ensuring compliance with building codes and other requirements or regulations of the Governmental Authorities. IN ALL CASES THE OWNER IS RESPONSIBLE FOR ENSURING COMPLIANCE WITH BUILDING CODES AND OTHER GOVERNMENTAL REGULATIONS AND FOR ENSURING THE STRUCTURAL INTEGRITY OR SOUNDNESS OF PROPOSED CONSTRUCTION OR MODIFICATIONS, THE ADEQUACY OF SOILS OR DRAINAGE. Neither Declarant, the Association, the ARC, nor any member of any of the foregoing, shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit. In all matters, the ARC and its members shall be defended and indemnified by the Association as provided in this Declaration and the Articles of Incorporation and Bylaws of the Association.

9. INSURANCE

9.1. Association Insurance. The Association shall obtain and maintain commercial general liability insurance of at least One Million ($1,000,000.00) Dollars, and, if reasonably available, directors' and officers' liability insurance. Policies may contain a reasonable deductible as determined by the Board of Directors. In addition, the Board of Directors shall obtain worker's compensation insurance, if and to the extent necessary to satisfy the requirements of applicable laws, and a fidelity bond or bonds on all persons handling or responsible for the Association's funds, if reasonably available. If obtained, the amount of fidelity coverage shall at least equal three months' total assessments plus reserves on hand. Fidelity coverage shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation. All such insurance coverage shall be written in the name of the Association.

9.2. Insurance on Units. To the extent available at reasonable cost, the Association may maintain as an Association expense insurance commonly known as "master condominium/townhome insurance", which insurance may cover the following property, regardless of ownership: the roofs, exterior shells of the buildings, fixtures, improvements and alterations that are part of the buildings, and the stoops, decks, driveways and patio areas. The Association's insurance policy may exclude improvements and betterments made by an Owner and may exclude the finished surfaces of perimeter and partition walls, floors, and ceilings within the finished home (i.e., paint, wallpaper, paneling, other wall covering, tile, carpet, and any floor covering).

All insurance purchased by the Association pursuant to this Section shall run to the benefit of the Association, the Board of Directors, all officers, agents and employees of the Association, the Owners and their respective Mortgagees, and all other persons entitled to occupy any Unit, as their interests may appear. The Association's insurance policy may contain a reasonable deductible, and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance equals at least the replacement cost of the insured property.

The Board of Directors shall make available for review by Owners a copy of the Association's insurance policy to allow Owners to assess their personal insurance needs and each Owner shall have the right to obtain additional coverage at his or her own expense.

9.3. Individual Insurance. Each Owner, by virtue of taking title to a Unit subject to this Declaration, acknowledges that the Association has no obligation to provide any insurance for any portion of individual Units. Each Owner covenants and agrees with all other Owners and with the Association that each Owner will maintain at all times all-risk casualty insurance on such portions of the home that are not covered by the insurance purchased by the Association pursuant to Section 9.2 above, as well as a liability policy covering damage or injury occurring on a Unit. The casualty insurance shall cover loss or damage by fire and other hazards commonly insured under an all-risk policy, if reasonably available, and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction of a covered item in the event of damage or destruction from any such hazard.

The Board has the right, but not the obligation, to require the Owner to furnish a copy of such insurance policy or policies to the Association. In the event that any such Owner fails to obtain insurance as required by this Section, the Association has the right, but not the obligation, to purchase such insurance on behalf of the Owner and to assess the cost thereof to the Owner, to be collected in the manner provided for collection of assessments herein.

Upon request by the Board, the Owner shall furnish a copy of such insurance policy or policies to the Association.

9.4. Additional Insurance Requirements.

The Board of Directors shall utilize reasonable efforts to include the following provisions in the policies that the Association obtains:

9.4.1. Waiver of the insurer's rights of subrogation of any claims against directors, officers, the managing agent, the individual Owners, occupants, and their respective household members;

9.4.2. An agreed value endorsement and an inflation guard endorsement;

9.4.3. Any "other insurance" clause contained in the master townhome policy shall expressly exclude individual Owners' policies from its operation;

9.4.4. Until the expiration of thirty (30) days after the insurer gives notice in writing to the Mortgagee of any Unit, the Mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the Owner of such Unit, the other Owners, the Board of Directors, or any of their agents, employees, or household members, nor be canceled for nonpayment of premiums; and

9.4.5. The master townhome policy, if any, may not be canceled, substantially modified, or subjected to non-renewal without at least thirty (30) days prior notice in writing to the Board of Directors and all Mortgagees of Units.

All policies of insurance shall be written with a company licensed to do business in the State of North Carolina. Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Association's Board of Directors; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

Nothing contained herein gives any Owner or other party a priority over the rights of first Mortgagees as to distribution of insurance proceeds. Any insurance proceeds payable to the Owner of a Unit on which there is a Mortgagee endorsement shall be disbursed jointly to such Unit Owner and the Mortgagee. This is a covenant for the benefit of any such Mortgagee and may be enforced by any such Mortgagee. In the event of an insured loss, any required deductible shall be considered a maintenance expense to be paid by the person or persons who would be responsible for such loss in the absence of insurance. If the loss affects more than one Unit, the cost of the deductible may be apportioned equitably by the Board among the parties suffering loss in proportion to each affected Owner's portion of the total cost of repair. Notwithstanding this, if the insurance policy provides that the deductible will apply to each Unit separately or to each occurrence, each Unit Owner shall be responsible for paying the deductible pertaining to his or her Unit, if any. If any Owner or Owners fail to pay the deductible when required under this Subsection, then the Association may pay the deductible and assess the cost to the Owner or Owners pursuant to the terms of this Declaration.

Additionally, the Association shall obtain such insurance coverage as is necessary to satisfy the requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the U.S. Department of Veterans Affairs, and the U.S. Department of Housing and Urban Development, if and to the extent applicable to the Property.

Nothing contained herein requires the Association to make a claim under the insurance policies upon the occurrence of an insured event. The Association has the right to exercise reasonable business judgment in all insurance decisions.

10. MORTGAGEE PROVISIONS.

10.1. Notice of Action. An institutional holder, insurer, or guarantor of a first Mortgage, who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the Unit number, therefore becoming an "Eligible Holder"), will be entitled to timely written notice of: (a) any condemnation loss of any casualty loss which affects a material portion of the Property or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such eligible holder: (b) any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to the Mortgage of such eligible holder where such delinquency has continued for a period of sixty (60) days; (c) any default in the performance by the Owner of such encumbered Unit of any obligation under the Declaration or Bylaws of the Association which is not cured within sixty (60) days: and (d) any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

10.2. Audit. Upon written request of an Eligible Holder and upon payment of all necessary costs, such Eligible Holder shall be entitled to receive a copy of audited financial statements of the Association within 90 days of the date of the request.

10.3. No Priority. No provision of this Declaration or the Bylaws gives any Owner or other party priority over any rights of a Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or taking of the Common Areas.

10.4. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

11. RESTRICTIONS.

To provide for the maximum enjoyment of the Units by all of the residents thereof and to provide protection for the value of the same, the use of the Units shall be restricted to, and shall be only in accordance with, the applicable zoning ordinances with respect to the Property and the following provisions:

11.1. Residential Use. All of the Units shall be restricted exclusively to single-family residential use. The term "single-family" shall include one or more related or unrelated adults, as well as the children of any such adults. No Unit shall at any time be used for any commercial, business or professional purpose. Notwithstanding the foregoing, however, nothing set forth in this Section shall prohibit: (a) Declarant or a Builder authorized by Declarant from conducting such sales, leasing and promotional activities on any Unit as Declarant shall determine; or (b) the Owner of any Unit from using a portion of a building located on such Unit as an office, provided that such use does not create regular customer, client or employee traffic to and from such Unit and no sign, logo, symbol or nameplate identifying such business is displayed anywhere on such Unit.

11.2. Prohibited Activities. No noxious, offensive, unsightly or unkempt activity shall be conducted on any Unit. Each Owner of any Unit, his family, tenants, guests and invitees, shall refrain from any act or use of his property which could reasonably cause embarrassment, discomfort, annoyance or nuisance to any other resident or residents of any other Unit. Storage or placement of furniture, potted plants, fixtures, appliances, machinery, bicycles, towels, clotheslines, equipment or other goods or chattels on any portion of a Unit which is visible from outside of the Unit is prohibited except as specifically permitted in this Declaration. No nuisance shall be permitted to exist upon any Unit. Without limiting the generality of the foregoing, no exterior speakers, horns, whistles, bells, or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any Unit, or any portion thereof.

11.3. Animals. No Owner may keep any more than two pets on any portion of the Property. Only fully domesticated breeds of dogs and cats are permitted. No Owner or occupant may keep, breed or maintain any pet for any commercial purpose. No Owner or occupant may keep or maintain a dog whose persistent barking causes annoyance or nuisance to any other resident of any other Unit. No animals shall be left unattended while outside. Animals must be kept on a leash and be under the physical control of a responsible person at all times while outdoors. Any feces left upon the Common Areas by an animal must be removed by the owner of the animal or the person responsible for the animal.

No animal determined to be dangerous, in the Board of Directors' sole and absolute discretion, may be brought onto or kept on the Property at any time. The Board of Directors may have removed by the local authorities, without notice to the animal's owner, any animal that presents an immediate danger to the health, safety or property of any person.

Each Owner who keeps an animal on the Property agrees to indemnify and hold the Association and its directors, officers and agents harmless from any loss, claim or liability of any kind whatsoever arising by reason of such animal.

11.4. Antennae; Aerials; Satellite Dishes. No transmission antenna of any kind may be erected anywhere on a Unit without the prior written consent of the ACC. No direct broadcast satellite (DBS) antenna or multi-channel multi-point distribution service (MMDS) antenna larger than one (1) meter in diameter may be placed, allowed or maintained upon any Unit. A DBS or MMDS antenna one (1) meter or less in diameter or television broadcast service antenna may only be installed in accordance with Federal Communication Commission (FCC) rules and the rules and regulations of the Association as authorized by the FCC, as both may be amended from time to time. HAM radios, two way radios and other hobby or professional radio communication transmission equipment are prohibited.

Declarant and the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus of any size for a master antenna, cable, or other communication system for the benefit of all or a portion of the Property.

