

ARTICLES OF INCORPORATION

OF

OWENDON PLANTATION PROPERTY OWNERS ASSOCIATION, INC.

The undersigned, acting as incorporator of a non-profit corporation under Chapter 55A of the North Carolina General Statutes, does hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I
NAME

The name of the corporation (hereinafter called the Association) is OWENDON PLANTATION PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE II
PURPOSE

The primary purposes for which the Association is formed is to carry out the functions as set out for the Association in the Master Declaration of Covenants, Conditions, Restrictions and Reservations for Owendon Plantation.

In furtherance of such purposes, the Association shall have the power to:

- * (a) Perform all duties and obligations of the Association as set forth in the Master Declaration for Owendon Plantation Property Owners Association, Inc. applicable to the development and to be recorded in the Public Records of Brunswick County, North Carolina;
- * (b) Affix, levy, collect, and enforce payment by any lawful means of all charges and assessments pursuant to the terms of the Master Declaration and pay all expenses in connection therewith, and all office and other expenses incidental to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied on or imposed against

the property of the Association;

(c) Acquire (by gift, purchase or otherwise), own, hold and improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate to public use, or otherwise dispose of real and personal property in connection with the affairs of the Association;

(d) Borrow money and, subject to the consent by vote or written instrument of 55% of each class of members, mortgage, pledge, convey by deed of trust, or hypothecate any and all of its real or personal property as security for money borrowed or debts incurred;

(e) Dedicate, sell, or transfer all of any part of the common areas to any municipality, public agency, authority, or utility for such purposes;

(f) Have and exercise any and all powers, rights, privileges that a non-profit corporation organized under Chapter 55A of the North Carolina General Statutes by law may now or hereafter have;

(g) Retain a management entity to perform any of the services or duties set forth above or in the Declaration.

The Association is organized and shall be operated exclusively for the purposes set forth above. The activities of the Association will be financed by assessments against members as provided in the Declaration, and no part of any net earnings of the Association will inure to the benefit of any member.

ARTICLE III DURATION

The period of duration of the Association shall be perpetual.

ARTICLE IV
NAME OF INCORPORATOR

The name and mailing address of the incorporator is:

Mason H. Anderson
P. O. Box 345
Shallotte, NC 28459

ARTICLE V
MANAGEMENT

The affairs of the Association shall be managed by a Board of Directors; a President and a Vice President. Prior to turnover as defined in the Master Declaration, the Board of Directors will be appointed by Owen Ventures, Inc., the Developer of Owendon Plantation. Neither the officers or the directors need be members of the Association. After turnover, both the officers and directors must be members of the Association (or an officer of any corporate member). The officers shall be elected at the first meeting of the Board of Directors each year.

The names of the officers who are to serve until the first election are:

| <u>Name</u> | <u>Office</u> |
|----------------|---------------------|
| Donald A. Owen | President |
| Charles Hudson | Vice-President |
| Kerry Owen | Secretary/Treasurer |

ARTICLE VI
INITIAL BOARD OF DIRECTORS

The number of persons constituting the first Board of Directors of the Association shall be three (3); and thereafter, the membership shall consist of not more than five (5). The names

and addresses of the persons who shall serve as Directors until the first election are:

| <u>Name</u> | <u>Addresses</u> |
|----------------|---------------------------------------|
| Donald A. Owen | P. O. Box 204 Silar City, NC 27344 |
| Charles Hudson | P. O. Box 204 Silar City, NC 27344 |
| Kerry Owen | P. O. Box 204 Silar City, NC 27344 |

ARTICLE VII BYLAWS

* The initial Bylaws shall be adopted by the Board of Directors. Thereafter, the Board of Directors shall have the power to alter, amend, repeal or adopt new Bylaws provided such action and the resulting Bylaws are not inconsistent with the Articles of Incorporation or the Master Declaration.

ARTICLE VIII AMENDMENT

These Articles may be amended at any annual meeting of the Association, or at any special meeting duly called and held for such purpose, on the affirmative vote of a majority of each class of voting members existing at the time of, and present in person or by proxy at such meeting. The procedure for proposing an amendment shall be as set out in N.C.G.S. Section 55-A-35.

ARTICLE IX MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership: Every person or entity who is an Owner of a Lot or Dwelling

subject to the Master Development Plan shall be a member of the Association, provided that any such person or entity who holds an interest merely as security for the performance of an obligation shall not be a member.

