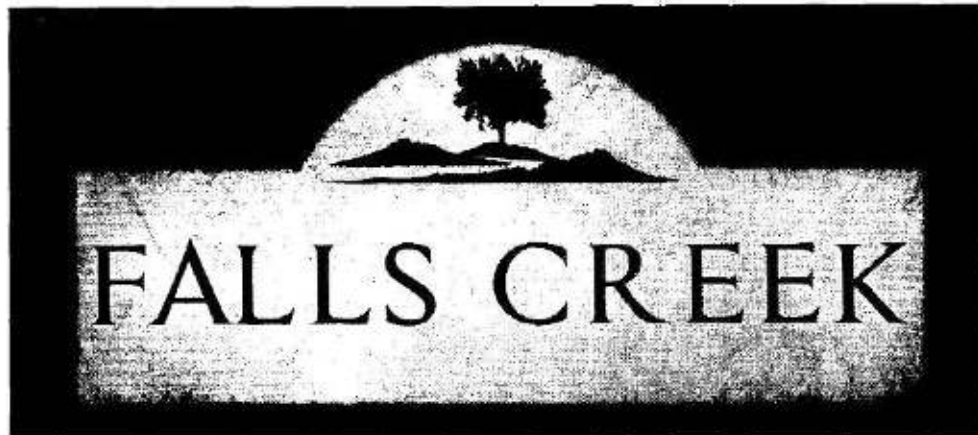




Doc ID: 005368740039 Type: CRP
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Franklin County North Carolina
Brandl S. Davis Register of Deeds

BK 2075 PG 188-226



Prepared by & Return to: Jennifer D. Scott, SHIPMAN & WRIGHT, LLP
575 Military Cutoff Rd. Wilmington, NC 28405

NORTH CAROLINA
FRANKLIN COUNTY

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR FALLS CREEK SUBDIVISION**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (this "Declaration") made on the date hereinafter set forth by SAGE BUILT, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain Properties in the County of Franklin, State of North Carolina, which are more particularly described on Exhibit A attached hereto and incorporated herein by this reference;

WHEREAS, Declarant will convey lots subject to certain protective covenants, conditions, restrictions and easements as hereinafter set forth; and

WHEREAS, Declarant has caused or will later cause to be incorporated under the laws of the State of North Carolina, as a non-profit corporation, FALLS CREEK COMMUNITY ASSOCIATION, INC. for the purpose of exercising the functions aforesaid, and which are hereinafter more fully set forth and which shall be duly formed and in good standing prior to the conveyance of any lot.

NOW, THEREFORE, Declarant hereby declares all of the Properties described on Exhibit A, including without limitation, every Lot (hereinafter defined) which is a part of the Properties, shall be held, sold, used, occupied, and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of enhancing and protecting the value and desirability of, and which shall run with, the Properties and be binding on all parties having any right thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I DEFINITIONS

Section 1.01. "Act" is defined as the "North Carolina Planned Community Act", currently contained in Chapter 47F of the North Carolina General Statutes, and including all amendments, supplements and replacements as enacted from time to time.

Section 1.02. "Additional Property" is defined as all real property subjected to or annexed to this Declaration subsequent to the recording of this Declaration in the Registry, either by Supplemental Declaration or by merger or consolidation, as provided herein.

Section 1.03. "Architectural Control Committee" shall mean a committee of at least three (3) individuals appointed by the Declarant or the Board of Directors.

Section 1.04. "Assessment" shall mean and refer to the share of the Common Expenses from time to time assessed against a Lot and its Owner by the Association in the manner herein provided.

Section 1.05. "Association" shall mean and refer to Falls Creek Community Association, Inc., its successors and assigns.

Section 1.06. "Board of Directors" shall mean and refer to the Board of Directors of the Association, which is the governing body of the Association.

Section 1.07. "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

Section 1.08. "Common Area" shall mean that certain portion of the Properties (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners.

Section 1.09. "Common Expenses" shall mean and refer to all sums lawfully assessed against a Lot by the Association; expenses of administration, maintenance, repair or replacement of the Common Areas, expenses agreed upon as Common Expenses by the Association; expenses declared Common Expenses by the provisions of this Declaration or the Bylaws; and insurance premiums.

Section 1.10. "Declarant" shall mean and refer to SAGE BUILT, LLC, a North Carolina limited liability company, its successors and assigns as provided in the Planned Community Act.

Section 1.11. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Falls Creek and all valid amendments hereto applicable to the Properties recorded in the Office of the Register of Deeds of Franklin County, North Carolina.

Section 1.12. "Dwelling" shall mean a room or combination of rooms designed for year-round habitation, containing a bathroom and kitchen facilities, and designed for or used as a residence by a family or household unit.

Section 1.13. "Eligible Mortgage Holder" shall mean a holder, insurer, or guarantor of a first Mortgage on a Lot who has requested notice of certain matters from the Association as provided in this Declaration or the Organizational Documents.

Section 1.14. "FHA" shall mean and refer to the Federal Housing Administration of the U.S. Department of Housing and Urban Development, "HUD" shall mean the U.S. Department of Housing and Urban Development, and "VA" shall mean and refer to the U. S. Department of Veterans Affairs.

Section 1.15. "Guidelines" shall mean and refer to "Falls Creek Subdivision Architectural and Landscape Design Guidelines" as more particularly described in Article VI hereof.

Section 1.16. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties (provided said map has been approved by Declarant or the Association) with the exception of the Common Area and road rights-of-way which are offered for public dedication. Except where otherwise indicated by context, the term "Lot" shall include the improvements on such Lot.

Section 1.17. "Map" or "Maps" shall mean and refer to any plat or map of the Properties constituting the initial phase or any additional phases (if they are annexed pursuant to Article IX hereof) which may be recorded by Declarant in the Office of the Register of Deeds in Franklin County, North Carolina, hereafter.

Section 1.18. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 1.19. "Mortgage" means any mortgage, deed of trust and any and all similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of any obligation.

Section 1.20. "Mortgagee" shall include a beneficiary or holder of a deed of trust, as well as a mortgagee under a mortgage.

Section 1.21. "Organizational Documents" shall mean and refer to the Articles of Incorporation and Bylaws of the Association, and all lawful amendments thereto.

Section 1.22. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.23. "Person" means any individual, corporation, partnership, limited liability company, association, trustee or other legal entity.

Section 1.24. "Planned Community Act" shall mean the provisions of Chapter 47F of the General Statutes of North Carolina applicable to Properties, as such provisions shall be amended and re-codified from time to time.

Section 1.25. "Property" or "Properties" shall mean and refer to that certain real property more particularly described on Exhibit A attached hereto and incorporated herein by this reference and such additions thereto as may hereafter be annexed and brought within the jurisdiction of the Association.

Section 1.26. "Stormwater Control Measures" shall mean and refer to the stormwater facilities situated outside the public street rights-of-way and serving more than one Lot and located on the Property as private drainage easements or stormwater management areas designated on recorded Maps of the Property. Falls Creek will be served by two (2) permanent dry pond BMPs which will be maintained by the Association.

Section 1.27. "Subdivision Plan" is defined as the most current development plan approved by Franklin County, North Carolina for any portion of the Properties or any Additional Property.

ARTICLE II PROPERTY RIGHTS

Section 2.01. Owner's Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area and a right and easement over the Common Area for access, ingress and egress to and from streets, parking areas, walkways and to and from

such Owner's Lot, which right and easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) Admission and Other Fees: Subject to the ordinances and regulations of Franklin County, the right of the Association to regulate the use of and to charge reasonable admission and other fees for the use of recreational facilities, if any, which may constitute a portion of the Common Area;

(b) Suspension of Use of Common Area: The right of the Association to suspend the voting rights and right to the use of any of the recreational facilities, if any, which may constitute a portion of the Common Area by an Owner, his family, occupants, tenants, guests and invitees for any period during which any Assessment against his Lot remains unpaid. Such rights also may be suspended, after notice and hearings, for and the period of the infraction plus a reasonable period not to exceed sixty (60) days, for any infraction or violation of any provision of this Declaration, the Organizational Documents or published rules and regulations of the Association;

(c) Borrowing for Improvements: The right of the Association, in accordance with its Organizational Documents and the Planned Community Act, to borrow money for the purpose of constructing, repairing or improving the Common Area and its facilities, and in aid thereof, with the assent of Members entitled to cast at least eighty percent (80%) of the votes of the entire membership, but in any event not less than sixty-seven percent (67%) of the votes of the membership excluding the Declarant, and in accordance with the provisions of the Planned Community Act, to mortgage, pledge, encumber or hypothecate said Common Area; provided, however, the right of such Mortgagee shall be subordinate to the rights and easements of the Association and the Owners established hereunder;

(d) Dedication and Transfer of Common Area: Except as restricted by applicable law, including but not limited to the ordinances, regulations and procedures, including variances, of Franklin County, the right of the Association to dedicate or transfer all or any part of the Common Area, if any, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members, and provided said dedication or transfer shall be approved as provided herein. No such dedication or transfer shall be effective unless Members entitled to cast at least eighty percent (80%) of the votes of the entire membership, but in any event not less than sixty-seven percent (67%) of the votes of the membership excluding the Declarant, have signed a written instrument consenting or agreeing to such dedication or transfer and unless such other agreement or consent as then required by the Planned Community Act and the ordinances, regulations and procedures, including variances, of Franklin County have been satisfied. Any such dedication or transfer shall be made subject to the rights and easements of the Association and the Owners established hereunder, including but not limited to every Owner's easement for access, ingress and egress to such Owner's Lot;

(e) Guests: The right of the Association to limit the number of guests that a Member may allow to use the Common Area and facilities, if any;

(f) Use of Common Area: The right of the Association, through its Board of Directors, to determine the time and manner of use of the Common Areas and facilities, if any, by the Members and others and to formulate, publish, impose and enforce rules and regulations and specifically including, but not limited to, the right to make permanent and temporary assignment of parking spaces and to make rules and regulations concerning parking;

(g) Easements: The right of the Declarant, during the period of Class B membership, with regard to the Properties which may be owned for the purpose of development, to grant easements in and to the Common Area and facilities, if any, to any public agency, authority, or any utility for such purposes as benefits the Properties or any portion thereof. This Section 2.01(g) may not be amended or deleted, without the written consent of Declarant;

(h) Exchanges: The right of the Association, as provided by and consistent with Franklin County Code, as the same may be amended from time to time, to exchange all of part of the Common Area for other real property and consideration of like value and utility subject to the provisions of the Planned Community Act; and

(i) Rules and Regulations: The right of the Association or Board to formulate, publish, impose and enforce rules and regulations as provided by this Declaration for the use and enjoyment of the Common Area, which regulations may further restrict the use of the Common Area.