11.5. Lighting. Exterior lighting visible from the street shall not be permitted except for: (1) approved lighting as originally installed oń a Unit; (2) one approved decorative post light; (3) pathway lighting; (4) street lights in conformity with an established street lighting program for the Property; (5) seasonal decorative lights; or (6) front house illumination of model homes.

11.6. Mailboxes. No change or addition, other than by the Board of Directors, shall be made to the design, materials or location of the original kiosk installed by Declarant, unless specifically approved by the ARC no mailbox, paper box, or delivery receptacle may be placed on a Unit.

11.7. Signs. No sign of any kind or character shall be erected on any portion of any Unit, or displayed to the public on any portion of any Unit, without the prior written consent of the Board of Directors, except for customary name and address signs, one customary "for sale" sign advertising a Unit for sale and any sign required by legal proceedings. The restriction herein stated shall include the prohibition of placement of any sign within a building located on any Unit in a location from which the same shall be visible from the outside and the placement of any sign in or upon any motor vehicle.

11.8. Trash Containers and Collection. No garbage or trash shall be placed or kept on the Property except in covered containers of a type, size and style which are approved by the Board of Directors or as required by the applicable governing jurisdiction, and subject to rules promulgated by the Association. No person shall burn rubbish, garbage or any other form of solid waste on any Unit or on Common Areas or within the right of way of any street within the Property. The Association may contract with a waste disposal service for disposal of household waste generated by members on the Property and may promulgate rules related to garbage.

11.9. Vehicles and Parking. The term "vehicles" as used in this Section shall include without limitation automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles. No vehicle may be left upon any portion of the Property except upon a driveway or a designated parking space. With the exception of emergency vehicle repairs or commercial vehicles which are temporarily parked for the purpose of servicing a Unit or the Property, no person shall park any commercial vehicles (including but not limited to any type of vehicle with equipment racks, advertising, or lettering), recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, or other oversized vehicles, stored vehicles or unlicensed or inoperable vehicles within the Property.

All Owner and occupant vehicles must be kept and stored when not in use within the Unit's driveway.

The Association may promulgate and enforce additional rules and restrictions regarding vehicles and parking privileges on the Units and Common Areas.

11.10. Window Air-Conditioners. No air-conditioner shall be installed in any window of any building located on any Unit, nor shall any air-conditioner be installed on any building located on any Unit so that the same protrudes through any exterior wall of such building.

11.11. Window Treatments. Except as may be otherwise approved in accordance with the Architectural Control provisions contained in Section 8, all window treatments visible from the outside of a Unit shall be white or off-white in color. No bed sheets, newspaper, tin foil, or similar materials may be used as window treatments.

11.12. No Subdivision of Units or Timesharing. No Unit may be further subdivided into any smaller Unit. No Unit shall be made subject to any type of timesharing, fraction-sharing or similar program whereby the exclusive use of the Unit rotates among members of the program on a fixed or floating time schedule over a period of years.

11.13. No Combination of Units. Contiguous Units may not be combined together without prior written consent of the Board of Directors. In the event that the Board of Directors does approve such a combination, such combination shall thereafter be deemed to be a single Unit for all purposes of this Declaration, except that notwithstanding the foregoing, the amount of assessments for which such single Unit shall be thereafter liable shall be equal to the total assessments for which all of the Units which were so combined would have been liable had such combination not taken place.

11.14. Decks, Patio Areas, Stoops, Driveways and Sheds. Grills, patio furniture, potted plants and other items may be permitted on patio areas, subject to local ordinances and any rules promulgated by the Association with respect thereto. Any items placed on front stoops and driveways must comply with any rules promulgated by the Association with respect thereto. Detached storage buildings, sheds or animal pens are prohibited.

11.15. Interpretation. In all cases, the covenants and restrictions herein contained shall be construed and interpreted in a manner which, in the opinion of the Board of Directors, will best effect the intent of the general plan of development and maintenance herein set forth. Subject to the terms of this Section and the Board of Directors' duty to exercise business judgment and reasonableness, the Board of Directors may modify, cancel, limit, create exceptions to, or expand the restrictions contained herein and may create, modify and enforce reasonable rules governing the use of the Property consistent with the law and with other provisions in this Declaration. The Board of Directors shall send notice to all Owners concerning any new or amended restrictions or rules prior to the date that such restrictions or rules go into effect. For this purpose, notice may be sent to each Owner by U.S. mail, hand delivery, electronic telecommunication or publication in a community notice or newsletter delivered or mailed to each Owner.

11.16. Tenants. No Owner shall lease or rent its Unit except as may be permitted by the Bylaws, or any rules or regulations promulgated thereunder.

11.17. Surface Water Management. No Owner or any other person shall do anything to adversely affect the general surface water management and drainage of the Property, without the prior written approval of the County and any other applicable controlling governmental authority, including, but not limited to, the excavation or filling in of any Unit. Provided, however, the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon a Unit or other portion of the Property by Declarant in accordance with permits issued by controlling governmental authorities. In particular, no Owner shall install any landscaping or place any fill on the Owner's Unit which would adversely affect the drainage of any contiguous Unit. After initial construction by the Declarant or a Builder, no Owner shall be permitted to reshape or alter the topographical features or area within any drainage easement, nor shall any Owner be permitted to install fences or other Improvements or structures within a drainage easement, including the installation of landscaping, plants, trees or other vegetation, except for low growing grass. The application of herbicide to the portions of the Property within any drainage easement is prohibited.

11.18. Flags. Except for the proper and respectful display of the flag of the United States of America or the State of North Carolina in compliance with applicable law and of a size no greater than four (4) feet wide by six (6) feet long, no Owner may erect or install a flagpole or decorative banner on any portion of a Unit, including freestanding detached flagpoles or banners, and those that are attached to a Unit, without the prior written approval of the ARC.

11.19. Underground Storage Tanks. No underground storage tanks for natural gas, propane, chemicals, petroleum products or any other toxic or hazardous waste products will be allowed anywhere on the Property.

12. AMENDMENT

Until the termination of the Development Period, the Declaration may be amended only by Declarant, who may unilaterally amend this Declaration for any purpose. Thereafter, Declarant or the Board may unilaterally amend this Declaration if such amendment is necessary to: (a) bring any provision hereof into compliance with any applicable governmental statute, rules or regulation or judicial determination which shall be in conflict therewith, (b) enable any reputable title insurance company to issue title insurance coverage with respect to the Units, (c) enable an institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans (such as the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation) to make, purchase, insure or guarantee mortgage loans on the Units, (d) an amendment is necessary to enable any governmental agency or private insurance company, including but not limited to the U.S. Department of Housing and Urban Development and the U.S. Department of Veterans Affairs, to insure or guarantee mortgage loans on the Units. However, any such amendment shall not adversely affect the title to any Owner's Unit unless such Unit Owner shall consent thereto in writing, or (e) an amendment related to the merger of the Association into some other owner's association. After the termination of the Development Period, except for items (a) through (e) above, this Declaration may be amended only upon the affirmative vote or written consent, or any combination thereof, of two-thirds (2/3) of the Unit Owners.

Any amendment shall become effective upon the recording with the Register of Deeds of the instrument evidencing such change unless a later effective date is specified therein. If an Owner consents to an amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment. Any challenge to an amendment must be made within six months of the recording of the amendment or such amendment shall be presumed to have been validly adopted and to be valid.

Every Owner, by taking record title to a Unit, and each holder of a mortgage upon any portion of any Unit, by acceptance of such mortgage, hereby agrees that the terms, provisions, covenants and restrictions of this Declaration may be amended as provided herein.

13. NON-ARBITRAL PROCEEDINGS.

Except as otherwise limited by this Section 13, enforcement of these covenants and restrictions pertaining to: (a) actions brought by the Association against Owners (excluding Declarant or any Builder) to enforce the provisions of this Declaration (including the foreclosure of liens); (b) the collections of assessments; (c) proceeding involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it ((a)-(d) hereinafter collectively "Non-Arbitral Proceedings"); may be by any proceeding at law or in equity against any Person or Persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, and against the Units, to enforce any liens created by this Declaration.

14. ARBITRAL PROCEEDINGS.

Any dispute other than the Non-Arbitral Proceedings described in Section 13 above ("Arbitral Proceedings") arising out of or related, in whole or in part to this Declaration, or the Property, or any portion thereof or improvement thereon ("Arbitral Proceedings"), shall be resolved in accordance with the procedures described below.

14.1. Negotiation. Before any other action is taken on an Arbitral Proceeding, the parties thereto shall attempt to resolve the dispute through negotiation and the following procedures.

14.1.1. Alleged Construction Defects. No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Property in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant, any Builder, architect, engineer, or landscape professional involved in the design or construction have been first notified in writing and given the opportunity to meet with the Person contemplating the engagement of an expert (the "Claimant"), to conduct an inspection, and to repair deficiencies, if any, identified by the Declarant, Builder, architect, engineer, or landscape professional (the "Respondent"). If after providing such opportunity to the Respondent the Claimant elects to retain an expert, the Claimant shall thereafter deliver to the Respondent written notice that includes, at a minimum, (a) a description of the alleged defect; (b) a certification from an architect or engineer licensed in the State of North Carolina that such alleged defect exists along with a description of the scope of work necessary to cure such alleged defect and a resume of such architect or engineer; and (c) the cost to cure such alleged defect as estimated by the architect or engineer. After delivering the notice required by the preceding sentence the Claimant shall afford the Respondent a reasonable opportunity to cure the alleged defect before initiating any proceedings pursuant to this Section 14.1.

14.1.2. All other Arbitral Disputes. In all Arbitral Disputes other than construction defect claims which are addressed by the preceding Section, the Person asserting or contemplating the assertion of claims (also referred to herein as the "Claimant") shall provide the Respondent with written notice of the Arbitral Dispute which notice must include the Claimant's position with regard to facts, circumstances and law related to the issues to be resolved, together with all documents and evidence that supports such position, and after delivery of such notice the parties shall meet in person and confer for the purpose of resolving a Arbitral Dispute by good faith negotiation.