Section 2. Voting Right: The Association shall have two classes of voting membership:

(a) Class "A"

Class "A" Members shall be all those Owners as defined in Section 1 of this Article with the exception of the Declarant. Class "A" Members shall be entitled to one vote for each Lot or Dwelling Unit in which they hold the interest required for membership by Section 1. When more than one person holds such interest in any Lot or Dwelling Unit, all such persons shall be members and the vote for such Lot or Dwelling Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot or Dwelling Unit. The Bylaws may establish procedures for voting when the title to a Dwelling Unit or Lot is held in the name of a corporation or more than one person or entity.

(b) Class "B"

(i) The Class "B" Member is the Declarant. The Class "B" Member shall be entitled to three votes for each Lot or Dwelling Unit in which it holds the interest required for membership by Section 1; provided that The Class "B" membership shall cease and become converted to Class "A" membership on the happening of the earlier of any of the following events:

1. When the total votes outstanding in the Class "A" membership equal the total votes outstanding in the Class "B" membership; or
2. At any earlier time that the Declarant, in its sole discretion, voluntarily converts its Class "B" membership to Class "A" membership.

3. On July 1, 2010, if not sooner converted under (1) or (2).

From and after the happening of the earlier of these events, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one vote for each Lot or Dwelling Unit in which it holds the interest required for membership under Section 1.

ARTICLE X
DISPOSITION OF ASSETS ON DISSOLUTION

On dissolution, the assets of the Association shall be distributed to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event such distribution is refused acceptance, such assets shall be granted, conveyed, and assigned to any non-profit corporation, association, trust, or other organization organized and operated for such similar purposes.

ARTICLE XI
INITIAL REGISTERED AGENT

The address of the initial registered office of the Association is Owen Ventures, 50 Ellington Road, Siler City, NC 27344, and the Initial Registered Agent of the Association is Donald A. Owen at such address.

ARTICLE XII
EFFECTIVE DATE

The effective date of this corporation shall be upon filing with the Office of the Secretary of State of North Carolina.

ARTICLE XIII
INDEMNIFICATION OF DIRECTORS

Each Director and Officer of this Association shall be indemnified by the Association against all costs and expenses reasonably incurred or imposed upon him in connection with or

arising out of any action, suit or proceeding in which he may be involved or to which he may be made a party by reason of his having been a Director or Officer of this Association, such expense to include the cost of reasonable settlements (other than amounts paid to the Association itself).

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation on this 4th day of June, 1998.

Mason H. Anderson (Seal)
Mason H. Anderson

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

I, Lisa A. Pison Notary Public, do hereby certify that MASON H. ANDERSON personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal this the 4th day of June, 1998.

Lisa A. Pison
Notary Public

My Commission Expires:
11-9-2002

BYLAWS OF
OWENDON PLANTATION PROPERTY
OWNERS ASSOCIATION, INC.
A Non-Profit Corporation

ARTICLE I

Name and Location

NAME AND LOCATION: The name of the Corporation is Owendon Plantation Property Owners Association, Inc. The principal office shall be located at Owendon Plantation, North Carolina, but meetings of Members and Directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II


MEETINGS OF MEMBERS

* **Section 1: ANNUAL MEETINGS:** The first annual meeting of Members shall be held within ninety (90) days after Turnover of the Association by the Declarant. Subsequent annual meetings shall be held on the same day of the month of each year thereafter at the hour of 2:00 o'clock P.M. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the next day which is not a legal holiday.

Section 2: SPECIAL MEETINGS: After Turnover, special meetings of Members may be called at any time by the President or by two (2) Members of the Board of Directors or upon written request of Members who are entitled to vote fifty-one (51%) of all votes of the membership.

Section 3: NOTICE OF MEETINGS: Written notice of each meeting of Members shall be given by, or at the direction of, the Secretary/Treasurer or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days, but not more than thirty (30) days, before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of receiving notice. Such notice shall specify the day, hour and place of the meeting and in the case of a special meeting, the purpose of the meeting.

Section 4: QUORUM: The presence at the meeting, in person or by proxy, of Members entitled to cast 25% of the votes of the membership shall constitute a quorum for authorization of any action, except as may otherwise be provided in the Declaration, the Articles of Incorporation, or these Bylaws. If a quorum is not present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

 Section 5: PROXIES: At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary/Treasurer. Proxies shall be revocable, and the proxy of any Owner shall automatically terminate on conveyance by him of his property subject to the assessment.