Section 2.02. Delegation of Use. Subject to Section 2.01 above, any Owner may delegate, in accordance with the Bylaws, his rights of use and enjoyment in and to the Common Area, to the members of his family, his lawful tenants, or contract purchasers, who reside on such Owner's Lot and, to his guests, invitees and licensees.

Section 2.03. Title to the Common Area. Prior to the sale of any Lot, or when otherwise appropriate, the Declarant hereby covenants for itself, its successors, and assigns that in accordance with the Planned Community Act it will convey fee simple title to the Common Area shown on the same recorded Subdivision Map to the Association, which Common Area shall include any private roads or drives which may have been previously created, free and clear of all encumbrances and liens, except utility and drainage easements and those easements stated in Article VIII. Title to Common Area within real property annexed or added pursuant to this Declaration shall be similarly conveyed to the Association. The Common Area shall be preserved for the perpetual benefit of the Owners of the Lots, and the Common Area is restricted against private or public ownership for any reason other than as provided by the Planned Community Act. Common Area shall not be subsequently subdivided or conveyed by the Association except as permitted by and in accordance with this Declaration, the Planned Community Act and the ordinances, rules, regulations and procedures, including variances, of Franklin County.

Section 2.04. Television Antennas. The Association may provide, but is not required to provide, one or more cable television or telecommunication systems, central television antennas or other telecommunications-receiving devices for the convenience of the Members. The costs of services provided under these contracts may be included in annual or special assessment

applicable to the Lots. The Association may regulate or prohibit the erection of antennas, satellite dishes and related equipment on any Lot in accordance with Section 7.06 of this Declaration. No exterior antennas, dishes, towers, or other transmitting or receiving structure, or support thereof, shall be erected, installed, placed, or maintained without the prior written consent of the Board of Directors or Architectural Committee.

Section 2.05. Parking Rights. If a Lot is improved with a garage and/or is served by a driveway for which an easement is provided under this Declaration, then each of the following areas shall constitute an assigned parking space for such Lot: the garage, the driveway and the space in the common parking areas, if any, in front of such driveway. Owners of Lots, members of their family, their guests or tenants shall not be permitted to park any vehicles on the streets of the Properties. Garages shall be used for parking of motor vehicles and shall not be used as storage areas nor converted to other uses, such as conversion to living area. The Board may regulate all parking on the Common Areas including but not limited to the parking of boats, trailers, and other such items on the Common Areas. No boats and other water craft, trailers, campers, tractors, trucks other than pickup trucks rated at three-fourths (3/4) tons or less, and motor vehicles other than passenger motor vehicles for eight (8) or fewer passengers shall be parked within the right of way of any street within the Properties, nor shall any of these be regularly parked on the Properties except in an enclosed garage or in areas on the Properties designated by the Board. No inoperable motor vehicles shall be regularly stored on any Lot or on the streets of the Properties. The Board may from time to time adopt appropriate rules for the temporary parking of any of these items on the Properties.

Section 2.06. Rules and Regulations. The Board of Directors may establish reasonable rules and regulations concerning the use of the Common Area, including but not limited to the Amenities, and the Lots. Copies of such rules and regulations and amendments thereto shall be furnished by the Association to all Owners' prior to their effective date. Such rules and regulations shall be binding upon the Owner's (with the exception of the Class B Member), their families, tenants, guests, invitees, and agents until and unless such rule or regulation shall be specifically overruled, canceled, or modified by the Board of Directors or by the affirmative votes of a majority of the Members in a regular or special meeting. After notice and opportunity to be heard, the Board of Directors shall have the authority to impose reasonable monetary fines and other sanctions for a violation of the Association's rules and regulations, including but not limited to a suspension of the Owner's rights to use the Common Area. All rules and regulations shall be uniform with respect to the Lots. Notwithstanding anything to the contrary in this Declaration, the Board of Directors may not suspend an Owner's right of ingress and egress over the Common Areas and right to the use of parking spaces as provided in this Declaration.

Section 2.07. Taxes on Common Area. The Association shall be responsible for and shall cause to be paid out of annual assessments all ad valorem taxes, special assessments and assessments for public and private capital improvements made to or for the benefit of the Common Area or levied against the Common Area, if any.

Section 2.08. Leases of Lots. Any lease between an Owner and a tenant for the lease of such Owner's Lot shall provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration, the Organizational Documents and the rules and regulations of the

Association, as they exist from time to time, and that any failure by the tenant to comply with the provisions of this Declaration, the Organizational Documents and the rules and regulations of the Association, as they exist from time to time, shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall be for a term of not less than one hundred eighty (180) days. Copies of all lease agreements must be delivered to the Association promptly after the execution thereof.

Section 2.09. Utility Charges for Water and Street Lights. As consideration for the conveyance of the Common Area and as consideration for the rights, entitlements and benefits granted to and conferred upon the Association under and by virtue of this Declaration, the Association covenants and agrees to accept the responsibility for payment of any and all fees, charges and expenses arising by virtue of the use of water provided to and used in connection with any of the Common Area and by virtue of the use and operation of the street lights installed and erected within the Common Area from and after the date of acceptance. Such cost of installing and maintaining of the street lights including fees, charges and expenses paid by the Association shall be charged ratably to the Owners as an Assessment according to the provisions of Article IV below.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

3.01. Membership. Every Owner of a Lot shall be a Member of the Association. The foregoing is not intended to include Persons who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Ownership of a Lot shall be the sole qualification for membership. The Board of Directors may make reasonable rules relating to the proof of ownership of a Lot. Following termination of the Properties as a planned community under the provisions of the Planned Community Act, all Persons are entitled to distributions of proceeds under the Planned Community Act shall be Members of the Association.

No Owner, whether one or more Persons, shall have more than one (1) membership for each Lot owned. In the event the Owner of a Lot is more than one Person, the votes associated with such Lot shall be cast as provided in the Planned Community Act.

3.02. Membership Classes. The Association shall have two classes of voting membership:

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

Class B: The Class B Member(s) shall be the Declarant, or its assigns, and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When seventy-five percent (75%) of the maximum number of Lots allowed for the Properties (as amended and supplemented from time to time) under the subdivision plan have been conveyed to Owners; or

(b) on December 31, 2023; or

(c) the date specified by the Declarant in a written notice to the Association.

ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.01. **Creation of the Lien and Personal Obligation of Assessments.** The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments collected as hereinafter provided. All annual assessments shall be fixed at a uniform rate for all Lots; **provided, however, as to any Lot which is not a Lot in use (owned by Declarant or its' assigns), the amount of the annual assessment for each such Lot shall be an amount equal to twenty percent (20%) of the amount of the annual assessment applicable to a Lot which is a Lot in use; and provided, however, as to any Lot which is owned by an Approved Builder and only for the period required to construct improvements and market the property by said Approved Builder, (and in any event, not to exceed a twelve month period) the amount of the annual assessment applicable to such Lot shall be an amount equal to fifty percent (50%) of the amount of the annual assessment.** Assessments may be collected on an annual, semi-annual, quarterly or monthly basis as determined by the Board from time to time. The annual and special assessments, together with interest thereon, applicable late fees and the costs of collection thereof, including reasonable attorney fees, shall be a charge on the Lot and shall be a continuing lien upon such Lot against which each such assessment is made until paid in full. Each such Assessment, together with such interest, late fees and costs of collection, including reasonable attorney fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 4.02. **Purpose of Assessments.** The assessments levied by the Association shall be used exclusively to pay the Common Expenses and to promote the beautification of the Property, the recreation, health, safety and welfare of the residents of the Property, to enforce these covenants and the rules and regulations of the Association, and in particular for the acquisition, improvement and maintenance of the Common Area, services and facilities devoted to these purposes and related to the use and enjoyment of the Common Area, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the cost of maintenance as provided in this Declaration and, in particular, for the payment of governmental water and sewage disposal charges attributable to the Common Areas, as well as other like expenses, including but not limited to, operation,

maintenance and repair of Stormwater Control Measures and for such other purposes permitted by the Planned Community Act Chapter 47F of the General Statutes of North Carolina as now stated and as hereafter amended. Assessments shall include, but not be limited to, the payment of taxes, liability insurance and all assessments for the public improvements of the Common Area, and easements appurtenant thereto, the enforcement of these covenants and the rules of the Association and, in particular, for the improvement and maintenance of the Property, private streets, drives and parking areas, and the employment of attorneys, accountants and other professionals on behalf of the Association when necessary.

Section 4.03. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Areas and those other portions of the Properties or Lots which the Association may be obligated to maintain. Such reserve fund is to be established and maintained out of regular assessments as a Common Expense, but if the reserve fund is inadequate, a special assessment may be made.

Section 4.04. Maximum Annual Assessment. The following provisions shall not operate so as to restrict the Association or the Board in performing the duties and obligations required of the Association or the Board under the Planned Community Act, but they shall be a limitation on discretionary costs and expenses above and beyond such duties and obligations:

(1) Until January 1, 2017, the maximum annual assessment shall be Five Hundred Fifty Dollars (\$550.00).

(2) From and after January 1, 2017, the maximum annual assessment may be increased each year not more than twenty percent (20%) above the maximum assessment for the previous year without a vote of the membership. Any budget increasing assessments by less than twenty percent (20%) is ratified unless ninety percent (90%) of the total vote of each class of Members vote to reject the budget at a duly called meeting.

(3) From and after January 1, 2017, the maximum annual assessment may be increased above twenty percent (20%) of the maximum annual assessment for the previous year by a vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

(4) The Board of Directors may fix the annual Assessment at an amount not in excess of the maximum annual assessment.

(5) Until the Association makes an assessment for Common Expenses, the Declarant shall pay all Common Expenses as required by the Planned Community Act. If the assessments are insufficient to pay all Common Expenses, the Declarant may advance expenses for the maintenance and operation of the Association to the extent that annual assessments assessed against the Owners are inadequate for this purpose. Such advance shall be a loan to the Association and on terms generally available to Declarant from its lending institution. At such time as the majority of the total votes of the Association are no longer held by the Declarant, its successors or assigns, the Declarant shall have no further obligation for maintenance and

operation of the Association pursuant to the terms of this section. Notwithstanding the foregoing, Declarant, its successors and assigns, shall be responsible for the payment of assessments and other amounts pursuant to other sections of this Declaration.

Section 4.05. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, or any other purpose permitted under the Planned Community Act. Any such special assessment shall require two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

Fines levied by the Board of Directors shall be treated as special assessments otherwise due to the Association, and as such, will be a lien against the Owner's Lot if not paid. Such fines shall be paid not later than thirty (30) days after notice of the imposition or assessment of the fines.