14.2. Mediation. If the parties cannot resolve their Arbitral Dispute pursuant to the procedures described in the preceding Subsection 14.1.2, as applicable, within such time period as may be agreed upon by such parties, the Claimant shall have thirty (30) days after the termination of negotiations within which to submit the Arbitral Dispute to mediation pursuant to the mediation procedures in the North Carolina Rules Implementing Statewide Mediated Settlement Conferences and Other Settlement Procedures in Superior Court Civil Actions or to any other rules upon which the parties to the Arbitral Dispute may mutually agree. Persons other than the parties to the Arbitral Dispute may attend mediation sessions only with the permission of all parties to the Dispute and the consent of the mediator. Confidential information disclosed to a mediator by the parties to the Arbitral Dispute or by witnesses in the course of the mediation shall be kept confidential. There shall be no stenographic record of the mediation process. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof of expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Dispute unless agreed to otherwise. Each party to the Dispute shall bear their own attorneys' fees and costs in connection with such mediation.

14.3. Final and Binding Arbitration. If the parties cannot resolve their Arbitral Dispute pursuant to the procedures described in Section 14.1 above, the Claimant shall have ninety (90) days following termination of mediation proceedings (as determined by the mediator) to submit the Arbitral Dispute to final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association or the Construction Arbitration Rules of the American Arbitration Association, as determined applicable by the arbitrator, the American Arbitration Association or as agreed upon by the parties, as such rules are modified or as otherwise provided in this Section 14.3. If the Claimant does not submit the Arbitral Dispute to arbitration within ninety (90) days after termination of mediation proceedings, the Claimant shall be deemed to have waived any claims related to the Arbitral Dispute and all other parties to the Arbitral Dispute shall be released and discharged from any and all liability to the Claimant on account of such Arbitral Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to a person or entity not a party to the foregoing proceedings.

The existing parties to the Arbitral Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. No Declarant shall be required to participate in the arbitration proceeding if all parties against whom a Declarant would have necessary or permissive cross-claims or counterclaims are not or cannot be joined in the arbitration proceedings. Subject to the limitations imposed in this Section 14.3, the arbitrator shall have the authority to try all issues, whether of fact or law.

14.3.1. Place. The arbitration proceedings shall be heard in the County where the Property is located.

14.3.2. Commencement and Timing of Proceeding. Arbitration may not be commenced or prosecuted by or on behalf of the Association unless approved by at least seventy-five percent (75%) of the Unit Owners which approval must be accompanied by the approval of a reasonable arbitration budget and the approval and collection of a Special Assessment in an amount equal to the budget to be levied equally among the Units and collected before commencement of any action. The arbitrator shall determine whether the Association or a Claimant acting on behalf of the Association has satisfied the requirements of this Section 14.3 before commencing any arbitration and shall promptly commence the arbitration proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay, and in no case greater than sixty (60) days from the date of the demand or if the requirement of this Subsection 14.3.2 has not been met find for the Respondent on all claims.

14.3.3. Discovery. The parties to the Dispute shall be entitled to limited discovery only, consisting of the exchange between the parties of the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Arbitral Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The Respondent shall also be entitled to conduct further tests and inspections as provided in Section 14.1 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties to the Dispute. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

14.3.4. Limitation on Remedies/Prohibition on the Award of Punitive Damages. Notwithstanding contrary provisions of the Commercial Arbitration Rules, the arbitrator in any proceeding shall not have the power to award punitive, consequential or statutory damages (all such damages being herby waived by all Owners, Builders and the Declarant); however, the arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages. The arbitrator's award may be enforced as provided for under North Carolina Law, or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

14.3.5. Motions. The arbitrator shall have the power to hear and dispose or motions, including motions to dismiss, motions for judgment on the pleadings, and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summary issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

14.3.6. Expenses of Arbitration. Each party to the arbitration shall bear all of its own costs incurred prior to and during the arbitration proceedings, including the fees and costs of its attorneys or other representatives, discovery costs, and expenses of witnesses produced by such party. Each party to the Dispute shall share equally all charges rendered by the arbitrator unless otherwise agreed to by the parties. As an express limitation to the foregoing, the arbitrator's award shall include the costs and expenses, including attorneys' fees, incurred by the party the arbitrator determines to have prevailed.

14.3.7. Enforcement of Resolution. If the parties to a Arbitral Dispute resolve such Arbitral Dispute through negotiation or mediation in accordance with Section 14.1 or Section 14.2 above, and any party thereafter fails to abide by the terms of such negotiation or mediation, or if an arbitration award is made in accordance with Subsection 14.3.4 and any party to the Arbitral Dispute thereafter fails to comply with such resolution or award, then the other party to the Arbitral Dispute may file suit or initiate administrative proceedings to enforce the terms of such negotiation, mediation, or award without the need to again comply with the procedures set forth in this Subsection 14.3.7. In such event, the party taking action to enforce the terms of the negotiation, mediation, or the award shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro rata), all costs incurred to enforce the terms of the negotiation, mediation or award including, without limitation, attorneys' fees and court costs.

14.4. Amendment. This Section 14.4 shall not be amended unless such amendment is approved by Declarant, the Builders, and at least eighty percent (80%) of the percentage of votes of the Association.

15. MISCELLANEOUS

15.1. Failure of Enforcement. In the event that the Association shall fail to enforce the compliance with any of the provisions of this Declaration by the Owner of any Unit, then the Owner of any other Unit shall have the right to file an action in the Superior Court of the county where the Property is located for an order from such Court requiring that the Association enforce such compliance; provided, however, in no event shall the Board of Directors, or any officer of the Association, or any of their agents, be personally liable to anyone on account of their failure to enforce any of the terms, provisions or restrictions set forth in this Declaration.

15.2. No Waivers. In no event shall the failure by the Association to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, provisions or agreements set forth in this Declaration be construed as a waiver or relinquishment of the future enforcement of any such term, covenant, condition, provision, or agreement. The acceptance of performance of anything required to be performed with knowledge of the breach of a term, covenant, condition, provision or agreement shall not be deemed a waiver of such breach, and no waiver by the Association of any term, covenant, condition, provision or agreement shall be deemed to have been made unless expressed in writing and signed by a duly authorized officer of the Association.

15.3. Duration. This Declaration, and all of the terms, easements, provisions, liens, charges, restrictions and covenants set forth herein, shall run with the land and shall be binding on all parties and all persons claiming under them for a period of twenty (20) years from and after the date this Declaration is recorded, after which time such covenants and restrictions shall be automatically extended for successive periods of twenty (20) years until the recordation of an instrument of termination within two (2) years of the expiration of the initial twenty-year period or any extension thereof, such instrument having been executed by a minimum of sixty-seven percent (67%) of the record Owners of the Units.

15.4. Notices. Any notice required or permitted to be sent to any member of the Association pursuant to any provision of this Declaration may be served by depositing such notice in the mail, postage prepaid, addressed to the member or Owner to whom it is intended, at the address which such member shall have furnished to the Secretary of the Association in accordance with the Bylaws, or, in the absence of any such address having been so furnished to the Secretary of the Association, at the address of the Unit owned by such member. The date of service shall be the date of mailing. The address of Declarant or the Association shall be the address of its respective registered agent on file with the Secretary of State of North Carolina. The date of service shall be the date shown on the return receipt. Rejection or other refusal to accept shall be deemed to be receipt of the notice sent.

15.5. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if any provision of this Declaration or the application thereof to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

15.6. Successors to Declarant. In no event shall any person or other entity succeeding to the interest of Declarant by operation of law or through purchase of Declarant's interest in all or any portion of the Property at foreclosure, sale under power or by deed in lieu of foreclosure, be liable for any act, omission or matter occurring, or arising from any act, omission or matter occurring, prior to the date such successor succeeded to the interest of Declarant.

15.7. Right to Develop. Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion, and Declarant, Builders and their employees, agents, and designees shall have a right to complete construction, repair and maintenance of Units. Every Person that acquires any interest in a Unit or in the Property acknowledges that the Property is a planned community, the development of which is likely to extend over many years, and agrees not to protect, challenge, or otherwise object to (a) changes in uses or density of property, or (b) changes in the plan as it relates to property. Each Owner acknowledges, understands and covenants to inform its lessees and all occupants of its Unit that the Property and areas adjacent to the Property are subject to further development and expansion, and therefore, there may be certain inconveniences during any period of construction, and Owner as well as any of its tenants or occupants acknowledges that such construction and development is permitted by this Declaration, notwithstanding the limitations in Section 11 and similar provisions, and waives all claims with respect to such inconveniences, sights, sounds, smell and conditions associated with such construction. Owner agrees that if Owner or Owner's employees, lessees, invitees, clients, customers, guests, contractors, or agents enter onto any area of construction, they do so at their own risk, and that the Declarant, Builder and their respective contractors, agents or employees shall not be liable for any damage, loss or injury to such person.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed by its duly authorized officers on the day and year set forth below.

EAST OAKS, LLC
A Virginia limited liability company

By:
Name: Anthony Pitrelli
Its: Manager

By: Lena M Pitrelli
Name: Lena M. Pitrelli
Its: Manager

STATE OF NJ, COUNTY OF Ocean

I, the undersigned Notary Public of the aforesaid County and State, certify that **Anthony Pitrelli**, either (__) being personally known to me or (✓) proven by satisfactory evidence (said evidence being NJDL), personally appeared before me this day and acknowledged that he is a Manager of EAST OAKS, LLC, a Virginia limited liability company, and that he, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the corporation for the purposes stated therein.

Witness my hand and notarial seal, this 5th day of Jan., 2017.

(OFFICIAL SEAL)

TRACY L MOTZ
Notary Public
State of New Jersey
My Commission Expires Mar. 21, 2017
I.D.# 2199535

Notary Public

Tracy L. Motz
Printed or Typed Name

My commission expires: 3-21-17

STATE OF VIRGINIA, COUNTY OF FAIRFAX

I, the undersigned Notary Public of the aforesaid County and State, certify that **Lena M. Pitrelli**, either (✓) being personally known to me or (__) proven by satisfactory evidence (said evidence being ____________________), personally appeared before me this day and acknowledged that she is a Manager of EAST OAKS, LLC, a Virginia limited liability company, and that she, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the corporation for the purposes stated therein.

Witness my hand and notarial seal, this 4th day of JAN, 2017.