ARTICLE III

BOARD OF DIRECTORS: TERM OF OFFICE; REMOVAL

Section 1: NUMBER: The affairs of the Association shall be managed by not less than two (2) nor more than five (5) Directors. Prior to Turnover as described in the Master Declaration, the Directors shall be appointed by Owen Ventures, Inc.; after Turnover, they shall be duly elected by the Members of the Association from among the Members.

Section 2: TERM OF OFFICE: Prior to Turnover, Directors shall serve at the pleasure of Owen Ventures, Inc.; after Turnover, they shall serve one (1) year terms and until their successors are duly appointed or elected, as the case may be.

* Section 3: REMOVAL: After Turnover, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a Director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

ARTICLE IV

BOARD OF DIRECTORS; MEETINGS

Section 1: REGULAR MEETINGS: Regular meetings of the Board of Directors shall be held annually, at such place and hour as may be fixed from time to time by resolution of the Board.

* Section 2: SPECIAL MEETINGS: Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) days notice to each Director.

* Section 3: QUORUM: A majority of the Directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of Directors present at a duly held meeting in which a quorum is present shall constitute the act or decision of the Board.

ARTICLE V

BOARD OF DIRECTORS; POWERS AND DUTIES

Section 1: POWERS: The Board of Directors shall have the power to:

* (a) Adopt and publish rules and regulations governing the use of the Common Areas and facilities including the personal conduct of the Members and their guests thereon; to establish penalties for infractions of such rules and regulations.

* (b) Suspend the voting rights and right to use of the Common Areas of any Member during any period in which such Member is in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed thirty (30) days for infraction of published rules and regulations.

(c) Exercise on behalf of the Association, all powers, duties and authority vested in or delegated to the Association and not specifically reserved to the membership by the Declaration, Articles of Incorporation, or by other provisions of these Bylaws.

(d) Employ a manager, independent contractors, and such other employees as they may deem necessary, and to prescribe their duties.

Section 2: DUTIES: It shall be the duty of the Board of Directors to:

- (a) Supervise all officers, agents, and employees of the Association and see to it that their duties are properly performed;
- (b) Fix the amount of the annual assessment against each Lot or Dwelling, in advance of each annual assessment period;
- (c) Send written notices of each assessment to every Owner subject thereto in advance of each assessment period; and
- (d) Foreclose the lien against any property for which assessments are not paid within thirty (30) days after the due date, or to bring an action at law against the Owner personally obligated to pay the same;
- (e) Issue, on demand of any person, a certificate setting forth whether or not any assessment has been paid. The Board may impose a reasonable charge for the issuance of such certificates;
- (f) Procure and maintain liability and hazard insurance on all property owned by the Association as it may deem appropriate;
- (g) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- (h) Cause all property owned by the Association to be maintained.

ARTICLE VI

OFFICERS AND THEIR DUTIES

Section 1: ENUMERATION OF OFFICES: The officers of the Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, and a Secretary/Treasurer and such other offices as the Board may from time to time by resolution create.

Section 2: ELECTION OF OFFICERS: The election of officers shall take place at the organizational meeting of each new Board of Directors as the first order of business of the new Board.

* Section 3: TERM: Each officer shall hold office for a term of one (1) year unless he shall sooner resign or shall be removed or otherwise disqualified to serve. Provided, however, that he shall continue to serve until his replacement is duly elected.

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

* Section 5: RESIGNATION AND REMOVAL: Any officer may be removed from office by the Board at any time with or without cause. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary/Treasurer. Such resignation

shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6: VACANCIES: A vacancy in any office may be filled by appointment of the Board. The officer appointed to such vacancy shall serve for the unexpired term of the officer he replaces.

? **Section 7: MULTIPLE OFFICES:** No person shall simultaneously hold more than one of any of the offices, except in the case of special offices created pursuant to Section 4 of this Article.

Section 8: DUTIES: The duties of the officers are as follows:

- * (a) President: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all leases, mortgages, deeds, and other instruments.
- * (b) Vice President: The Vice President shall act in the place of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.
- * (c) Secretary/Treasurer: The Secretary/Treasurer shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it to all papers so requiring; serve notice of meetings of the

Board to Members; keep appropriate current records showing the Members of the Association together with their addresses. Also, the Secretary/Treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; shall keep proper books of the accounts; shall cause an annual audit of the Association books to be made at the completion of each fiscal year, and shall prepare an annual budget and statement of income and expenditures, a copy of which documents shall be delivered to each Member, and a report which shall be given at the regular annual meeting of Members.