Section 4.06. Working Capital Fund. In addition to any other assessment provided in this Declaration, **a sum equal to two (2) months of the regular annual assessment applicable to such Lot shall be collected from the purchaser and transferred to the Association at the time of the closing of the sale of each improved Lot to a party other than the Declarant or its' assigns or an Approved Builder.** Each Lot's share of the working capital fund shall be paid to the general operating fund of the Association to be used in the same manner specified for annual assessments. All sums paid into the working capital fund are in addition to and not in lieu of regular assessments for Common Expenses.

Section 4.07. Notice and Quorum for Any Action Authorized Under Sections 4.04 and 4.05. Written notice of any meeting called for the purpose of taking any action authorized under Section 4.04 or 4.05 of this Article shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty percent (20%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, the meeting may be adjourned and another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. This provision shall continue to reduce the quorum by one-half from that required by the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 4.08. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and annual assessments shall be due and payable and collected on an annual, semi-annual or quarterly basis or as deemed appropriate by the Board of Directors.

Section 4.09. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to a Lot on the earlier of the date such Lot was conveyed by the Declarant to a third party purchaser or the date such Lot becomes a Lot in

use. The first annual assessment for such Lot shall be adjusted according to the number of months remaining in the calendar quarter or year. The Board of Directors shall adopt a proposed budget for the Association and fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. The Board of Directors shall send to each Member a written summary of the proposed budget and a written notice of the annual assessment due subject thereto at least fifteen (15) days before January 1 of each year. If necessary, a written notice of the meeting of Members to consider ratification of the proposed budget must be sent to all Members at least ten (10) days and not more than sixty (60) days in advance of such meeting called for that purpose. Unless otherwise provided in the Planned Community Act, there shall be no requirement that a quorum be present at such meeting to consider ratification of the proposed budget. The proposed budget shall be ratified unless, at that meeting, a majority (or such smaller percentage as required by the Planned Community Act) of the votes of all Members rejects the proposed budget. In the event the proposed budget is rejected, the last ratified budget of the Association shall continue until a new budget is ratified.

The due date shall be as previously set forth herein, unless otherwise established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 4.10. Effect of Nonpayment of Assessments. Remedies of the Association. Any assessment remaining not paid thirty (30) days after the due date shall be delinquent. The Association shall have the option to declare the outstanding balance of any assessment due and payable if any installment thereof shall become delinquent as defined herein. If an assessment is not paid within thirty (30) days after its due date, the assessment shall bear interest from its due date at the rate of eighteen percent (18%) per annum, or other such rate as established by the Association as provided in the Planned Community Act, but in no event shall such interest exceed the highest rate allowed by law, and shall also be subject to late fees as approved by the Board of Directors and permitted by law. Sixty (60) days after the delinquency, the Association may bring an action at law against the Owner personally obligated to pay the same for such delinquent assessment, interest thereon, late charges and reasonable attorney fees of any such action, or foreclose the lien against the property in a like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. For purposes of this Section, the amount of delinquent assessments and late charges shall be considered evidenced by this paragraph, and therefore, evidence of indebtedness shall exist hereby. Each Owner, by acceptance of a deed to a Lot hereby expressly grants to the Association, its agents or assigns, the right and power to bring all actions against such Owner personally liable for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 4.11. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first Mortgage or first deed of trust on a Lot. Mortgagees are not required to collect assessments and nothing in this Declaration shall

require that failure to pay assessments shall constitute a default under a Mortgage insured by the U.S. Department of Housing and Urban Development ("HUD"), the U.S. Department of Veteran Affairs ("VA") or by any other governmental mortgage insurance program, such as those by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Corporation or the Federal National Mortgage Association. Sale or transfer of any Lot shall not affect the assessment lien; however, the sale or transfer of any Lot pursuant to the foreclosure of any such Mortgage, deed of trust or any proceeding in lieu thereof, shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer; provided that the Association and Declarant have been notified of said foreclosure prior to the date thereof. Such unpaid assessments extinguished by the foreclosure sale shall be deemed to be a Common Expense collected from all Owners, including the purchaser at foreclosure, his successors and assigns. No sale or transfer shall relieve any such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 4.12. Exempt Property. The following portions of the Properties, subject to this Declaration, shall be exempt from the assessment created herein:

1. All portions of the Property dedicated to and accepted by a local public authority; and
2. The Common Area.

Section 4.13. Fines, Designated to be Special Assessments. The Board, pursuant to the provisions of the North Carolina Planned Community Act, may impose fines against any Lot and such fines shall be treated as a special assessment otherwise due to the Association, and as such will be a lien against the Owner's Dwelling or Lot. Fines shall be paid no later than thirty (30) days after notice of the imposition or assessment of the fines. These fines shall not be construed to be exclusive and shall exist in addition to all other rights and remedies to which the Association may be otherwise legally entitled; however, any fines paid by the offending Owner(s) shall be deducted from or offset against any damages the Association may otherwise be entitled to recover by law from such Owner. The Association shall also have the right and power to levy fines and penalties in the amount and in accordance with the procedures determined by the Board, to the full extent allowed under the North Carolina Planned Community Act. Fines shall be as follows:

- (a) First non-compliance or violation: a fine not in excess of Fifty Dollars (\$50.00).
- (b) Second non-compliance or violation: a fine not in excess of One Hundred Dollars (\$100.00).
- (c) Third and subsequent non-compliance, or violation or violations that are of a continuing nature: a fine not in excess of One Hundred Dollars (\$100.00) for each week of continued violation or non-compliance.

Section 4.14. Association Funds Not Asset of Owners. All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any Common Expense or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration and the Organizational Documents of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association and any increments thereto or profits derived therefrom, shall be held for the benefit of the Members, no Member shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When an Owner shall cease to be a Member by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or for any assessment which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association are an asset of the Association which may be used in the operation and management of the Properties.

ARTICLE V INSURANCE

Section 5.01. Ownership of Policies. All insurance policies upon the Common Area, which policies shall be purchased by the Association, shall be for the benefit of all the Association and the Owners and their mortgages as their interest may appear.

Section 5.02. Coverage. The Board of Directors or its duly authorized agent may have the authority to and shall obtain insurance for the Common Area, including but not limited to the recreational facilities, if any, against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction from any hazard and shall also obtain a broad-form liability policy covering the Common Area and all damage or injury caused by the negligence of the Association or any of its agents in an amount as determined by the Board of Directors and shall include an endorsement to cover liability of the Owners as a group to a single Owner. The insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of each named insured under the policy shall not be prejudiced with respect to his action against another named insured. There also shall be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary. Such policies shall contain clauses providing for waiver or subrogation, if possible. All such insurance coverage shall be written in the name of the Association.

Section 5.03. Fidelity Insurance or Bond. The Association may maintain blanket fidelity bonds or other similar insurance coverage for all officers, directors, trustee and employees of the Association and for all other Persons handling or responsible for funds of or administered by the Association. Where the Association has delegated some or all of the responsibility for the handling of funds or to otherwise deal in the assets of the Association to a management agent, such management agent shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties.

The total amount of fidelity bond coverage shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event shall the aggregate amount of such fidelity bonds be less than a sum equal to one-half (1/2) of the total annual assessments on all Lots plus reserve funds accumulate.

Fidelity bonds required herein shall:

- A. name the Association as an obligee;
- B. contain waivers by the issuers of the fidelity bond of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions; and
- C. to the extent available without the payment of an additional premium, provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association, to any such agent as the Association shall designate to negotiate settlement of insurance claims on behalf of the Association, and to any institutional lender servicing on behalf of the Federal National Mortgage Association any loan secured by any Lot.

Notwithstanding anything to the contrary, in lieu of fidelity bonds, insurance providing similar coverage or protection may be provided and references to "fidelity bonds" shall include such insurance.

Section 5.04. Premiums. Premiums for contracts of insurance and fidelity bond coverages purchased by the Association shall be paid by the Association and charged ratably to all Owners as an assessment according to the provisions of Article IV above.

Section 5.05. Proceeds. All contracts of insurance purchased by the Association shall be for the benefit of the Association and its mortgagees, if any, as their interest may appear, and the Owners, and shall provide that all proceeds thereof shall be payable to the Association, as insurance trustee under this Declaration. The sole duty of the Association, as insurance trustee, shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein.

Section 5.06. Distribution of Insurance Proceeds. Proceeds of contracts of insurance received by the Association, as insurance trustee, shall be distributed to or for the benefit of the beneficiary or beneficiaries thereof in the following manner:

- (a) the proceeds shall be paid first to defray the cost of reconstruction and repair of casualty or liability so covered.
- (b) any expense of the insurance trustee may be paid from proceeds after payment of reconstruction or repair expenses or liability. Any proceeds remaining thereafter shall be distributed to the beneficiary or beneficiaries of the trust.

ARTICLE VI ARCHITECTURAL CONTROL AND BUILDING RESTRICTIONS

Section 6.01. Purposes. The Properties are hereby made subject to the protective covenants and restrictions hereby declared for the purpose of insuring the best use and most appropriate development and improvement of each Lot in the Properties; to protect the Owners against such improper use of surrounding Lots as will depreciate the value of the Properties; to preserve, so far as practicable, the natural beauty of said Properties; to guard against the erection thereof of poorly designed or proportioned structures, add structures built of improper and unsuitable materials; to obtain harmonious color schemes; to insure the highest and best development of said Properties; to encourage and secure the erection of attractive Dwelling units thereon, with appropriate locations thereof on Lots; to secure and maintain proper set-backs from the streets and adequate free spaces between structures; and in general to provide adequately for a high type and quality of improvements in said Properties and thereby to enhance the values of investments made by the purchasers of Lots therein. It is specifically disclosed that different architectural styles, sizes and prices of Dwellings may be built or approved by the Declarant or its assigns to provide a variety of housing options.

Section 6.02. Plan Approval Requirement. Other than improvements constructed, installed, planted or otherwise made by the Declarant or its assigns, no building, sign, fence, outside lighting, hedge, wall, rook, shingle replacement, walk, antenna, deck, porch, carport, garage, or other structure or landscape planting shall be commenced, constructed, erected, altered, permitted or planted on any Lot, nor shall any addition, alteration, replacement, repair to the exterior or other change in exterior appearance of a Dwelling unit or Lot be made thereto, nor shall any building, wall, fence, or other structure be rebuilt after destruction by any hazard until the plans and specifications showing the nature, kind, shape, height, materials, floor plans, color scheme, and location with respect to topography and finished ground elevation shall have been submitted to and approved in writing by the Declarant or its assigns during the period of Class B membership, and thereafter the Architectural Control Committee (the "Approved Plans").