(OFFICIAL SEAL)

KAREN A. LINDEMANN - NOTARY PUBLIC
County of Fairfax
Commonwealth of Virginia
My Commission Expires November 30, 2019
ID #123501

Karen A. Lindemann
Notary Public

KAREN A. LINDEMANN
Printed or Typed Name

My commission expires: 11/30/19

EXHIBIT "A"

Legal Description

Being all that certain tract or parcel of land shown as Tract 1 and consisting of 8.19 acres as shown on plat and survey entitled "Recombination Survey for Southpointe Town Homes / Property of East Oaks, LLC" prepared by Mack Gay Associates, P.A., dated December 21, 2016, of record in Plat Cabinet 1, Slide 329, Plat 9, Warren County Registry (the "Plat"), to which reference is made for a more particular description thereof.

This property reference above is subject to Declaration of Covenants, Restrictions, and Easements for Southpointe Townhomes, Warren County, North Carolina of record in Book 1005, Page 817, Warren County Registry.

SHORELINE RIGHTS: There is also hereby conveyed all of the shoreline rights conveyed unto K.B. Dickerson et ux by deed from Dr. C. H. Woodburn et ux dated April 2, 1968 and recorded in the office of the Register of Deeds of Warren County, North Carolina, Book 236, page 101.

EASEMENT FOR USE OF ROADWAY: There is also hereby conveyed unto the party of the second part, the non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described and adjacent properties, but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux, for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from C. H. Woodburn et ux to Karl B. Dickerson et ux as hereinabove referenced and that deed from Karl B. Dickerson et ux to Earl C. Beddingfield and C.A. Richards dated January 3, 1977 and recorded in said Registry in Book 290, page 135.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N.C. Highway Department to convert said roadway into a state road or highway under its public roads system.

The above described tract of land is a portion of that certain 10.405 acre tract of land conveyed to East Oaks, LLC in Book 824, Page 506, Warren County Registry. For further reference, see deeds of record at Book 190, Page 528; Book 236, Page 101; Book 290, Page 135; Book 320, Page 48; Book 347, Page 53; Book 517, Page 14; Book 555, Page 44; Book 703, Page 449; and Book 824, Page 506, all of the Warren County Registry.

FILED
WARREN COUNTY NC
YVONNE D. ALSTON
REGISTER OF DEEDS

FILED	Jan 31, 2017
AT	04:07:11 pm
BOOK	01005
START PAGE	0812
END PAGE	0816
INSTRUMENT #	00255
EXCISE TAX	(None)

WRJ

This instrument was prepared by: James C. Wrenn, Jr., a North Carolina Licensed Attorney. Return after recording to: James C. Wrenn, Jr., P.O. Box 247, Oxford, NC 27565

Delinquent taxes, if any, to be paid by the Closing Attorney to the Warren County Tax Collector upon disbursement of closing proceeds.

All or a portion of the property herein conveyed ___ includes or X does not include the primary residence of the Grantor.

STATE OF NORTH CAROLINA

GENERAL WARRANTY DEED

COUNTY OF WARREN

THIS DEED, made and entered into this the 20th day of January, 2017, by and between **EAST OAKS, LLC,** whose mailing address is P.O. Box 10324, Burke, VA 22009, designated as Grantor herein, and **EAST OAKS, LLC,** whose mailing address is P.O. Box 10324, Burke, VA 22009, designated as Grantee herein. The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

W I T N E S S E T H:

That the said Grantor, for and in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt of which is hereby expressly acknowledged, does hereby give, grant, bargain, sell and convey unto the Grantee, those certain tracts or parcels of land, lying and being situate in Warren County, North Carolina and more particularly described as follows:

<u>SEE ATTACHED EXHIBIT "A"</u>

TO HAVE AND TO HOLD, said tracts or parcels of land, with all of the privileges and appurtenances, thereunto belonging, unto the said Grantee, in fee simple.

And the said Grantor hereby covenants and agrees to and with the said Grantee, that Grantor is seized of said land and has the right to convey the same in fee simple; that said land is free and clear from any and all encumbrances and that Grantor will warrant and forever defend the title to the same against the lawful claims of all persons whomsoever, except for the exceptions hereinafter stated.

Title to the property hereinabove described is subject to the following exceptions:

1. The lien of the local ad valorem property taxes for 2017 and subsequent years.
2. Such state of facts as disclosed by survey of record in Cab 1 Slide 329, Plat 9, Warren County Registry.
3. All ordinary and customary utility and highway easements and rights-of-way or record
4. Applicable zoning and building laws or ordinances.

IN TESTIMONY WHEREOF, the said Grantor has hereunto set its hand and seal, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officer, the day and year first above written.

[SIGNATURE PAGE FOLLOWS]

EAST OAKS, LLC

By: ________________________(SEAL)
Anthony Pitrelli, Manager

STATE OF NJ, COUNTY OF Ocean

I, the undersigned Notary Public of the aforesaid County and State, certify that **Anthony Pitrelli,** either ( ) being personally known to me or (✓) proven by satisfactory evidence (said evidence being NJ Drivers License) personally appeared before me this day and acknowledged that he is Manager of East Oaks, LLC, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, and that he, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the company for the purposes stated therein.

Witness my hand and notarial seal, this 26th day of January, 2017.

(OFFICIAL SEAL)

____
Notary Public

____
Printed or Typed Name

My commission expires:

ELLEN M HARMER
Notary Public
State of New Jersey
My Commission Expires Oct. 24, 2018
I.D.# 83046

EXHIBIT "A"

TRACT #1

Being all that certain tract or parcel of land shown as Tract 1 and consisting of 8.19 acres as shown the plat entitled "Recombination Survey for Southpointe Town Homes / Property of East Oaks, LLC" prepared by Mack Gay Associates, P.A., dated December 21, 2016, of record in Plat Cabinet 1, Slide 329, Plat 9, Warren County Registry (the "Plat"), to which reference is made for a more particular description thereof.

SHORELINE RIGHTS: There is also hereby conveyed all of the shoreline rights conveyed unto K.B. Dickerson et ux by deed from Dr. C. H. Woodburn et ux dated April 2, 1968 and recorded in the office of the Register of Deeds of Warren County, North Carolina, Book 236, page 101.

EASEMENT FOR USE OF ROADWAY: There is also hereby conveyed unto the party of the second part, the non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described and adjacent properties, but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux, for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from C. H. Woodburn et ux to Karl B. Dickerson et ux as hereinabove referenced and that deed from Karl B. Dickerson et ux to Earl C. Beddingfield and C.A. Richards dated January 3, 1977 and recorded in said Registry in Book 290, page 135.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N.C. Highway Department to convert said roadway into a state road or highway under its public roads system.

For further reference as to Tract #1 described above, see deeds of record at Book 190, Page 528; Book 236, Page 101; Book 290, Page 135; Book 320, Page 48; Book 347, Page 53; Book 517, Page 14; Book 555, Page 44; Book 703, Page 449; and Book 824, Page 506, all of the Warren County Registry.

TRACT #2

Being all of that certain tract or parcel of land shown as Tract 2 consisting of 2.22 acres as shown on the plat entitled "Recombination Survey for Southpointe Town Homes / Property of East Oaks, LLC" prepared by Mack Gay Associates, P.A., dated December 21, 2016, of record in Plat Cabinet 1, Slide 329, Plat 9, Warren County Registry (the "Plat"), to which reference is made for a more particular description thereof.

SHORELINE RIGHTS: There is also hereby conveyed all of the shoreline rights conveyed unto K.B. Dickerson et ux by deed from Dr. C. H. Woodburn et ux dated April 2, 1968 and recorded in the office of the Register of Deeds of Warren County, North Carolina, Book 236, page 101.

EASEMENT FOR USE OF ROADWAY: TOGETHER WITH those certain non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described, but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux. for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from Dr. C. H. Woodburn and wife, Daisy M. Woodburn to Karl B. Dickerson and wife, Evelyn J. Dickerson recorded in Book 236 Page 101, Warren Country Registry and shown as a private easement on the above referenced Plat.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N.C. Highway Department to convert said roadway into a state road or highway under its public roads system.

For further reference as to Tract #2 described above, see deeds of record at Book 190, Page 528: Book 236, Page 101; Book 290, Page 135; Book 320, Page 48; Book 347, Page 53; Book 517, Page 14; Book 555, Page 44; Book 703, Page 449; and Book 824, Page 506, all of the Warren County Registry.

TRACT #3

That certain 0.654 acre parcel of land as shown and designated on plat entitled, "Surveyed and Mapped For: East Oaks, LLC Proposed Recombination and New Easements to Serve Properties," dated November

1, 2006, prepared by Harry M. Williams, III, P.L.S., which plat is recorded in the office of the Register of Deeds of Warren County, North Carolina, in Plat Cabinet 1, Slide 252A, Plat 4. For further reference, see deeds of record in said Registry in Book 703, page 449 and also Plat Book 23, page 109.

Said tract is subject to the reservation of an easement in those portions of the above described property designated as "'A' Proposed 30' Wide Private Easement" as described in Book 834, Page 518, Warren County Registry.

TOGETHER WITH rights to the 30' wide reciprocal parking and access easement in those portions of the property designated as "B" and "C" as shown on the above referenced plat.

SHORELINE RIGHTS: There is also hereby conveyed all of the shoreline rights conveyed unto K.B. Dickerson et ux by deed from Dr. C. H. Woodburn et ux dated April 2, 1968 and recorded in the office of the Register of Deeds of Warren County, North Carolina, Book 236, page 101.

EASEMENT FOR USE OF ROADWAY: There is also hereby conveyed unto the party of the second part, the non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described and adjacent properties, but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux, for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from C. H. Woodburn et ux to Karl B. Dickerson et ux as hereinabove referenced and that deed from Karl B. Dickerson et ux to Earl C. Beddingfield and C.A. Richards dated January 3, 1977 and recorded in said Registry in Book 290, page 135.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N.C. Highway Department to convert said roadway into a state road or highway under its public roads system.

For further reference as to Tract #3 described above, see deeds of record at Book 834, Page 518 and Book 703, Page 449 of the Warren County Registry.

For further reference as to Tract #1, Tract #2, and Tract #3 described above, see also Book 23, Page 109; Cab 1, Slide 288A, Plat 20; Cab 1, Slide 286A, Plat 9; Cab 1, Slide 252A, Plat 4; Cab 1, Slide 325, Plat 10-11; Cab 1, Slide 74, Plat 5; Cab 1, Slide 327, Plat 4; Cab 1, Slide 329, Plat 1; Cab 1, Slide 329, Plat 9, all of the Warren County Registry.