ARTICLE VII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments. All annual assessments shall be paid as designated by the Board of Directors. Any assessments not paid when due are considered delinquent. Interest, costs, and reasonable attorney's fees for collection shall be added to the amount of any assessment due.* No Owner may waive or otherwise escape liability for assessments by nonuse of the common properties or abandonment of his property. Delinquent assessments and costs shall constitute a continuing lien on the property which generated the assessment until paid.

ARTICLE VIII

BOOKS AND RECORDS; INSPECTION

The books, records, and papers of the Association shall be subject to inspection by any Member upon fifteen (15) days prior written notice. The Declaration, Articles of Incorporation, and Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies shall be made available for sale at a reasonable price.

ARTICLE IX

CORPORATE SEAL

The Association shall have a seal in a circular form having within its circumference the words: OWENDON PLANTATION PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE X

AMENDMENTS

Prior to and after Turnover, these Bylaws may be amended by the Board of Directors at any regular or special meeting.

ARTICLE XI

FISCAL YEAR

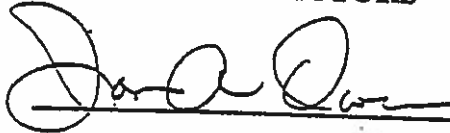
The fiscal year of the Association shall be the calendar year, except that the first fiscal period shall begin on the date of incorporation and shall end on December 31st of the year of incorporation.

ARTICLE XII


CONFLICTS

In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in case of any conflict between the Declaration and these Bylaws, the Declaration shall control; in case of a conflict between the Articles and the Declaration, the Declaration shall control.

OWENDON PLANTATION PROPERTY
OWNERS ASSOCIATION, INC.
BOARD OF DIRECTORS







OWENDON PLANTATION
PROPERTY OWNERS ASSOCIATION, INC.
WAIVER OF NOTICE OF ORGANIZATIONAL MEETING
OF DIRECTORS AS NAMED IN THE ARTICLES OF INCORPORATION

We, the undersigned, being all of the Directors of OWENDON PLANTATION
PROPERTY OWNERS ASSOCIATION, INC., as named in the Articles of Incorporation, do
hereby waive notice of the organizational meeting of the Board of Directors of said corporation
and agree that the same shall be held at Shalotte on July 18 at 1 p.m.,
and that said meeting may consider and determine all matters and things which might lawfully
come before the organizational meeting of said Board.

Donald A. Owen
Donald A. Owen

Charles Hudson
Charles Hudson

Kerry Owen
Kerry Owen

MINUTES OF ORGANIZATIONAL MEETING OF
BOARD OF DIRECTORS OF
OWENDON PLANTATION
PROPERTY OWNERS ASSOCIATION, INC.

This organizational meeting of the Board of Directors of Owendon Plantation Property Owners Association, Inc. was held at Shallotte on July 18 at 1 p.m. The Directors present were Donald A. Owen, Charles Hudson and Kerry Owen, being all of the Directors named in the Articles of Incorporation and being a quorum.

Don Owen pointed out to the other members of the Board that certain items of business needed to be dealt with in this meeting; for instance, it is necessary in an organizational meeting to elect officers.

He pointed out that generally the Property Owners Association is required to carry Casualty Insurance on buildings and Premises Liability Insurance on the Common Areas; however, since the only property that will be immediately owned by the Property Owners Association is the site on which the Property Owners Association Clubhouse will sit, there is no need to purchase those insurance coverages at this point.

After some discussion, a motion was made by Charles Hudson seconded by Kerry Owen that the following officers be elected:

President-----Donald A. Owen

Vice President-----Charles Hudson

Secretary/Treasurer-----Kerry Owen

The above persons named were unanimously elected as the officers of the Association.

Don Owen pointed out that the Property Owners Association must open a bank account in the Property Owners Association's name, and it was duly resolved that BB&T of Shallotte, North Carolina be the bank for the Property Owners Association. It was further

resolved that the checks on the Property Owners Association be signed by Don Owen and Charles Hubbard that these names be listed with the Bank as authorized signatures on the cards setting up the account.