The Architectural Control Committee shall have the right to refuse to approve any plans and specifications which are not suitable or desirable, in its sole discretion, for aesthetic or any other reasons, provided such approval is not unreasonably withheld. In approving or disapproving such plans and applications, the Architectural Control Committee shall consider the suitability of the proposed building, improvements, structure, landscaping and materials or location on which the same are built, the site upon which it is proposed to be erected, the harmony thereof with the surrounding area and the effect thereof on adjacent or neighboring property.

In the event the Architectural Control Committee shall fail to specifically approve or disapprove the plans and specifications submitted in final and complete form, within thirty (30) days after written request for final approval or disapproval such plans and specifications shall be deemed **unapproved**. To the extent not prohibited by the Planned Community Act or by regulations of HUD or VA, the Association shall have the right to charge and collect a

reasonable fee for review of such plans and specifications, as specified in Section 6.04 herein below. Nothing herein contained shall be construed to require approval for any improvements, constructed, made, installed or planted by the Declarant, or its assigns, nor to permit interference with the development of the Properties by the Declarant, or its assigns, so long as said development follows the general plan of development of the Properties approved by Franklin County from time to time.

Section 6.03. Architectural Committee. The Board of Directors shall designate the number of and appoint the members of the Architectural Control Committee on an annual basis. In the event of the death or resignation of any member of the Architectural Control Committee, the remaining members of the Architectural Control Committee shall have full authority to designate and appoint a successor. Members of the Architectural Control Committee may be removed and replaced at any time with or without cause, and without prior notice, by the Board.

Section 6.04. Fees for Plan Approval. The Architectural Control Committee, in its sole discretion, may require that each Person submitting plans and specifications for improvements to the Architectural Control Committee pay one or more fees to the Architectural Control Committee or to Declarant as a condition to commencement of construction of such Improvements. Such fee(s), including the amount(s), payee and purpose(s) thereof, shall be established by, and may be increased from time to time by, the Architectural Control Committee and shall be set forth in the Guidelines.

Section 6.05. Approved Builders and Approval Process.

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

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

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

(c) In the event that an Owner of a Lot desires to contract with a builder for the construction of improvements upon a Lot and said builder is not designated by the Architectural Control Committee as an Approved Builder, the Owner shall submit to the Architectural Control Committee a Builder Approval Request Form to be provided in the Guidelines. Upon submission of the Builder Approval Request Form, the Architectural Control Committee shall determine in its sole discretion whether certain criteria and requirements established by the Architectural Control Committee and Declarant have been met. Such review criteria and requirements as established by the Architectural Control Committee and Declarant may include, but are not limited to, the quality and nature of builders other work, the builders reputation for quality of construction and timeliness of completion of work, the financial strength of builder, amongst other considerations. The approval or denial of a builder shall be in the sole discretion of the Architectural Control Committee and Declarant, but approval shall not be unreasonably withheld.

Section 6.06. No Construction Without Payment of Fees and Use of an Approved Builder. Notwithstanding anything contained in this Article VI to the contrary, plans and specifications for Improvements to be constructed on a Lot or other portion of the Property shall not be deemed to have been properly submitted unless and until any and all fees required by the Architectural Control Committee to be paid in connection with such Improvements, as provided in Article VI, Section 6.04 above, shall have been paid to the Architectural Control Committee or Declarant as required. In addition, such plans and specifications shall not be deemed to have been properly submitted unless a copy of a fully signed contract between the Owner of the relevant Lot and an Approved Builder (or a Builder Approval Request Form) for construction of

such Improvements (if required by the Architectural Control Committee), as provided in Section 6.05 above, shall have been submitted to the Architectural Control Committee.

Section 6.07. Procedures. No improvement shall be erected, remodeled or placed on any Lot, except by the Declarant, or its assigns, until all plans and specifications and a site plan have been submitted to and approved in writing by the Architectural Control Committee as to:

- (a) quality of workmanship and materials, adequacy of site dimensions, adequacy of structural design, and facing of main elevation with respect to nearby streets;
- (b) conformity and harmony of the external design, color, type and appearance of exterior surfaces;
- (c) location with respect to topography and finished grade elevation and effect of location and use on neighboring Lots and any improvements situated thereon and drainage arrangement; and
- (d) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within bulletins promulgated by the Architectural Control Committee, or matters in which the Architectural Control Committee has been vested with the authority to render a final interpretation and decision.

Final plans and specifications (including a site plan showing the location of the contemplated improvements on the Lot) for all improvements proposed to be constructed on a Lot shall be submitted to the Architectural Control Committee for approval or disapproval. The Architectural Control Committee is authorized to request the submission of samples of proposed construction materials. Any modification or change to the Architectural Control Committee – approved set of plans and specifications (specifically including, but without limitation, the above described site plan) must again be submitted to the Architectural Control Committee for its inspection and approval. The Architectural Control Committee's approval or disapproval as required herein shall be in writing. Once the Architectural Control Committee has approved the plans and specifications for the proposed improvements, the construction of such improvements must be promptly commenced and diligently pursued to completion, and if such construction is not commenced within the time set therefore by the Architectural Control Committee in the written approval (but in no event later than four (4) years after such approval), such approval shall be deemed rescinded and before construction of improvements can thereafter be commenced on the Lot in question, the plans and specifications therefore must again be approved by the Architectural Control Committee pursuant to this Article.

Section 6.08. Enforcement. The Architectural Control Committee shall have the specific, nonexclusive right (but no obligation) to enforce the provisions contained in this Article and to prevent any violation of the provisions contained in this Article by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions contained herein. In the event it becomes necessary to resort to litigation to determine the propriety of any constructed improvement, or to remove any unapproved improvements, the

prevailing party shall be entitled to recovery of all court costs, expenses and reasonable attorney fees in connection therewith.

Section 6.09. Conditions. As a condition to the granting of approval of any request made under this Article, the Declarant or the Board or the Architectural Control Committee, as the case may be, may require the Owner requesting such change be liable for any cost of maintaining or repairing the approved project. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Declarant or the Board as the case may be. Thereafter, the Owner, and any subsequent Owner of the Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that any cost of maintenance and repair of such improvement shall be added to and become a part of the annual assessment or charge applicable to such Lot, and subject to the lien rights provided in this Declaration.

Section 6.10. Grounds for Disapproval. Denial of approval of such plans, locations or specifications may be based upon any grounds, including purely aesthetic and environmental, which the Declarant, Board of Directors or Architectural Control Committee, as the case may be, in its sole discretion, shall deem sufficient.

Section 6.11. Verification of Compliance with Plans. The Declarant, Board of Directors or Architectural Control Committee, as the case may be, or its appointed agents, shall have the right, at its election, but shall not be required, to enter upon any Lot during site preparation or construction, erection or installation of improvements, to inspect the work being undertaken and to determine such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

Section 6.12. Limitation of Liability. Neither the Architectural Control Committee, the members thereof, nor Declarant shall be liable in damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence or nonfeasance arising out of services performed pursuant to this Article or the Declaration. The approval of plans and specifications by the Architectural Control Committee shall not be deemed or construed as a representation or warranty of the Architectural Control Committee, Declarant, or any officer, director, member, employee, agent or affiliate of any of them, (i) that Improvements constructed in accordance with such plans and specifications will comply with applicable zoning ordinances, building codes, or other governmental laws, ordinances, rules, and regulations or (ii) as to the structural soundness, quality, durability, suitability, fitness or proper functioning of Improvements constructed in accordance with such plans and specifications; and any responsibility or liability therefor is disclaimed. Every person who submits plans and specifications for approval agrees, by submission of such plans and specifications, he will not bring any action or suit against the Association, Declarant or Architectural Control Committee to recover any such damages.

Section 6.13. Compensation. No member of the Architectural Control Committee shall be entitled to compensation arising out of services performed pursuant to this Article. The Association shall reimburse members of the Architectural Control Committee for reasonable out-

of-pocket expenses incurred by such members in the performance of their duties as members of the Architectural Committee.

Section 6.14. Maintenance by Association. Common Areas and improvements thereon shown on the recorded Maps of the Property shall be maintained by the Association. The streets within the Properties shall be constructed to NCDOT standards and dedicated for public use on each recorded Map. Declarant shall remain responsible for any maintenance or repair necessary for any streets until conversion to Class A membership pursuant to Section 3.02 of these Declarations at which time the Association shall maintain and repair the streets until maintenance is formally accepted by the State of North Carolina or other appropriate government entity. Lot Owners shall not alter drainage patterns and shall not interfere with or alter ditched sections along the streets and no drain pipes or culverts may be installed prior to acceptance of the streets by the State of North Carolina or other appropriate government entity without the prior written approval of Declarant.

Section 6.15. Owner's Maintenance Obligations. Each Owner shall be responsible for all repair and maintenance of his Lot except such maintenance and repair specifically required to be provided by the Association under this Declaration or the Organizational Documents. No such maintenance by an Owner shall reduce any assessment payable by him to the Association. If, in the opinion of the Association, any such Owner fails to maintain his yard in a neat and orderly manner, the Association may perform maintenance not performed by an Owner as required in this Declaration. Any additional maintenance costs incurred by the Association as a result of an Owner's failure to maintain or repair as provided in this Declaration shall be added to and become a part of the assessment to which such Owner's Lot is subject.

Section 6.16. Negligence, Etc. In the event that the need for maintenance or repair of any Lot or Common Area is caused through the willful or negligent acts or omissions of an Owner, or such Owner's family, tenants, contract purchasers, guests, invitees, contractors, employees or authorized representatives, such Owner shall be responsible for the cost of such maintenance and repair, which shall be added to and become a part of the assessment applicable to the Lot owned by such Owner. The Association shall have the right, but not the obligation, to enter onto an Owner's Lot and to perform any maintenance or repair required to be performed by an Owner under this Declaration in the event that an Owner fails to commence any such maintenance or repair within thirty (30) days after written notice from the Association to such Owner specifying the need for such maintenance and repair or such Owner, after commencing such maintenance and repair, fails to diligently pursue to completion such maintenance and repair within a reasonable period of time; provided, however, no notice nor waiting period shall be required with respect to an emergency condition existing on an Owner's Lot.

Section 6.17. Driveways. All driveways shall be paved with concrete (no asphalt or gravel drives) from the street to each Dwelling unit including parking area.

Section 6.18. Building Location. Unless a greater number is indicated on the recorded Map, no building or improvements shall be located on any Lot nearer to the front line, rear line corner side line or side line than the following distances in feet:

Front	30'
Rear	25'
Side	10'
Corner Side	15' or as determined by applicable Franklin County Ordinances, whichever is greater.

The Architectural Control Committee may for good cause waive a violation of the setback requirement provided for herein. This waiver shall be in writing and recorded in the Franklin County Registry. The waiver executed by the Architectural Control Committee shall be, when recorded, conclusive evidence of compliance with the requirements of this Article and the Declaration. A waiver is allowed so long as it does not violate local government regulations. Declarant reserves the right to waive in writing any minor violation of this Article, and for purposes hereof, any violation which does not exceed twenty percent (20%) shall be considered a minor violation.