NOTE: The purpose of this deed is to (i) divide that certain tract or parcel of land containing 10.405 acres described in deed dated June 6, 2006 and recorded on June 16, 2006 from Duane White Land Company, LLC to East Oaks, LLC recorded at Book 824, Page 506, Warren County Registry, to which reference is hereby made for a more particular description thereof; and (ii) clarify the chain-of-title for Tract #3 described above that said tract is not combined with any other tract or parcel of land.

FILED
WARREN COUNTY NC
YVONNE D. ALSTON
REGISTER OF DEEDS

FILED	Jan 31, 2017
AT	04:04:22 pm
BOOK	01005
START PAGE	0810
END PAGE	0811
INSTRUMENT #	00254
EXCISE TAX	(None)

WRJ

Prepared by and Return to:
Hopper, Hicks & Wrenn, PLLC
PO Box 247
Oxford, North Carolina 27565

SATISFACTION OF SECURITY INSTRUMENT
(G.S. 45-36.10; 45-37(a)(7))

Date: December 30, 2016

The undersigned is now the secured creditor in the Security Instruments identified as follows:

Original Grantor:	East Oaks, LLC
Original Secured Party:	CLEA Investments, LLC
Current Secured Party:	Lastos Finance, LLC
Type of Security Instrument: ("Security Instrument")	Deed of Trust recorded in Warren County Registry on *June 16, 2006, at Book 824, Page 509*

This satisfaction terminates and releases the effectiveness of the Security Instrument as of the recordation of this Satisfaction of Security Instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE TO FOLLOW]

LASTOS FINANCE, LLC, a Virginia limited liability company and successor to CLEA INVESTMENTS, LLC, a Virginia limited liability company

By: ______________________

Its: Manager

STATE OF Virginia ; COUNTY OF Arlington

I, the undersigned Notary Public of the aforesaid State and County, certify that John Capetanakis, either being (✓) personally known to me or (_) proven by satisfactory evidence (said evidence being ______________________), personally appeared before me this day and acknowledged that he/she is the Manager of **LASTOS FINANCE, LLC**, and that he/she, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the corporation for the purposes stated therein.

Witness my hand and notarial seal, this the 30th day of December, 20 16.

(SEAL)

MAUREEN FITZGERALD HANSEN
NOTARY PUBLIC
REG # 7510141
MY COMMISSION EXPIRES 9/30/2019
COMMONWEALTH OF VIRGINIA

Maureen Fitzgerald Hansen

Notary Public

Maureen Fitzgerald Hansen
Printed or Typed Name
My Commission Expires: 9/30/2019

BK:01005 PG:0854

FILED
WARREN COUNTY NC
YVONNE D. ALSTON
REGISTER OF DEEDS

FILED	Jan 31, 2017
AT	04:16:43 pm
BOOK	01005
START PAGE	0854
END PAGE	0857
INSTRUMENT #	00258
EXCISE TAX	$380.00

WRJ

This instrument was prepared by: James C. Wrenn, Jr., a North Carolina Licensed Attorney.
Return after recording to: James C. Wrenn, Jr., P.O. Box 247, Oxford, NC 27565

Delinquent taxes, if any, to be paid by the Closing Attorney to the Warren County Tax Collector upon disbursement of closing proceeds.

All or a portion of the property herein conveyed ___ includes or _X_ does not include the primary residence of the Grantor.

STATE OF NORTH CAROLINA

GENERAL WARRANTY DEED

COUNTY OF WARREN

THIS DEED, made and entered into this the 4th day of January, 2017, by and between **EAST OAKS, LLC**, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, whose address is P.O. Box 10324, Burke, VA 22009, designated as Grantor herein, and, **EVG – CAROLINA, LLC**, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, whose address is 3684 Centerview Drive, Suite 120, Chantilly, VA 20151, designated as Grantee herein. The designation Grantor and Grantees as used herein shall include said parties, their heirs, successors and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH:

That the said Grantor, for and in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt of which is hereby expressly acknowledged, does hereby give, grant, bargain, sell and convey unto the Grantee, those certain tracts or parcels of land, lying and being situate in Warren County, North Carolina and more particularly described as follows:

SEE ATTACHED EXHIBIT "A"

TO HAVE AND TO HOLD, said tracts or parcels of land, with all of the privileges and appurtenances, thereunto belonging, unto the said Grantee, in fee simple.

And the said Grantor hereby covenants and agrees to and with the said Grantee, that Grantor is seized of said land and has the right to convey the same in fee simple; that said land is free and clear from

{A0133040.DOCX}

any and all encumbrances and that Grantor will warrant and forever defend the title to the same against the lawful claims of all persons whomsoever, except for the exceptions hereinafter stated.

Title to the property hereinabove described is subject to the following exceptions:

1 The lien of the local ad valorem property taxes for 2017 and subsequent years.

2 Such state of facts as disclosed by survey of record in Cab 1 Slide 329 Plat 1, Warren County Registry.

3 All ordinary and customary utility and highway easements and rights-of-way or record

4. Applicable zoning and building laws or ordinances.

IN TESTIMONY WHEREOF, the said Grantor has hereunto set their hands and seals, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officer, the day and year first above written.

[SIGNATURE PAGE FOLLOWS]

EAST OAKS, LLC

By: ______________________(SEAL)
Anthony Pitrelli, Manager

By: Lena M Pitrelli (SEAL)
Lena M. Pitrelli, Manager

STATE OF NJ, COUNTY OF Ocean

I, the undersigned Notary Public of the aforesaid County and State, certify that **Anthony Pitrelli,** either (__) being personally known to me or (✓) proven by satisfactory evidence (said evidence being NJDL), personally appeared before me this day and acknowledged that he is Manager of East Oaks, LLC, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, and that he, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the company for the purposes stated therein.

Witness my hand and notarial seal, this 5th day of January, 2017.

(OFFICIAL SEAL)
TRACY L MOTZ
Notary Public
State of New Jersey
My Commission Expires Mar. 21, 2017
I.D.# 2199535

____
Notary Public

Tracy L. Motz
Printed or Typed Name

My commission expires: 3-21-17

STATE OF VIRGINIA, COUNTY OF FAIRFAX

I, the undersigned Notary Public of the aforesaid County and State, certify that **Lena M. Pitrelli,** either (✓) being personally known to me or (__) proven by satisfactory evidence (said evidence being ______________________), personally appeared before me this day and acknowledged that she is Manager of East Oaks, LLC, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, and that she, as Manager being authorized to do so, voluntarily executed the foregoing on behalf of the company for the purposes stated therein

Witness my hand and notarial seal, this 4th day of January, 2017.

KAREN A. LINDEMANN - NOTARY PUBLIC
County of Fairfax
Commonwealth of Virginia
My Commission Expires November 30, 2019
ID #123501

Karen A. Lindemann
Notary Public

KAREN A. LINDEMANN
Printed or Typed Name

My commission expires: 11/30/19

{A0133040.DOCX}

EXHIBIT "A"

Being all of those certain tracts or parcels of land labeled as Lot I-1, Lot I-2, Lot I-3, and Lot I-4 as shown on plat and survey entitled "Final Plat: Southpointe Town Homes" prepared by Mack Gay Associates, P.A., dated March 18, 2016, of record in Plat Cabinet 1, Slide 325, Plats 10-11, Warren County Registry, to which reference is made for a more particular description thereof.

This conveyance is made subject to Declaration of Covenants, Restrictions, and Easements for Southpointe Townhomes, Warren County, North Carolina of record in Book 1005 Page 817, Warren County Registry.

EASEMENT FOR USE OF ROADWAY: There is also conveyed unto the party of the second part, the non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described , but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux, for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from Dr. C. H. Woodburn and wife, Daisy M. Woodburn to Karl B. Dickerson and wife, Evelyn J. Dickerson recorded in Book 236 Page 101, Warren Country Registry.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N. C. Highway Department to convert said roadway into a state road or highway under its public roads system.

The above described tract of land is a portion of that certain 10.405 acre tract of land conveyed to East Oaks, LLC in Book 824, Page 506, Warren County Registry. For further reference, see deeds of record at Book 190, Page 528; Book 236, Page 101; Book 290, Page 135; Book 320, Page 48; Book 347, Page 53; Book 517, Page 14; Book 555, Page 44; Book 703, Page 449; and Book 824, Page 506, all of the Warren County Registry.

BK:01005 PG:0858

FILED
WARREN COUNTY NC
YVONNE D. ALSTON
REGISTER OF DEEDS

FILED	Jan 31, 2017
AT	04:18:43 pm
BOOK	01005
START PAGE	0858
END PAGE	0867
INSTRUMENT #	00259
EXCISE TAX	(None)

WRJ

NORTH CAROLINA DEED OF TRUST AND SECURITY AGREEMENT
(Collateral Includes Fixtures)

SATISFACTION: The debt secured by this Deed of Trust, as evidenced by the Note or other Document secured thereby, has been satisfied in full
This the ______ day of ________________, 20_____

Signed: ______________________________

Mail after recording to: Hopper, Hicks & Wrenn, PLLC, P.O. Box 247, Oxford, NC 27565
Attn: James C. Wrenn, Jr.

This instrument was prepared by: James C. Wrenn, Jr

Brief description for index: ______________________________

THIS DEED OF TRUST AND SECURITY AGREEMENT (including any exhibits and/or riders attached hereto, and any modifications and amendments hereof, the "Deed of Trust") is made as of this 13th day of Jan, 2017 by and among

GRANTOR (Include Address):
EVG - CAROLINA, LLC, a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina

3684 Centerview Drive, Suite 120
Chantilly, VA 20151

TRUSTEE:
James C. Wrenn, Jr

P.O. Box 247
Oxford, NC 27565

BENEFICIARY:
Instant Money, Inc.,
a Virginia corporation
6505 Burke Woods Dr., Burke, VA 22015

☒ IF BOX CHECKED, THIS DEED OF TRUST SECURES AN OBLIGATION INCURRED FOR THE CONSTRUCTION OF AN IMPROVEMENT ON LAND

THE PARTIES AGREE TO THE FOLLOWING PROVISIONS

1. The maximum principal amount of the Debt (defined below), including present and future advances, and/or present and future obligations secured by this Deed of Trust is EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS ($800,000.00).