Don Owen pointed out that the Master Declaration, Article Seven "Covenant for Assessments" establishes an assessment by the Property Owners Association against each property owner on an annual basis for the purpose of funding the common expenses of the Property Owners Association. The Master Declaration provides for Class A members who will be the owners of an individual lot or dwelling and Class B member which is the Declarant. The annual assessment for Class A members shall commence upon conveyance of the lot or dwelling to the purchaser. He further pointed out that there is no commencement date for the Class B member, but on the other hand, the Declarant is responsible for funding the short fall in the Property Owners Association budget during the start up years. He further pointed out that the Master Declaration placed a minimum of \$250.00 per annum assessment for each Lot or any prorata portion thereof in the year 1998 and grants to this Board the right to assess a larger amount for the year 1999 if the actual cost of carrying out its duties is greater than \$250.00 for each Lot.

After some discussion, a motion was made, seconded and unanimously adopted that the initial home owners assessment be \$250.00 for each Lot or any prorata portion thereof for the year 1998 subject to change if the actual cost should exceed \$250.00 for each Lot.

He further pointed out that under the Master Declaration, once the assessments are established after the year 1999, that they can only change as allowed in the Master Declaration.

Don Owen pointed out that this Association does not, at this time, have any employees, nor any machinery or equipment in order to carry out its maintenance responsibilities

nor is there sufficient funds accumulated by the Association to purchase machinery and equipment or hire a staff of personnel, therefore, he suggested that the Association carry out its maintenance responsibilities by requesting the Declarant to provide these services thereby eliminating the Association from having to borrow money to hire a staff and buy the necessary equipment. After some discussion, the officers of the Association were duly authorized to obtain the services of the Declarant for the necessary maintenance services to be performed by the Association under the Master Declaration on an as needed basis with the Declarant to submit bills and/or contributions in kind to the Association for services rendered. In this connection, Don Owen pointed out that under the Master Declaration, the Declarant, as the Class B member, is not obligated to pay any annual assessment at this time, but on the other hand is obligated to fund any short fall in the Association's budget during the start up years to carry out the Association's responsibilities. He stated that it may be administratively desirable for the Declarant to perform some or all of the services for the Association in lieu of making actual cash contributions to the Association which would obviously be paid to the Declarant for the performance of their services to the Association. After some discussion, it was resolved that the decision as to how to handle this will be made administratively by the Declarant.

Don Owen presented to the Board a proposed set of Bylaws for the Association. After discussion, the Bylaws were adopted and the Secretary was instructed to place a copy in the official Minute Book.

There being no further business to come before the Board in this organizational meeting, the meeting was adjourned.

Respectfully Submitted,

Kerry Owen
Secretary

Approved by the
Board of Directors:

Donald A. Owen
Donald A. Owen

Charles Hudson
Charles Hudson

Kerry Owen
Kerry Owen

**AMMENDMENT TO SUPPLEMENTAL DECLARATION
CONTAINING COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PHASE 1 IN OWENDON PLANTATION
CONSISTING OF LOTS 1-60**

THIS AMENDMENT to Supplemental Declaration made this 17th day of February, 2000, by Owen Ventures, Inc., a corporation organized and doing business under the laws of the State of North Carolina, with an office and place of business located in Shallotte, Brunswick County, North Carolina, hereinafter referred to as "Declarant" and Mary Ruth Begeal, Jody Zaleski, Chad Gray and wife, Hamilton Gray, Michael Toussaint and wife, Tiffany Toussaint, Rebecca Simmons, James Hendricks and wife, Charlene Hendricks, Roy Deaton and wife, Ellen Deaton, and Thomas Kenneth Hemphill, hereinafter referred to as "Additional Declarants":

WITNESSETH

THAT WHEREAS, the Declarant caused the Master Declaration to be recorded in Book 1238, at Page 1013, Brunswick County Registry; and

WHEREAS, after filing the Master Declaration it caused a Supplemental Declaration covering Lots 1-60, to be recorded in Deed Book 1238 at Page 1013, Brunswick County Registry and identified these series of lots as Phase 1; and

WHEREAS, after the Master Declaration and Supplemental Declaration both were recorded, the Declarant conveyed lots 4, 5, 8, 10, 15, 19, 21, 27, 29, 32, 33, 49, and 55 to the Additional Declarants; and

WHEREAS, the Master Declaration and Supplemental Declaration both allowed only Doublewide Manufactured Homes to be placed on the lots in Phase 1; and