Section 6.19. Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on recorded Maps and Plats of the Properties and over the rear ten (10) feet on each Lot and five (5) feet on each side, on each Lot, unless shown in excess of such distances on a recorded Map, in which case the Map shall control. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities and drainage facilities, or which may change the direction of flow or drainage channels in the easements, or which may obstruct or retard the flow of water through the drainage channels in the easements. The easement area of each Lot and all improvements in it shall be maintained continuously by the Owner of the Lot, except for those improvements that are included as Common Area and those improvements for which a public authority or utility company is responsible. No easement shall exist along an interior Lot line on any Lot on which a house is constructed within an area which would otherwise be an easement, if the placement of the house is permitted in these covenants. So long as Declarant owns at least one Lot within the Properties, Declarant reserves the right to waive in writing this rear and side line easement requirement.

Section 6.20 Commencement and Completion of Construction. Construction of Dwellings and other improvements on Lots shall be commenced within forty eight (48) months after the date on which there are Approved Plans therefor, and shall be completed not later than eighteen (18) months immediately after construction is commenced, or by such later date as specified in the Approved Plans. Each Lot Owner, other than the Declarant, shall within twelve (12) months of becoming the Owner of such Lot(s), submit Plan(s) for the construction of the Dwelling(s). For the completion of Dwelling or other improvements purposes of this Section, construction is "commenced" when a building permit for the construction has been issued (or if a building permit is not required when work commences or materials for the improvement are delivered to the Lot), and construction is "completed" when a certificate of occupancy or completion has been issued. The Declarant or its assigns during the period of Class B membership, and thereafter the Architectural Control Committee, in its sole discretion, may grant waivers or extensions of the foregoing time period for completion of construction, and, when requested and upon reasonable evidence of the existence thereof, shall grant reasonable waivers or extensions for events of Force Majeure that delay or prevent a Person from

completing construction within the foregoing time periods. As used in the Declaration, events of "Force Majeure" are defined as any one or more of the following: acts of God, earthquakes, blizzards, tornadoes, hurricanes, fire, flood, malicious mischief, insurrection, terrorism, riots, strikes, lockouts, boycotts, picketing, labor disturbances, war, explosions, compliance with a judicial order or injunction, inability to obtain materials or supplies after the exercise of all reasonable efforts, and any other similar circumstances beyond the reasonable control of the Person responsible for completion of construction.

Section 6.21. Soil Erosion Control. During all periods of construction on any portion of the Properties, the Owner thereof, or the Person exercising easement rights thereon, shall maintain proper and adequate soil erosion control to protect other portions of the Properties from accumulated silt and other soil erosion.

Section 6.22. Tree Cutting. No live trees with a diameter in excess of eighteen (18) inches, measured at ground level, nor "flowering trees" (such as dogwood or redbud) or broad leaf evergreens (such as holly or laurel) trees in excess of two (2) inches in diameter, similarly measured, no live vegetation on slopes of greater than twenty percent (20%) gradient or marked "no cut" areas on Approved Plans, may be cut or removed without the prior written approval of the Architectural Control Committee, unless necessary to construct improvements based on Approved Plans, or to prevent injury to Persons or property, or to remove dead or diseased trees, or to promote the continued growth of other trees near to the tree(s) being cut or removed. Further, no trees planted by the Declarant, or directed to be planted by the Declarant, to comply with legal requirements shall be cut without the prior written approval of the person who planted, or directed to be planted, the same. The Association may adopt rules and regulations for the cutting or removal of trees.

Section 6.23. Wetlands and Buffers. Portions of the Properties may have been determined to meet Legal Requirements for designation as a regulatory wetland. Notwithstanding anything to the contrary that may appear herein or in any other restrictive covenants applicable to such portions of the Properties, and whether or not the Approved Plans for any improvements on the portion of the Properties on which such wetlands are located are in compliance with applicable wetlands rules, any subsequent fill or alteration of any portion of the Properties that has been determined to be a regulatory wetland under Legal Requirements shall conform to the requirements thereof in force at the time of the proposed alteration. The intent of this Section is to prevent additional wetland fill or alteration except as allowed under Legal Requirements, so the Owner of any such portion of the Properties should not assume that any application for fill or alteration of a wetland will be approved. The Owner of any portion of the Properties subject to any such future application shall report the name of the Subdivision, together with the name of the particular phase, section or subdivision within the Properties, if any, in any application pertaining to wetland rules.

The provisions of this Section are intended to ensure continued compliance with wetland rules under Legal Requirements and this Section may be enforced by the United States, State of North Carolina or any other governmental entity having jurisdiction over the subject wetlands.

ARTICLE VII USE RESTRICTIONS

Section 7.01. Permitted Use. No Lot shall be used for any purpose other than a single family residential Dwelling; provided, however, the Declarant excepts and reserves the right for itself and its assigns to use any Lot or Dwelling unit as construction or sales offices and/or models which may be shown to prospective purchasers of Lots. No garage shall be converted or used as a bedroom, storage room or other living space, nor shall the number of bedrooms in a Dwelling unit on any Lot be increased without the approval of the Association and Franklin County. Garages shall be used for the parking of motor vehicles and limited storage which does not interfere with such parking. No building shall be erected, altered, placed or permitted to remain on any Lot other than one detached single family Dwelling not to exceed three (3) stories in height above grade (below grade basement does not constitute a story) and have a private garage for not more than three (3) cars. No attached or detached garage shall be used for human habitation temporarily or permanently.

Except those to be utilized by Declarant as described hereinabove, no structure shall be erected, placed, altered, used or permitted to remain on any Lot other than the one primary attached or detached single family residential Dwelling unit, and such other secondary Dwelling Units and Accessory Structures as are approved in advance in writing by the Architectural Control Committee pursuant to the Guidelines. Each Lot Owner shall notify the Architectural Control Committee prior to the commencement of construction upon their respective Lots as to which structure on their Lot shall be the primary Dwelling Unit subject to the minimum heated floor area requirements in Section 7.02 of this Article VII.

Section 7.02. Primary Dwelling Size. Any primary Dwelling erected upon any Lot shall contain not less than 1,600 square feet of enclosed heated floor area (if single story) and not less than 1,800 square feet of enclosed heated floor area (if multi-story) as measured from the ground level up and exclusive of the areas in heated or unheated basements, vaulted ceiling areas and attics, unheated porches of any type, attached or detached garages, and unheated storage areas, decks and patios. Notwithstanding the foregoing requirements, the Architectural Control Committee shall have the right, but not the obligation, because of restrictive topography, lot shape, dimensions or unusual site related conditions or other reasons, to allow variances from such minimum square footage requirements by granting a specific written variance.

Section 7.03. No Businesses. Except as specifically provided in this Section, no trade, business, industry, occupation or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any Lot or other part of the Properties, except that any Owner may lease his Lot for residential purposes in accordance with this Declaration; provided, however, the foregoing covenant shall not apply to the business activities associated with the development of the Properties and sales of the Lots and the construction and maintenance of houses and other improvements on the Lots, and to the various activities of the Association in furtherance of its powers and purposes. The Declarant and its agents and builders may use any Lot or Lots and any Dwelling thereon for office, sales or display purposes.

An Owner or occupant residing in a Dwelling on any Lot may conduct business activities within such Dwelling so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Lot; (b) the business activity conforms to all applicable zoning requirements without the need for a variance; (c) the business activity does not involve door-to-door solicitation of residents of the Properties; (d) the business activity does not, in the reasonable judgment of the Board of Directors, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Properties which is noticeably greater than that which is typical of Lots in which no business activity is being conducted; (e) the business activity is consistent with the residential character of the Properties, does not create a hazardous or dangerous condition nor threaten the security or safety of other occupants of the Properties, and is not a nuisance nor an unreasonable annoyance or offensive use, all as may be determined in the sole discretion of the Association's Board of Directors.

The terms "business", "trade", "industry", "occupation" and "profession" as used in this Section, shall be construed to have their ordinary, generally-accepted meanings and shall include, without limitation, any occupation, work or activity which involves the provision of goods or services to persons other than the provider's immediate family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether such activity is engaged in full or part-time, such activity is intended to or does generate a profit, or whether a license is required. The leasing of a Lot in accordance with this Declaration shall not be considered a business or trade within the meaning of this Section.

Section 7.04. Prohibited Structures. No Owner shall at any time place on such Owner's Lot or any other portion of the Properties, any mobile, manufactured or modular home, nor shall any tent, shack, barn, other outbuilding, camper or other temporary structure of a similar nature be used as a residence either temporarily or permanently upon any Lot, with the limited exception of construction trailers for use as offices by Declarant or its assigns for overseeing construction and sales during the construction process and then only for the use of the contractor performing such construction and sales. Such construction trailers shall not be permitted to remain on the Properties after the period of construction and sales ends. Accessory buildings of any nature whatsoever, including but not limited to detached garages, storage buildings, dog houses, greenhouses, etc. shall not be placed on any Lot without the prior written approval of the Architectural Control Committee. Above-ground swimming pools, in-ground swimming pools, hot-tubs, or similar structures shall not be constructed or allowed to remain on any Lot or portion of the Properties without written approval by the Architectural Control Committee, and shall be screened from the view of any street or adjoining Lot. No exposed above-ground tanks, except for recreational swimming pools approved by the Architectural Control Committee, will be permitted for the storage of fuel or water or any other substance, except that such tanks may be placed above-ground provided they are kept in a screened enclosure which must exceed in height by at least one (1) foot any such tank as may be placed therein.

Section 7.05. Animals. No animal, livestock or poultry of any kind shall be raised or kept on any Lot, except that no more than four (4) dogs, cats or other usual household pets may be kept and maintained thereon, provided that such pets shall not be a danger or menace to others, that they are not kept or maintained for any commercial purposes or in such a manner to be offensive, threatening or dangerous to the residents of the Properties and provided further that they are kept, maintained and controlled in compliance with: (i) all applicable laws, ordinances

and regulations of the State of North Carolina, Franklin County, (ii) such rules and regulations as the Board of Directors may adopt from time to time, and (iii) the keeping of such animals does not increase the premiums for any insurance maintained by the Association or which will result in the cancellation of any such insurance. In the event of a dispute over whether an animal is a permitted household pet for purposes hereunder, the determination of the Declarant during the period of Class B Membership and thereafter by the Board of Directors shall be final. Puppies and kittens in excess of the numbers set forth above may be kept only until old enough to be safely separated from their mother. The Board of Directors shall have the absolute power to prohibit any particular pet from being kept on the Properties, including inside a residence, if the Board of Directors in its sole and absolute discretion determines the pet is threatening, menacing, dangerous, a nuisance, or otherwise has a negative impact on the Properties. Additionally, no kennel or dog run or similar structure shall be constructed or allowed to remain on any Lot.