2. The Debt, on the date hereof, shall mean those obligations described as follows: (i) all obligations of Grantor and/or other Borrower (defined below) set forth on Schedule I attached hereto and incorporated herein by reference, together with any other Note or other Document (as such phrase is defined herein) now or hereafter evidencing any debt or other obligation whatsoever incurred by Grantor and/or other Borrower and payable to Beneficiary, the terms of which are incorporated herein by reference, and (ii) all indebtedness and obligations of Grantor or Borrower to Beneficiary (or an affiliate of Beneficiary) under any interest rate swap transactions, interest rate cap and/or floor transactions, interest rate collar transactions, swap agreements (as defined in 11 U.S.C. § 101) or other similar transactions or agreements, including without limitation any ISDA Master Agreement executed by Grantor or Borrower and all Schedules and Confirmations entered into in connection therewith, hereinafter collectively referred to as a "Hedge Agreement," the terms of which are incorporated herein by reference. The term "Borrower" or "Borrowers" as set forth in this Deed of Trust shall mean and include each entity and/or individual listed on Schedule I attached hereto that is indebted or obligated to Beneficiary.

3. Grantor has granted this Deed of Trust, in part, in the form of a hypothecated security in that it is given, in part, to secure the debt of another, to wit: the indebtedness evidenced by the promissory notes and other documents identified in Schedule I which were not executed by Grantor and which are (or have been) made and delivered by Borrower to and for the benefit of Beneficiary (such promissory notes being referred to collectively herein as the "Other Notes"). Grantor recognizes that it will derive a material and direct benefit from the loans evidenced by the

Other Notes, and in accordance therewith, Grantor agrees that such interest and benefit are additional and sufficient consideration to support this Deed of Trust. Notwithstanding any contrary provision in this instrument, Grantor expressly acknowledges, covenants, and agrees that, in the event of default under the Other Notes or any documents related thereto, it shall likewise be deemed an event of default under the terms of this Deed of Trust giving rise to all rights and remedies as set forth in this Deed of Trust for default. Grantor expressly agrees that, upon such default, Beneficiary may elect to enforce any rights and remedies which it may have under this Deed of Trust. The foregoing are made by Grantor as an inducement to Beneficiary to enter into and/or extend loan transactions secured hereby.

4. Pursuant to the provisions of Sections 45-67, *et seq.*, of the North Carolina General Statutes, this Deed of Trust secures the payment of the Debt, including present and **future advances** and/or **future obligations**.

5. No execution of a written instrument or notation shall be necessary to evidence or secure any future advances and/or future obligations made hereunder. The period within which future advances and/or future obligations are to be made shall be the thirty year period beginning on the date of this Deed of Trust.

6. The real property which is the subject of this Deed of Trust is located in the County of Warren, in the State of North Carolina, and the legal description and/or the chain of title reference of the real property is as follows.

See "Schedule II" attached hereto and incorporated by reference herein for property description.

STATEMENT OF PURPOSE. In this Deed of Trust, reference shall be made simply to the "Note or other Document," and such a reference is deemed to apply to all of the instruments which evidence or describe the Debt, or which secure or guaranty its payment, and to all renewals, extensions, modifications and substitutions thereof, whether heretofore or hereafter executed, and includes without limitation all writings described generally and specifically on the first page of this Deed of Trust in numbered paragraph 2 above and on Schedule I attached hereto. This Deed of Trust shall secure the performance of all existing and future obligations of Grantor, Borrower, and of any third party to Beneficiary which are described in this Deed of Trust or in the Note or other Document, and such performance includes the payment of the Debt. In this Deed of Trust, the definition of "Debt" includes: (i) the principal, (ii) all accrued interest and late fees, if so provided in the Note or other Document, (iii) all renewals, extensions or modifications of any obligation under the Note or other Document (even if such renewals, extensions or modifications are evidenced by new notes or other documents or business credit cards); (iv) all indebtedness and obligations under any Hedge Agreement, (v) all other obligations of Grantor or Borrower to Beneficiary which are described in this Deed of Trust, or in the Note or other Document (for example, payment of any attorneys' fees of Beneficiary, insurance premiums, *ad valorem* taxes, environmental reports, and appraisals); and (vi) all future advances and/or future obligations made to Grantor or Borrower whether direct or indirect, including without limitation any advances made to pay any draft or drawing under any commercial or standby letter of credit issued by Beneficiary on the account of Grantor or Borrower.

NOW, THEREFORE, for the purposes and under the conditions described in this Deed of Trust and in consideration of the Debt and the mutual promises of Grantor and Beneficiary, Grantor hereby conveys to Trustee, in trust, with power of sale, the real property described in this Deed of Trust, together with any improvements, equipment and fixtures existing or hereafter placed on or attached to this real property, all proceeds thereof and all other appurtenant rights and privileges. The term "Property" shall include the real property described in numbered paragraph 6 above and all improvements and fixtures thereon, and all appurtenant rights and privileges thereto.

TO HAVE AND TO HOLD the Property to Trustee, its successors and assigns, but upon the trust, and under the terms and conditions of this Deed of Trust, to which Grantor, Trustee and Beneficiary hereby agree:

1. PERFORMANCE BY GRANTOR. Grantor shall fulfill all of Grantor's obligations as specified in this Deed of Trust and the Note or other Document.

2. TAXES, DEEDS OF TRUST, OTHER ENCUMBRANCES. Grantor shall make timely payment of all *ad valorem* taxes, assessments or other charges or encumbrances which may constitute a lien upon the Property. Grantor shall timely pay and perform any obligation, covenant or warranty contained in any other deed of trust or writing (herein "Other Deed of Trust") which gives rise to or may constitute a lien upon any of the Property. Grantor shall upon request of Beneficiary promptly furnish satisfactory evidence of such payment or performance. Grantor shall not enter into, terminate, cancel, or amend any lease affecting the Property or any part thereof without the prior written consent of Beneficiary. Grantor shall timely perform all terms of any lease or sublease of the Property or any part thereof.

3. INSURANCE. Grantor shall continuously maintain insurance on all improvements which are now existing and which might hereafter become part of the Property against loss by fire, flood and other hazards, casualties and contingencies in such amounts and for such periods as may be required from time to time by Beneficiary, and Grantor shall pay promptly, when due, any premiums on the insurance. If it is determined at any time that any of the Property is located in a flood hazard area as defined in the Flood Disaster Protection Act of 1973, the Grantor shall obtain and maintain flood insurance on Property at Grantor's expense for as long as this Deed of Trust is in effect. Flood insurance coverage shall be in an amount equal to the lesser of (i) the maximum amount secured as set forth herein or (ii) the maximum limit of coverage made available for the particular type of

property under the law. If Grantor shall fail to procure or maintain hazard or flood insurance coverage in the specified amount for the Property within a reasonable time of receiving notice from Beneficiary of either the requirement or of the lapse of an existing policy, Beneficiary may, but is not obligated to, expend for the account of Grantor any sums which may be necessary to purchase the required hazard or flood insurance, which shall be fully secured by this Deed of Trust and which shall accrue interest from the time expended until paid at the rate set forth in the Note or other Document. All insurance shall be carried with companies approved by Beneficiary, and Grantor shall cause all policies and renewals thereof to be delivered to Beneficiary. All policies shall contain loss payable clauses (New York long form) in favor of and in form acceptable to Beneficiary. In the event of loss, Grantor shall give immediate written notice to Beneficiary, and Beneficiary may make proof of loss if such is not made promptly by Grantor. Each insurer is hereby expressly authorized and directed by Grantor to make payment for the loss directly and solely to Beneficiary. Beneficiary may apply the insurance proceeds, or any part thereof, in its sole discretion and at its option, either to the reduction of the Debt or to the restoration or repair of any portion of the Property damaged, but Beneficiary shall not be obligated to see to the proper application of any amount paid over to Grantor.

4. ESCROW DEPOSITS. Upon demand of Beneficiary, Grantor shall deposit with Beneficiary or add to each payment required under the Note or other Document the amount estimated by Beneficiary to be sufficient to enable Beneficiary to pay as they become due all taxes, charges, assessments, and insurance premiums which Grantor is required to pay. Further, any deficiency occasioned by an insufficiency of such additional payments shall be deposited by Grantor with Beneficiary upon demand.

5. PRESERVATION AND MAINTENANCE OF THE PROPERTY. Grantor shall keep the Property in as good order and repair as it now is (reasonable wear and tear excepted) and shall neither commit nor permit any waste or any other occurrence or use which might impair the value of the Property. Grantor shall not initiate or acquiesce in a change in the zoning classification of the Property or make or permit any structural alteration thereof without Beneficiary's prior written consent.

6. COMPLIANCE WITH LAWS. Grantor shall regularly and promptly comply with any applicable legal requirements of the United States, the State of North Carolina or other governmental entity, agency or instrumentality relating to the use or condition of the Property.

7. CONDEMNATION AWARD. Any award for the taking of, or damages to, all or any part of the Property or any interest therein upon the lawful exercise of the power of eminent domain shall be payable solely to Beneficiary, which may apply the sums so received to payment of the Debt.

8. PAYMENTS BY BENEFICIARY. If Grantor or Borrower shall be in default in the timely payment or performance of any of Grantor's or Borrower's obligations under the Note or other Document, under this Deed of Trust or Other Deed of Trust, Beneficiary may, but is not obligated to, expend for the account of Grantor or Borrower, without Grantor's or Borrower's consent or notice, any sums, expenses, premiums and fees which Beneficiary believes appropriate for the protection of the Property and the maintenance and execution of this trust. Any amounts so expended shall be deemed principal advances fully secured by this Deed of Trust, shall bear interest from the time expended until paid at the rate of interest accruing on the Debt, and shall be due and payable on demand.

9. RENTS AND PROFITS. Grantor hereby assigns to Beneficiary all future rents and profits from the Property as additional security for the payment of the Debt and for the performance of all obligations secured by this Deed of Trust. Grantor hereby appoints Beneficiary as Grantor's attorney-in-fact to collect any rents and profits, with or without suit, and to apply the same, less expenses of collection, to the Debt or to any obligations secured by this Deed of Trust in any manner as Beneficiary may desire. Such appointment of Beneficiary shall be a power coupled with an interest and shall remain in full force and effect as long as any portion of the Debt remains outstanding. However, until default under the Note or other Document or under this Deed of Trust, Grantor may continue to collect and retain the rents and profits without any accountability to Beneficiary. Beneficiary's election to pursue the collection of the rents or profits shall be in addition to all other remedies which Beneficiary might have and may be put into effect independently of or concurrently with any other remedy.