Section 7.06. Outside Antennas. No outside radio or television antennas or discs shall be erected on any Lot or Dwelling unit within the Properties, but a satellite dish with a diameter of two (2) feet or less may be installed, in a location that is not visible from the street in front of the Dwelling unit, upon receipt of permission for the same granted by the Declarant or the Board of Directors or its Architectural Control Committee in accordance with Article VI. To the extent this restriction may later be determined to be unenforceable pursuant to applicable laws, including but not limited to any rules and regulations promulgated by the Federal Communication Commission (as from time to time may be amended), an Owner nevertheless shall be restricted in its placement of said antennas to an area which is least visible from the front of the Lot or Dwelling unit and which causes or is likely to cause the least interference with the placement and use of antennae and disks by other Owners. Any permitted antenna or disk shall be installed, maintained and replaced in accordance with rules and regulations adopted by the Board from time to time. Nothing in this section, however, shall prohibit (but shall not obligate) the Declarant or the Association from erecting a central master antenna, satellite dish or other similar master telecommunication system for the benefit of the Lots and charging fees for usage thereof.

Section 7.07. Insurance Risks. Nothing shall be kept and no activity shall be carried on in any Dwelling unit, Lot or on the Common Areas, nor shall any Owner do or keep anything, nor cause or allow anything to be done or kept on his Lot, or in his Dwelling unit or on the Common Area, which will increase the rate of insurance, applicable to residential use, for the Properties or the contents thereof or which will result in the cancellation of insurance on any portion of the Properties, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Areas.

Section 7.08. Signs. No Owner shall display, or cause or allow to be displayed, to public view on his Lot any sign, placard, poster, billboard, or identifying name or number on any portion of a Lot, the Common Area or the right-of-way of any street or road within the Properties except as permitted in this Declaration or as required by Franklin County. Notwithstanding the foregoing, the Declarant and each Owner, or their respective agents, may place a single "For Sale" sign on any Lot they own. During the development of the Properties and the marketing of Lots, the Declarant, builders and their realtors may maintain offices and may erect and display such signs and banners as the Declarant deems appropriate as aids to such development and marketing provided that such signs do not violate any applicable laws. No Owner, other than the

Declarant, shall display, or cause or allow to be displayed, to public view on his Lot any "For Sale" or "For Rent" sign which exceeds twenty-four (24) inches in width or fifteen (15) inches in height. The Board of Directors may adopt Rules and Regulations concerning the color and placement of signs by Owners other than the Declarant. A sign advertising a yard sale or other temporary activity may be displayed on a Lot for no more than twenty-four (24) consecutive hours. Notwithstanding the foregoing, the Board of Directors has the authority to require any sign, other than a sign maintained by the Declarant, be removed if it determines, in its sole discretion, such sign to be detrimental to the Properties. Easements are reserved as shown and designated on the recorded Maps of the Properties to erect and construct entrance signs and landscape or streetscape areas.

Section 7.09. Structural Integrity. Nothing shall be done in or to any Dwelling unit on any Lot or in, to, or upon any of the Common Areas which will impair the structural integrity of any building, Dwelling unit, or portion of the Common Areas or which would impair or alter the exterior of any building or portion thereof, except in the manner provided in this Declaration.

Section 7.10. Rental of Lots. No Lot shall be rented to or occupied by a greater number of unrelated individuals than the number of bedrooms in the Dwelling unit on such Lot as approved in accordance with Article VI of this Declaration. No Lot shall be rented to or occupied by a number of individuals, whether or not unrelated, which exceeds twice the number of bedrooms in the Dwelling unit on such Lot as approved in accordance with Article VI of this Declaration; provided, however, a Lot may be rented to or occupied by a number of individuals which is not more than three (3) times the number of bedrooms in the Dwelling unit on such Lot as approved in accordance with Article VI of this Declaration so long as all such individuals occupying such Dwelling unit are within the same immediate natural or adopted family (namely, spouses, grandparents, parents, children and grandchildren) or who are legal guardian and ward. For purposes of this Section, "unrelated individuals" means individuals who are neither within the same immediate natural or adopted family (namely, spouses, grandparents, parents, children and grandchildren) nor who are legal guardian and ward; provided, however, siblings shall be considered unrelated individuals unless one of their parents or legal guardian also occupies the same Lot as such parent's or legal guardian's principal residence.

Section 7.11. Maintenance of Lots. Each Owner shall keep his Lot in an orderly condition and shall keep the improvements thereon in a suitable state of repair, promptly repairing any damage thereto by fire or other casualty. No clothesline may be erected or maintained on any Lot. Each Owner shall further maintain the Lot with no grass grown over six (6) inches in height and landscaping on his Lot in a clean and neat condition and shall keep his landscaping trimmed so as not to be unsightly and will remove any dead trees and undergrowth to present a pleasing appearance. No Lot shall be used in whole or in part for storage of rubbish of any character whatsoever nor for the storage of any property or thing which will cause any noise that will disturb the peace and quiet of the occupants of surrounding Lots. No burning of yard waste is allowed. No trash, rubbish, stored materials, wrecked or inoperable vehicles, vehicles unlicensed for more than thirty (30) days, or similar unsightly items shall be allowed to remain on any Lot outside an enclosed structure; provided, however, the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish, or other debris for collection by governmental or other similar garage and trash removal units. In the event any Owner fails or refuses to comply with any of the foregoing, the Declarant or Association may demand the

Owner promptly comply with the same by mailing a notice thereof to the Owner at his address, specified in his contract to purchase such Lot or by posting such notice on the Lot. If the Owner has not complied therewith within five (5) days thereafter, the Declarant or Association may enter and correct the same at Owner's expense. Each Owner, by acquiring a Lot subject to these restrictions, agrees to pay such cost promptly upon demand by Declarant or the Association. No such entry as provided herein shall be deemed a trespass.

Section 7.12. Garbage Cans and Trash Removal. Garbage cans or approved dumpsters shall be located or screened so as to be concealed from view of neighboring Lots, Common Areas and street rights of way. All rubbish, trash, and garbage shall be regularly removed from any Lot and shall not be allowed to accumulate thereon. Trash spillage shall be the responsibility of the subject Owner for removal. Yard waste must be disposed of properly and not deposited on any other Lot, the Common Areas or street rights of way within the Properties. Notwithstanding the foregoing, the Declarant reserves for itself and its approved builders of Dwelling units within the Properties the right to dump and bury rocks, trees, stumps and similar debris as needed for efficient development of the Properties provided that such dumping and burying are done according to good building practice and in accordance with all applicable governmental laws and regulations. The Association may, but is under no obligation to, contract with a waste removal company to provide for the removal of trash and garbage for all Lot Owners and such will be an expense of the Association. In the event the Association decides to contract with a waste removal company then all Lot Owners shall use only such company designated by the Association.

Section 7.13. Nuisances. No immoral, improper, offensive or unlawful use shall be made of the Properties, or any part thereof, and all valid laws, orders, rules, requirements, ordinances and regulations of all governmental agencies having jurisdiction thereof relating to any portion of the Properties shall be observed. No noxious or unreasonably offensive activities shall be carried on upon any Lot or other portion of the Properties, nor shall anything be done thereon which may be or become a nuisance or an unreasonable annoyance to the neighborhood. Activities associated with the development of the Properties and the construction of Dwelling units or Common Area facilities on the Properties shall not be deemed offensive nor an annoyance or nuisance if conducted in accordance with the ordinances of Franklin County. Other than in connection with the development of the Properties or the construction and sale of Lots and Dwelling units by the Declarant or its assigns, no trade materials or inventories may be stored upon a Lot.

Section 7.14. Rules and Regulations. The Board of Directors shall have the power to formulate, adopt, amend, publish, and enforce reasonable rules and regulations concerning the use and enjoyment of the yard spaces of each Lot and the Common Area. All rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions which shall be maintained in a place convenient to the Owners and available to them for reasonable inspection during normal business hours.

Section 7.15. Subdivision of Lot. No Lot shall be subdivided nor its boundary lines changed except with the prior written approval of the Declarant or its assigns, if during the period of Class B membership, and thereafter with the prior written approval of the Board; provided, however, the Declarant reserves the right to subdivide, re-subdivide or recombine any

Lot or other property in the Properties owned by the Declarant. Any subdivision, re-subdivision or recombination of the Properties or any portion thereof shall be done in accordance with all applicable laws and regulations.

Section 7.16. Open Space Preservation. Within any portion of the Common Area which is designated or approved as open space, no land-disturbing activity, placement of impervious surfaces, removal of vegetation, encroachment, construction or erection of any structure shall occur except with approval of the Association and in accordance with a permit first being issued by Franklin County.

Section 7.17. Stormwater Control Measures – Potential Fines & Liens. Portions of the Common Area or Lots are or may be subject to drainage easements, as shown on the recorded Maps. If so required, Stormwater Control Measures shall be maintained by the Association in accordance with the requirements of Franklin County. Stormwater Control Measures are required to comply with applicable governmental requirements and the failure to maintain Stormwater Control Measures is a violation potentially subjecting each Lot Owner to significant daily penalties and other enforcement action.

Section 7.18. Development Rights Reserved. Notwithstanding any provisions or restrictions contained in this Declaration, rules and regulations adopted hereunder or any amendments to the foregoing, it shall be expressly permissible for the Declarant, and its respective agents, employees and approved builders during the period of Class B membership to maintain such facilities and carry out such construction activities as may be reasonably required, convenient or incidental to the development, improvement, completion and sale of any portion of the Properties, including without limitation, the installation and operation of sales and construction trailers and offices, sales models and appropriate signs; provided, however, in the event a sales office has been maintained in any portion of a Lot such sales office must be removed and the original intended and approved use of such structure must be restored prior to conveyance from the Declarant or its assigns to any third party purchaser.

Section 7.19. Government Regulations. All governmental building codes, health regulations, zoning restrictions and the like applicable to the Properties shall be observed. In the event of any conflict between any provision of such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

Section 7.20. Hunting; Discharge of Firearms. Hunting and trapping of wild animals, fowl and game and the discharge of firearms and/or bows and arrows and/or other weapons within the Properties is prohibited.

Section 7.21. Lighting. No exterior lighting on any portion of the Properties shall be directed outside the boundaries thereof, except for required street and parking lot lighting and as otherwise approved by the Architectural Review Committee and subject to the applicable requirements and limitations in the Guidelines and shall be subject to the approval of the Association. Typical residential floodlights and decorative lights directed toward the Dwelling on a Lot shall be permitted when used in a reasonable manner. All holiday lighting and decorations (for example, lighting and decorations associated with Thanksgiving, Halloween, etc.) may be displayed/used/lighted for a period of time not to exceed three (3) weeks prior to the

date of the holiday and three (3) weeks after the date of the holiday, except that Christmas or Hanukkah lighting and decorations may be displayed/used/lighted beginning on Thanksgiving Day in the same calendar year. Each Lot Owner shall install and maintain a minimum landscape lighting package, if required by the Guidelines, and such installation and maintenance of such lighting package shall be each Lot Owners expense. All exterior lighting that is not in conformity with applicable Guidelines, if any, first shall be approved in writing by the Architectural Review Committee.

The Declarant/Grantors reserve the right to subject the property in the subdivision to a contract with Wake Electric Membership Corporation or other applicable utility providers for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Wake Electric Membership Corporation or other applicable utility providers by each residential customer.

Section 7.22. Mailboxes. Pursuant to policy established by the United States Postal Service, Falls Creek Lot Owners shall receive and send mail via Centralized Box Units (CBUs) to be installed by the Declarant and maintained by the Association. Declarant shall be responsible for repair and maintenance to the CBUs after installation until turnover of the units to the Association for repair and maintenance.

Section 7.23. Fences and Walls. In addition to the restrictions contained elsewhere in this Declaration, only fences or walls (including, without limitation, densely planted hedges, rows or similar landscape barriers) approved in advance by Declarant and/or the Architectural Control Committee, in their sole and absolute discretion, shall be used, installed and/or constructed along or near the front, side and/or rear boundary lines of each Lot within the Property. All fences and walls shall be maintained in a structurally sound and attractive manner. No fence or wall shall be erected on any Lot without approval from the Architectural Control Committee and such approval shall be in writing. The Architectural Control Committee may, at its sole and absolute discretion, refuse to allow any fences or walls on a Lot, even if fences or walls are allowed on other Lots. The type, size, design, color, materials and location for such fences or walls, may be designated in the Guidelines. The use of chain link fencing is not permitted on the Properties.

ARTICLE VIII EASEMENTS/BUFFERS

Section 8.01. Utilities. Easements for the installation and maintenance of utilities (including, but not limited to water, septic, gas, electricity, telephones, telecommunications, cable television and other utilities, such as a master antenna system) and drainage facilities are reserved as indicated on the recorded Maps of the Properties. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The Association shall have the power and authority to grant and establish upon, over and across the Common Areas such additional easements as are necessary or desirable for the providing of service or utilities to the Common Areas or Lots.

Section 8.02. Encroachments. In the event that any improvements on a Lot shall encroach upon any Common Areas or upon any other Lot as a result of the initial improvements constructed by Declarant or for any reason not caused by the purposeful or negligent act of the Owner or agents of such Owner, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Areas or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Areas shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Areas into any such Lot for so long as such encroachment shall naturally exist. Notwithstanding anything hereinabove to the contrary, this provision does not authorize any encroachments except those encroachments which exist by virtue of original construction by the Declarant or its assigns or with Declarant's express approval.

Section 8.03. Easement for Governmental Agencies. An easement is hereby established over the Common Area for the benefit of applicable governmental agencies, utility companies and public service agencies (and any other Person providing services to the Properties under agreement with or at the direction of the Association) as necessary for setting, removing and reading of meters, replacing and maintaining water, and drainage channels and facilities, utilities, and fire lines and acting for other purposes consistent with public safety and welfare, including without limitation, law enforcement, fire protection, emergency and rescue services, garbage collection and delivery of mail. An easement is hereby established for the benefit of applicable governmental agencies, utility companies and public service agencies over the Common Area and over the front ten (10) feet of each Lot for the setting, removal and reading of water meters, the maintenance and replacement of water and drainage channels and facilities and the collection of garbage.

Section 8.04. Walks, Drives, Parking Areas and Utilities. All of the Properties, including Lots and Common Areas, shall be subject to such easements for driveways, walkways, parking areas, water lines, storm drainage facilities, gas lines, telephone and electric power lines, cable television lines, and other public utilities as shall be established prior to the conveyance of such Lots or the Common Area by the Declarant. The Association shall have the power and authority to grant and to establish in, over, upon, and across the Common Areas conveyed to it such further easements as are requisite for the convenient use and enjoyment of the Properties.

Section 8.05. Easements Appurtenant to Lots. All private streets and driveway areas in the Common Areas shall be subject to an easement in favor of every Lot to which they are adjacent or which they are intended to serve and shall be deemed appurtenant to each such Lot, whereby the Owner of each such Lot shall be entitled to use them as a means of ingress, egress and regress and such other uses as shall have been designated. Such easement shall be superior to the lien of every mortgage or deed of trust.

Section 8.06. Emergencies, Etc. Every Lot and Dwelling unit shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot or within any Dwelling unit on any Lot and that endangers any Lot or portion of the Common Areas, or as necessary to correct any grading for drainage purposes.

Section 8.07. Easements to Association. An easement is hereby granted to the Association, its officers, agents, employees, and authorized representatives, including but not limited to management companies, to enter in or to cross over the Common Area in connection with the exercise of any right, duty or obligation of the Association under this Declaration or its Organizational Documents.

Section 8.08. Access Easement. Each Owner shall have the right to ingress and egress over, upon and across the Common Area as necessary for access to his Lot and shall have the right to lateral support for his Lot.

Section 8.09. Easements Shown on Recorded Plats. Declarant, for itself and its successors and assigns (which may include governmental or private utility providers), and in addition to all other easements reserved in the Declaration, hereby reserves perpetual, non-exclusive and alienable easements in the locations and for the purposes shown and indicated on all plats of the Properties recorded in the Registry.

Section 8.10. Easement Reserved by Declarant for Development. Until December 31, 2023, notwithstanding any provisions contained in this Declaration to the contrary, Declarant hereby expressly reserves unto itself, its successors and assigns including, but not limited to Persons constructing Dwellings and other improvements on the Common Area or Lots, a nonexclusive, right, privilege and easement over, under, in, and/or on the Common Area, without obligation and without charge, for the purposes of construction, installation, relocation, development, sale, maintenance, repair, replacement, use and enjoyment, and/or otherwise dealing with the Properties, including but not limited to construction of the recreational facilities and installation of utilities. The reserved easement shall constitute a burden on the title to the Properties and specifically includes, but is not limited to:

- A. The right of access, ingress, and egress for vehicular and pedestrian traffic over, under, on and through the Common Area; and the right to construct the Amenities; and the right to tie into any portion of the Properties with driveways, parking areas, and walkways; and the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), replace, relocate, maintain, and repair any device which provides utility or similar services, including, without limitation, electrical, telephone, natural gas, water, septic, and drainage lines and facilities, constructed or installed in, on, under, and/or over the Properties any damage caused by the exercise of such rights shall be repaired and the damaged property shall be restored to as near the same condition, as reasonable and practical, as that which existed prior to the exercise of such rights;
- B. The right to construct, install, replace, relocate, maintain, authorize, repair, use, and enjoy signs, model residences, sales offices, construction offices and business offices as, in the sole opinion of Declarant, may be required, convenient, desirable, or incidental to the construction and sale of residences on the Lots;
- C. No rights, privileges, and easements granted or reserved herein shall be merged into the title of any portion of the Properties, including, without limitation, Lots or Common Areas conveyed to the Association, but shall be held independent of

such title, and no such right, privilege, or easement shall be surrendered, conveyed, or released unless and until and except by delivery of a quitclaim deed from Declarant releasing such right, privilege, or easement by express reference thereto; and

D. This section may not be amended without the written consent of Declarant.

Section 8.11. **Drainage.** The Declarant reserves for itself and its assignees, including but not limited to the Association, the right and easement to enter upon any Lot or the Common Area for the purpose of altering the flow of surface water in, on or across such Lot or Common Area in order to correct surface water drainage problems existing on any Lot or the Common Area. Any alterations made pursuant to the foregoing easement shall be made at the sole cost and expense of the Declarant or its assigns, as the case may be, and shall not unreasonably interfere with the Owner's use and enjoyment of his Lot. Declarant hereby agrees in exercising the rights reserved above, all debris, materials, excess soil and rock from an affected Lot shall be removed, all excavations shall be filled, all topsoil and grass on all disturbed earth shall be replaced and reseeded. Declarant may give its written consent to an Owner to alter the flow of surface water in, on or across such Owner's Lot in order to correct surface water drainage problems existing on such Lot; provided, however, the Declarant during the period of the Class B Membership, and thereafter the Board of Directors or the Architectural Control Committee, as the case may be, must give its written approval to the Owner's plan to alter the flow of surface water on such Owner's Lot.

ARTICLE IX ANNEXATION OF ADDITIONAL PROPERTIES

Section 9.01. **By Declarant.** If on or before January 1, 2021, the Declarant should develop additional lands adjacent to the Properties, such additional lands may be annexed by the Declarant to said Properties without the assent of the Class A membership. In the event of annexation by the Declarant, the Declarant shall not be required to build the same or substantially similar type of Dwelling units, and the Declarant specifically reserves the right to build Dwelling units of different types, styles, colors, sizes and prices.

Section 9.02. **By Association.** Any other annexation of additional land shall require the assent of two-thirds (2/3) of each Class of Membership of the Association.

Section 9.03. **Procedure.** Annexation of additional land shall be accomplished by recording in the Office of the Register of Deeds in Franklin County a Declaration of Annexation duly executed by the Association, describing the lands annexed and incorporating the provisions of this Declaration either by reference or by fully setting out said provisions of this Declaration. In the event of annexation by the Declarant pursuant to Section 9.01, the Declarant shall have the right to amend or supplement the terms of this Declaration as applicable to the additional lands as the Declarant deems advisable for the types, styles, colors, sizes and prices of the Dwelling units to be developed on the additional lands. The additional lands shall be deemed annexed to the Properties on the date of recordation of the Declaration of Annexation. Upon annexation, the

land shall be used only for residential and ancillary purposes and shall be subject to this Declaration, and all Owners shall automatically become Members of the Association.

(a) The additions authorized above shall be made by filing Supplementary Declarations of Covenants, Conditions and Restrictions with respect to the Additional Properties in the Franklin County, North Carolina, Public Registry which shall extend the scheme of this Declaration and the jurisdiction of the Association to such Properties and thereby subject such additions to the benefits, agreements, restrictions and obligations set forth herein, including, but not limited to, assessments as herein determined. Such Supplementary Declarations, as applied to the Additional Properties covered thereby, may include such specific additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens as may be set forth in such Supplementary Declaration. At the time of the filing of each Supplementary Declaration, there shall be recorded in the Franklin County, North Carolina, Public Registry a Map or Maps which show the boundary line of each Lot annexed pursuant to such Supplementary Declaration and which delineates all Common Area annexed pursuant to such Supplementary Declaration. All Common Area situated within the Additional Property shall be deeded to the Association in the same manner as set forth in Article II, Section 2.03 prior to the sale of any Lot of the Additional Property.