10. SECURITY INTEREST. All the fixtures and equipment which comprise a part of the Property shall, as far as permitted by law, be deemed to be affixed to the aforesaid land and conveyed therewith. As to the balance of the fixtures, this Deed of Trust shall be considered to be an authenticated security agreement which creates a security interest in such fixtures for the benefit of Beneficiary. In that regard, Grantor grants to Beneficiary all of the rights and remedies of a secured party under the North Carolina Uniform Commercial Code (the "UCC"). Grantor hereby authorizes Beneficiary to file any UCC Financing Statements it deems necessary or required to perfect, continue, amend or maintain the security interest created hereby. Grantor hereby irrevocably (as long as the Debt remains unpaid) makes, constitutes and appoints Beneficiary as the true and lawful attorney-in-fact of Grantor to sign the name of Grantor on any similar document or amendment thereto deemed necessary to perfect or continue such security interests. However to the extent allowed by law, this Deed of Trust shall be a financing statement sufficient to perfect and maintain any security interest created hereby in the Property and its Proceeds. Grantor shall be deemed to be the "Debtor" and Beneficiary shall be deemed the "Secured Party" and the legal name and address of each party is located on page 1 of this Deed of Trust.

11. GRANTOR'S CONTINUING OBLIGATION. This Deed of Trust shall remain as security for full payment of the Debt and for performance of any existing and/or future obligation or future advance evidenced by the Note or other Document, notwithstanding any of the following: (a) the sale or release of all or any part of the Property, (b) the assumption by another party of Grantor's obligations under this Deed of Trust, the Note or other Document, (c) the forbearance or extension of time for payment of the Debt or for performance of any obligations under this Deed of Trust, the Note or other Document, whether granted to Grantor or to a subsequent owner of the Property; or (d) the release of any party who has assumed payment of the Debt or who assumed any other obligations under this Deed of Trust, the Note or other Document. None of the foregoing shall, in any way, affect the full force and effect of the lien of this Deed of Trust or impair Beneficiary's right to a deficiency judgment in the event of foreclosure against Grantor or any party who had assumed payment of the Debt or who assumed any other obligations the performance of which is secured by this Deed of Trust.

12. SUBSTITUTION OF TRUSTEE. Beneficiary shall have the unqualified right to remove the individual designated as Trustee on the first page of this Deed of Trust, and to appoint one or more substitute or successor Trustees by instruments filed for registration in the County Registry where this Deed of Trust is recorded. Any such removal or appointment may be made at any time and from time to time without notice to or consent by Grantor, without specifying any reason therefor, and without any court approval. Any such appointee shall become fully vested with title to the Property and with all rights, powers and duties conferred upon the individual originally designated as Trustee, in the same manner and to the same effect as though that party were named herein as the original Trustee.

13. INDEMNIFICATION IN EVENT OF ADVERSE CLAIMS. In the event that Beneficiary or Trustee voluntarily or otherwise shall become parties to any suit or legal proceeding involving the Property, they shall be saved harmless and shall be reimbursed by Grantor for any amounts paid, including all costs, charges and attorney's fees incurred in any such suit or proceeding, and the same shall be secured by this Deed of Trust and payable upon demand.

14. INSPECTION. Beneficiary may at any reasonable time and from time to time make or cause to be made reasonable entries upon, investigations, and inspections of the Property, including without limitation any inspections or investigations such as sampling and testing which may be necessary or desirable to review compliance with Environmental Laws.

15. WARRANTIES. Grantor covenants with and warrants to Trustee and Beneficiary that Grantor is seized of the Property in fee simple, has the right to convey the same in fee simple, that title to the Property is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever, subject only to any permitted declarations, easements, restrictions or encumbrances listed in the title opinion or title insurance policy which Beneficiary obtained in the transaction in which Beneficiary obtained this Deed of Trust.

16. ATTORNEYS' FEES. In the event that Grantor or Borrower shall default in its obligations under this Deed of Trust, the Note or other Document, and Beneficiary employs an attorney to assist in the collection of the Debt or to enforce compliance of Grantor or Borrower with any of the provisions of this Deed of Trust, the Note or other Documents or in the event Beneficiary or Trustee shall become parties to any suit or legal proceeding (including any proceeding conducted before any United States Bankruptcy Court) concerning the Property, concerning the lien of this Deed of Trust, concerning collection of the Debt or concerning compliance by Grantor with any of the provisions of this Deed of Trust, the Note or other Document, Grantor shall pay Beneficiary's reasonable attorneys' fees and all of the costs that may be incurred, and such fees and costs shall be secured by this Deed of Trust and its payment enforced as if it were a part of the Debt. Grantor shall be liable for such attorneys' fees and costs whether or not any suit or proceeding is commenced.

17. ANTI-MARSHALLING PROVISIONS. Trustee and Beneficiary may grant releases at any time and from time to time of all or any portion of the Property (whether or not such releases are required by agreement among the parties) agreeable to Trustee and Beneficiary without notice to or the consent, approval or agreement of other parties and interests, including junior lienors and purchasers subject to the lien of this Deed of Trust, and such releases shall not impair in any manner the validity of or priority of this Deed of Trust on that portion of the Property remaining subject to this Deed of Trust, nor release Grantor from personal liability for the Debt. Notwithstanding the existence of any other security interests in the Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies available to Beneficiary, and Beneficiary shall further have the right to determine the order in which any or all portions of the Debt are satisfied from the proceeds realized upon the exercise of any remedy it has. Grantor, or any party who consents to this provision, or any party who has actual or constructive notice hereof, hereby waives any and all rights to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

18. ENVIRONMENTAL WARRANTIES, INDEMNITIES AND AGREEMENTS. Grantor for itself, its successors and assigns represents, warrants and agrees that (a) neither Grantor nor any other person has generated, manufactured, stored, treated, processed, released, discharged or disposed of any Hazardous Materials on the Property or received any notice from any Governmental Authority (hereinafter defined) or other person with regard to a release of Hazardous Materials on, from or otherwise affecting the Property, (b) neither Grantor or any other person has violated any applicable Environmental Laws (hereinafter defined) relating to or affecting the Property,

(c) the Property is presently being operated in compliance with all Environmental Laws. there are no circumstances presently existing upon or under the Property, or relating to the Property which may violate any applicable Environmental Laws, and there is not now pending, or threatened, any action, suit, investigation or proceeding against Grantor relating to the Property (or against any other party relating to the Property) seeking to enforce any right or remedy under any of the Environmental Laws; (d) except in strict compliance with Environmental Laws, the Property shall be kept free of Hazardous Materials and shall not be used to generate, manufacture, transport, treat, store, handle, dispose, process or release Hazardous Materials. (e) Grantor shall at all times comply with and ensure compliance by all other parties with all applicable Environmental Laws and shall keep the Property free and clear of any liens imposed pursuant to any applicable Environmental Laws; (f) Grantor has obtained and will at all times continue to obtain and/or maintain all licenses, permits and other directives from any Governmental Authority necessary to comply with Environmental Laws; Grantor is in full compliance with the terms and provisions of the Environmental Requirements (hereinafter defined) and will continue to comply with the terms and provisions of the Environmental Requirements. (g) Grantor shall immediately give Beneficiary oral and written notice in the event that Grantor receives any notice from any Governmental Authority or any other party with regard to any release or storage of Hazardous Materials on, from or affecting the Property and shall conduct and complete all investigations, sampling, and testing, and all remedial, removal, and other actions necessary or required to clean up and remove all Hazardous Materials on, from or affecting the Property in accordance with all applicable Environmental Laws. Grantor hereby agrees to indemnify Beneficiary and hold Beneficiary harmless from and against any and all losses, liabilities, damages, injuries (including, without limitation, reasonable attorneys' fees) and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against Beneficiary for, with respect to, or as a direct or indirect result of (i) the presence on, or under, or the escape, spillage, emission or release on or from the Property of any Hazardous Material regardless of whether or not caused by or within the control of Grantor, (ii) the violation of any Environmental Laws or Environmental Requirements relating to or affecting the Property, whether or not caused by or within the control of Grantor, (iii) the failure by Grantor to comply fully with the terms and provisions of this paragraph, or (iv) any warranty or representation made by Grantor in this paragraph being false or untrue in any material respect. The obligations and liabilities of Grantor under this paragraph shall survive the foreclosure of the Deed of Trust, the delivery of a deed in lieu of foreclosure, the cancellation of the Note; or if otherwise expressly permitted in writing by the Bank, the sale or alienation of any part of the Property.

In the event that any of the Grantor's representations or warranties shall prove to be materially false or Grantor fails to satisfy any Environmental Requirement, Beneficiary, in its sole discretion, may (i) choose to assume compliance with governmental directives and the Grantor agrees to reimburse Beneficiary for all costs, expenses (including all reasonable attorneys' fees, whether in-house or independent), fines, penalties, judgments, suits, or liabilities whatsoever associated with such compliance, or (ii) seek all legal and equitable remedies available to it including, but not limited to, injunctive relief compelling Grantor to comply with all Environmental Requirements relating to the Property. Beneficiary's rights hereunder shall be in addition to all rights granted under the Note or other Document and payments by Grantor under this provision shall not reduce Grantor's obligations and liabilities thereunder. In the event Beneficiary undertakes compliance with Environmental Requirements which Grantor failed to perform or which Beneficiary determines is necessary to sell all or any part of the Property, Grantor authorizes Beneficiary and/or Beneficiary's agents to prepare and execute on Grantor's behalf, any manifest or other documentation relating to the removal and/or disposal of any Hazardous Materials, from, at or on the Property. Grantor acknowledges that Beneficiary does not own, or have a security interest in, any Hazardous Materials which exist on, originate from or affect the Property. All amounts expended by the Beneficiary in connection with the exercise of its rights hereunder (including reasonable attorneys' fees and the fees of any environmental consultants) shall become part of the indebtedness secured by this Deed of Trust.