(b) The obligation for Owners of Lots in any portion of the Additional Properties to pay the assessments described in Article IV hereof shall commence upon the filing of the Supplementary Declaration in the Franklin County, North Carolina, Public Registry annexing such portion. The Owners of such Lots shall have the same voting rights as the Owners of Lots in the Properties, and such voting rights shall commence as of the date of the filing of the Supplementary Declaration.

ARTICLE X RIGHTS RESERVED TO INSTITUTIONAL LENDERS

Section 10.01. Entities Constituting Institutional Lenders. "Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors.

Section 10.02. Obligation of Association to Institutional Lenders. So long as any Institutional Lender shall hold any first lien upon any Lot, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

- A. To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by an accountant designated by the Board of Directors of the Association, such financial statement or report to be furnished by May 15th of each calendar year;
- B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed amendment to

this Declaration of Covenants, Conditions and Restrictions, the Organizational Documents of the Association or of any proposed abandonment or termination of the Association or the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association;

- C. To receive notice of any condemnation or casualty loss affecting the Common Area or any portion thereof;
- D. To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- E. To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Area, other than those specific rights vested in the Association under Article II hereof; and
- F. To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such institutional Lender or to the place which it may designate in writing.

Section 10.03. Requirements of Institutional Lender. Whenever any Institutional Lender desires to avail itself of the provisions of this Article, it shall furnish written notice thereof to the Association by certified mail at the address of the Association's registered agent identifying the Lot or Lots upon which any such Institutional Lender holds any first mortgage together with sufficient pertinent facts to identify such mortgage or identifying any Lot or Lots owned by such Institutional Lender. Such notice shall designate the place to which notices, reports or information are to be given by the Association to such Institutional Lender.

ARTICLE XI GENERAL PROVISIONS

Section 11.01. Enforcement. The Association, Declarant or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration and the Organizational Documents. Failure by the Association, Declarant or any Owner to enforce any such restriction, condition, covenant, reservation lien or charge herein contained shall in no event be deemed a waiver of the right to enforce any such restriction, condition, covenant, reservation, lien or charge at any other time or in connection with the same or any other event, nor shall it be deemed a waiver of the right to request that law enforcement, public safety and animal control officers enter the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

Section 11.02. Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 11.03. Amendment. The covenants, conditions and restrictions of this Declaration shall run with and bind the land and shall insure to the benefit of and be enforceable by the Association or the Owner of any Lot subject to this Declaration, their legal representatives, heirs, successors, and assigns for a term of twenty (20) years from the date this Declaration is recorded, after which time, this Declaration shall be automatically extended for successive periods of ten (10) years each. This Declaration may be amended during the first twenty (20) year period by an instrument approved by not less than sixty-six and two-thirds percent (66 2/3%) of the Lot Owners and thereafter by an instrument approved by not less than seventy-five (75%) of the Lot Owners. Any amendment must be recorded with the Office of the Register of Deeds in Franklin County.

Section 11.04. Amendment of Declaration Without Approval of Owners. The Declarant, without the consent or approval of any other Owner, shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having jurisdiction over the Property or to qualify the Property or any Lots and improvements thereon for mortgages or improvement loans made or insured by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina, regarding purchase or sale of such lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including, without limitation, the Veterans Administration, U. S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

Section 11.05. Certificate of Amendment Form. If any amendment, to these covenants, conditions and restrictions is so approved and executed, each such amendment shall be delivered to the Board of Directors of this Association. Thereupon, the Board of Directors shall within thirty (30) days, do the following:

- (a) Reasonably assure itself that the amendment has been validly approved by the Owners of the required number of Lots. (For this purpose, the Board may rely on its roster of Members and shall not be required to cause any title to any Lot to be examined).
- (b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF
FALLS CREEK SUBDIVISION

By authority of its Board of Directors, Falls Creek Community Association, Inc., hereby certifies the foregoing instrument has been duly approved by the Owners of sixty-seven percent (67%) of the Lots of Falls Creek and is, therefore, a valid amendment to the existing Declaration of Covenants, Conditions and Restrictions of Falls Creek.

This the _____ day of _____, 20__.

FALLS CREEK COMMUNITY ASSOCIATION, INC.

President

Attest:

Secretary

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be recorded in the Office of the Register of Deeds in Franklin County Registry.

All amendments shall be effective from the date of their recordation in the Office of the Register of Deeds in Franklin County, North Carolina; provided, however, no such instrument shall be valid until it has been indexed in the name of the Association. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors, recorded, and indexed as provided by this Section, it shall be conclusively presumed such instrument constitutes a valid amendment as to all persons thereafter purchasing any Lots.

Section 11.06. Voting. Voting of Members of the Association shall be in accordance with the applicable provisions set forth in the Association's Bylaws.

Section 11.07. Contract Rights of Association. As long as there is a Class B Membership, any contract or agreement entered into by or on behalf of the Association shall contain a provision giving the Association the right to terminate such contract or agreement, with or without cause, upon the giving of not more than thirty (30) days written notice to the other party or parties.

Section 11.08. Underground Utilities and Street Lighting. Declarant reserves the right to subject the Property described hereinabove to a contract with public utility companies for the installation of underground utility service and the installation of street lighting, either of which or both of which may require a continuous monthly charge to the Owner of the Lot. Declarant further reserves the right to connect to each Lot necessary water and sewer service which may require a continuous monthly charge to the Owner of each Lot. Upon acceptance of a deed to a Lot, each Owner agrees to pay said continuing monthly payments therefore as approved by the North Carolina Utilities Commission or other appropriate government authorities.

Section 11.09. Gender and Grammar. The singular, wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make provisions hereby apply to either corporations or individuals, man or woman, shall in all cases be assumed as though in each case fully expressed.

Section 11.10. Address. Each Member agrees to keep the Association informed of his address at any time, and any notice sent or delivered to said address shall be sufficient. Each new Member agrees to provide the Association with evidence of his Ownership for preparation of a membership roster, and the roster as so completed shall be sufficient evidence of the Ownership of each Lot. If a Member fails to provide the Association with its address or otherwise fails to keep its address current, the Association may use the address shown on the Franklin County tax records for the Owner of the Lot for which such membership exists as the Member's address.

Section 11.11. Conflicts. In the event of a conflict between the terms and provisions of this Declaration and the Bylaws or Articles of Incorporation of the Association, the terms and provisions of this Declaration shall control. In the event of a conflict between the terms and provisions of the Bylaws and the Articles of Incorporation of the Association, the terms and provisions of the Articles of Incorporation shall control.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed in its company name by its duly authorized officer as of the 19th day of December, 2016.

SAGE BUILT, LLC, a North Carolina
Limited Liability Company

BY: Rex B. Vick, Jr.
Rex B. Vick, Jr. Manager

State of North Carolina, County of Chatham

I, Jennifer D. Scott, a Notary Public of the County and State aforesaid, do hereby certify that Rex B. Vick, Jr. personally came before me this day and acknowledged that he is a Manager of SAGE BUILT, LLC, a North Carolina limited liability company and that he as Manager, being authorized to do so, voluntarily executed the foregoing on behalf of the limited liability company.

WITNESS my hand and notarial seal, this the 19th day of Dec, 2016.

My Commission Expires: 4/6/18

Jennifer D. Scott
Notary Public
JENNIFER D. SCOTT
Notary Public, North Carolina
Chatham County
My Commission Expires
4/6/18

EXHIBIT A

Legal description

All of the certain tract or parcel of land located in Franklin County, North Carolina and being more particularly described as follows:

BEGINNING at iron pipe in the northern right of way line of Holden Road, said iron pipe being the southwestern corner of a 29.121 acre tract shown on Book of Maps 2015, Page 72, Franklin County Registry; thence along the northern right of way line of Holden Road in a westerly direction along a left hand curve having a radius of 3079.46' for a chord distance of 36.74' to an iron pipe; thence along the northern right of way line of Holden Road N 70°12'22" W 310.13' to an iron pipe; thence along the northern right of way line of Holden Road in a westerly direction along a left hand curve having a radius of 3832.60' for a chord distance of 71.90' to an iron pipe; thence along the northern right of way line of Holden Road N 60°56'30" W 59.05' to an iron pipe and N 69°34'39" W 109.82' to an iron pipe; thence N 39°39'07" W 35.42' to an iron pipe; thence along the eastern right of way line of Sid Mitchell Road N 06°34'02" E 386.40' to an iron pipe and N 04°45'37" E 81.56' to an iron pipe; thence along the eastern right of way line of Sid Mitchell Road in a northerly direction along a left hand curve having a radius of 1005.00' for a chord distance of 287.94' to an iron pipe; thence along the southern line of United Methodist Church N 78°17'16" E 535.87' to an iron pipe; thence along the eastern line of United Methodist Church N 01°36'57" W 438.19' to an iron pipe; thence along the eastern line of Martial Trust N 01°36'57" W 357.04' to an iron pipe; thence along the southern line of Jack and Shirley Green, LLC N 88°21' 11" E 905.00' to an iron pipe; thence S 18°27'13" E 92.17' to a point; S 35°48'23" E 86.17' to a point; S 06°58'28" W 27.88' to a point; S 24°07' 24" E 30.54' to a point; S 60°52'50" E 58.71' to a point; S 26°58'24" E 38.37' to a point; S 14°07'24" E 36.45' to a point; S 19°14'28" E 82.64' to a point; S 08°30'45" W 89.49' to a point; S 11°06'16" E 67.57' to a point; S 11°57'11" W 78.92' to a point; S 08°44'08" E 40.41' to a point; S 08°33'08" W 61.85' to a point; S 16°28'39" E 29.77' to a point; S 13°35'20" W 68.31' to a point; S 30°23'46" E 57.25' to an iron pipe; thence along the western line of property formerly owned by Forrest and Hawkins S 04°19'09" W 518.07' to an iron pipe; thence along the western line of Holden S 05°35'52" W 666.36' to an iron pipe; thence along the western line of Ross S 18°40'45" W 179.60' to a point and S 21°42'45" W 73.23' to a point; thence along the northern right of way line of Holden Road N 66°54'50" W 73.42' to a concrete monument, N 71°12'53" W 281.77' to a concrete monument, N 64°12'13" W 309.44' to an iron pipe and along a left hand curve to the northwest having a radius of 3079.46' for a chord distance of 285.79' to the beginning, containing 60.967 acres according to map entitled "Recombination Map For Winslow Custom Homes, Inc.", drawn by Cawthorne, Moss & Panciera, P.C., dated March 8, 2016.