For purposes of this Deed of Trust: "Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, any "Super Fund" or "Super Lien" law, or any other federal, state, or local law, regulation or decree regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Materials. "Environmental Requirement" means any administrative orders, directives, judgments, consent orders, permits, licenses, authorizations, consents, settlements, agreements or other formal or informal directions or guidance issued by or entered into with any Governmental Authority or private party, including the provisions of any Environmental Law, which obligate or commit Grantor to investigate, remediate, treat, monitor, dispose or remove Hazardous Materials. "Governmental Authority" means any federal, state or local agency, department, court or other administrative legislative or regulatory federal, state or local governmental body, or any private individual or entity acting in place of such entities. "Hazardous Materials" means and includes petroleum products, any flammable explosives, radioactive materials, asbestos or any material containing asbestos, and/or any hazardous, toxic or dangerous waste, substance or material defined as such in the Environmental Laws.

19. EVENTS OF DEFAULT. Grantor shall be in default under this Deed of Trust upon the occurrence of any of the following:

(a) Default in the payment or performance of any of the Debt, or of any covenant or warranty in this Deed of Trust, in the Note or other Document, in any Hedge Agreement, in any Business Cardplan Agreement, or other note or instrument of Grantor or Borrower to Beneficiary; or in any contract between Grantor and/or Borrower and Beneficiary, or in any contract between any third party and Beneficiary made for the benefit of Grantor; or

(b) Any warranty, representation or statement made or furnished to Beneficiary by or on behalf of Grantor or Borrower in connection with this transaction proving to have been false in any material respect when made or furnished; or

(c) Loss, theft, substantial damage, destruction to or of the Property, or the assertion or making of any levy, seizure, mechanic's or materialman's lien or attachment thereof or thereon, or

(d) Death, dissolution, termination of existence, insolvency, business failure, appointment of a Receiver for any part of the property of, assignment for the benefit of creditors by, or the inability to pay debts in the ordinary course of business of Grantor, Borrower or any co-maker, endorser, guarantor or surety therefor, or

(e) Failure of any corporate Grantor, Borrower or any co-maker, endorser, guarantor or surety for Grantor or Borrower to maintain its legal existence in good standing; or

(f) Upon the entry of any monetary judgment or the assessment of filing of any tax lien against Grantor or Borrower, or upon the issuance of any writ of garnishment or attachment against any property of debts due or rights of Grantor or Borrower; or

(g) The sale (including sale by land contract upon delivery of possession), transfer or encumbrance of all or any part of the Property or any interest therein, or any change in the ownership or control of Grantor or Borrower, without Beneficiary's prior written consent; or

(h) If Beneficiary in good faith should otherwise deem itself, its security interests, the Property or the Debt unsafe or insecure, or should Beneficiary in good faith otherwise believe that the prospect of payment or other performance is impaired

20. REMEDIES OF BENEFICIARY UPON DEFAULT. Upon the occurrence of any event of default, Beneficiary may, at its option, without prior notice to Grantor, declare the Debt to be immediately due and payable in full and, on application of Beneficiary, Trustee shall foreclose this Deed of Trust in any manner permitted by North Carolina law, including selling the Property or any part thereof at public sale to the last and highest bidder for cash, free of any equity of redemption, homestead, dower, courtesy or other state or federal exemption, all of which are expressly waived by Grantor, after compliance with applicable North Carolina laws relating to foreclosure sales under power of sale, and Trustee shall execute and deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. The proceeds of any such sale shall be applied in the manner and in the order prescribed by applicable North Carolina law, it being agreed that the expenses of any such sale shall include a commission of five per cent of the gross sales price to Trustee for holding such sale and for all services performed by him hereunder excluding expenses incurred in making sale. In the event a foreclosure suit or special proceeding is commenced, and no sale is held, then Grantor shall pay to Trustee: 1) all expenses incurred by Trustee and 2) a partial commission computed on five per cent of the balance of the unpaid Debt. Beneficiary may bid and become the purchaser at any sale under this Deed of Trust. At any such sale Trustee may at his election require the successful bidder immediately to deposit with Trustee cash in an amount equal to all or any part of the successful bid, and notice of any such requirement need not be included in the advertisement of the notice of such sale. If foreclosure proceedings are instituted under this Deed of Trust, Trustee is hereby authorized to take possession of the Property and collect any rental, accrued or to accrue; or Trustee may lease the Property or any part thereof, receive the rents and profits therefrom, and hold the proceeds remaining after payment of the expenses of managing and operating the Property subject to the order of the court for the benefit of Beneficiary, pending final disposition of the foreclosure proceedings, and during any period allowed by applicable law for the redemption from any foreclosure sale ordered in such proceedings; and Trustee may act irrespective of the value of the Property or its adequacy or inadequacy to secure or discharge the indebtedness then owing.

In addition, if a default shall have occurred and be continuing, Beneficiary, upon application to a court of competent jurisdiction, shall be entitled as a matter of right without notice and without regard to the occupancy or value of any security for the Debt or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and operate the Property and collect and apply the revenues, and Grantor hereby consents thereto. The receiver shall have all of the rights and powers permitted under the laws of the State of North Carolina. Grantor will pay to Beneficiary upon demand, all expenses, including receivers' fees, reasonable attorneys' fees, costs and agent's compensation, all incurred pursuant to such appointment, all of which shall be considered a part of the Debt secured hereby. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Grantor or the creditors or property of Grantor, Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings for the entire amount of the Debt at the date of the institution of such proceedings and for any additional portion of the Debt accruing after such date.

21. RELEASE AND CANCELLATION. Upon fulfillment of all of obligations, the performance of which is secured by this Deed of Trust, and upon payment of the Debt, this Deed of Trust and the Note or other Document shall be marked "Satisfied" and returned to Grantor, and this conveyance shall be null and void and may be cancelled of record at the request and cost of Grantor, and title to the Property shall revert as provided by law.

22. MISCELLANEOUS. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and shall not be used to interpret or define any provisions. All remedies provided herein are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively. All covenants contained herein shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors or assigns of the

parties to this Deed of Trust, and the designations "Grantor", "Trustee", "Beneficiary" and "Borrower" include the parties, their heirs, executors, administrators, successors and assigns. The designations "Corporate", "Corporation", and "Partnership" include limited liability companies and limited liability partnerships. Whenever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders. This Deed of Trust shall be governed by and construed under North Carolina law. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Beneficiary shall not be a waiver of Beneficiary's right to accelerate the maturity of the Debt. Time is of the essence in the payment or performance of any of the obligations, or of any covenant or warranty contained in this Deed of Trust or in the Note or other Document

IN TESTIMONY WHEREOF, each individual Grantor has hereto set his hand and adopted as his seal the word "SEAL" appearing beside or near his signature, this sealed instrument being executed and delivered on the date first above written

[SIGNATURE PAGE FOLLOWS]

EVG - CAROLINA, LLC

By and through its member and manager

THE EVERGREENE COMPANIES, LLC

_______________ (SEAL)
Robert Cappellini, Manager

STATE OF Virginia, COUNTY OF Fairfax

I, the undersigned Notary Public in and for the County and State aforesaid, do hereby certify that **Robert Cappellini**, either (✓) being personally known to me or (___) proven by satisfactory evidence (said evidence being ___________________), personally appeared before me this day and acknowledged that he is a Manager of **THE EVERGREENE COMPANIES, LLC,** a limited liability company organized and existing under the laws of Virginia operating under a certificate of authority in North Carolina, and, that he, as manager, being duly authorized to do so, voluntarily executed the foregoing instrument on behalf of the company for the purposes stated therein.

Witness my hand and official seal, this the 13 day of January 2017

(SEAL)

Keith W Jones
NOTARY PUBLIC
Commonwealth of Virginia
Reg. #7502417
My Commission Expires
December 31, 2020

____
Notary Public

Keith Jones
Printed/Typed Name of Notary

My Commission Expires: 12/31/2017

The foregoing or annexed certificate(s) of ______________________, Notary(ies) Public, has(have) been verified to have the signature, commission expiration date, and official seal, if required. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

_______________ REGISTER OF DEEDS FOR _______________ COUNTY

By: ______________________ Deputy/Assistant – Register of Deeds

Schedule I
to
North Carolina Deed of Trust and Security Agreement

The Debt, as of date hereof, includes all indebtedness and obligations set forth in the North Carolina Deed of Trust and Security Agreement and in this Schedule I attached thereto and incorporated therein, and is evidenced by a Note or other Document described as follows:

[X] None other than the indebtedness and obligations as described on Page 1 of the North Carolina Deed of Trust and Security Agreement

Schedule II
to
North Carolina Deed of Trust and
Security Agreement

Being all of those certain tracts or parcels of land labeled as Lot I-1, Lot I-2, Lot I-3, and Lot I-4 as shown on plat and survey entitled "Final Plat: Southpointe Town Homes" prepared by Mack Gay Associates, P.A., dated March 18, 2016, of record in Plat Cabinet 1, Slide 325, Plats 10-11, Warren County Registry, to which reference is made for a more particular description thereof.

This conveyance is made subject to Declaration of Covenants, Restrictions, and Easements for Southpointe Townhomes, Warren County, North Carolina of record in Book 1005 Page 817, Warren County Registry.

EASEMENT FOR USE OF ROADWAY: There is also conveyed unto the party of the second part, the non-exclusive rights and privileges for the joint use of the roadway leading from Eaton's Ferry Highway into the property above described , but subject to the rights and privileges reserved by Dr. C. H. Woodburn et ux. for the use and enjoyment of said roadway, the same being more particularly described in that certain deed from Dr. C. H. Woodburn and wife, Daisy M. Woodburn to Karl B. Dickerson and wife, Evelyn J. Dickerson recorded in Book 236 Page 101, Warren Country Registry.

Any of the parties hereto, or their respective successors in title, may, at any time hereafter, do or cause to be done to said roadway any and all things which may be necessary to cause the N. C. Highway Department to convert said roadway into a state road or highway under its public roads system.

The above described tract of land is a portion of that certain 10.405 acre tract of land conveyed to East Oaks, LLC in Book 824, Page 506, Warren County Registry. For further reference, see deeds of record at Book 190, Page 528; Book 236, Page 101; Book 290, Page 135; Book 320, Page 48; Book 347, Page 53; Book 517, Page 14; Book 555, Page 44; Book 703, Page 449; and Book 824, Page 506, all of the Warren County Registry.