Brunswick County Register of Deeds
Robert J. Robinson
Inst #37822 Book 1360 Page 612
02/22/2000 11:06am Rec# 36172

RET Nelaw-ALF
TOTAL 20 REV. _____ TC# 38
REC# _____ CH. AMT 42 CK# 4708
CASH _____ REF _____ BY JB

WHEREAS, for reasons satisfactory to themselves the Declarant and Additional Declarants have amended the Master Declaration to allow certain lots in Phase 1 to be occupied by Doublewide Manufactured Homes and certain lots to be occupied by Site-Built Homes; and

WHEREAS, this Amendment to the Supplemental Declaration is being made by the Declarant and Additional Declarants to complete the process allowing certain of the lots in Phase 1 to be occupied by Doublewide Manufactured Homes and certain of the lots to be occupied by new Site-Built Homes.

NOW THEREFORE, the Declarant and the Additional Declarants, together being all of the owners of the lots in Phase I of Ownedon Plantation as appears in Map Cabinet 19, Page 549-550 do hereby amend Article II, BUILDING RESTRICTIONS, and Article VI, BUILDINGS ALLOWED ON THE LOT, of the Supplemental Declaration by striking Article II and Article VI in their entirety and inserting in lieu thereof the following:

2. **Building Restrictions:**

With regard to the Lots referred to in the Preamble of this Amendment as being owned by the Additional Declarants the original homes placed on them may consist of a Doublewide Manufactured Home of at least 26' in width, and 44' in length and may include a detached storage building. In addition these homes along with decks, porches, patios, and garages attached thereto must be permanently underpinned with brick.

With regard to the balance of the lots shown in Map Cabinet 19, Pages 549 - 550 (Phase 1) shall consist solely of new Site-Built construction which shall meet the following minimum requirements:

- (a) The home shall contain a minimum of 1200 square feet of enclosed inhabitable heated and cooled space;
- (b) The roof shall be a minimum of a 5/12 pitch;
- (c) The exterior siding may be brick, wood, vinyl, hardiboard, or any combination thereof;

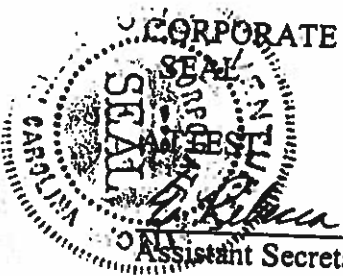
- (d) The foundation may be on a concrete poured slab or a crawl space provided that the crawl space is no more than 36" above ground level and in any event the foundation must be clad with brick or stucco finish;
- (e) The exterior windows must be accentuated with shutters on the side facing the street; and
- (f) The Site-Built Home and any accessory building must be completed within six (6) months from the day construction was commenced.

Regardless of which type of home is placed on the lots the following criteria shall apply:

- (a) Garages, storage areas, and any other attendant building, shall be clad with the same exterior and color as the dwelling located on the lot;
- (b) As a guide, landscaping shall be completed within six (6) months of occupancy and as a guide, at least 2% of the value of the home shall be allocated to landscaping;
- (c) The driveway extending from the street into the lot shall be concrete or asphalt and be a minimum of twelve (12) feet in width;
- (d) The driveway shall be illuminated with a driveway lamp post; and
- (e) TV antennas and other electronic reception devices must not exceed 40" in diameter to the extent possible consistent with reasonable reception shall be placed at the rear or side of the home rather than in front of the home.

6. **Buildings Allowed on the Lot.** The home, along with any approved decks, porches, patios, garages, and one detached storage shed shall be the only structures located on the Lot.

WHEREAS IN TESTIMONY THEREOF, the Declarant and Additional Declarants, have caused this Amendment to be executed as provided by law, the day and year first above written.



Owen Ventures, Inc.
By: [Signature]
Don Owen, President

[Signature]
Assistant Secretary

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Linda B. McDonald Notary Public of the County and State aforesaid, certify that E. Rebecca Rountree personally appeared before me this day and acknowledged that she is Assistant Secretary of Owen Ventures, Inc., a North Carolina Corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by Don Owen, its President, sealed with its corporate seal and attested by her as its Assistant Secretary.

WITNESS my hand and official seal, this 17th day of February, ~~1999~~ 2000



[Signature]
Notary Public

My Commission Expires:
9-14-2001

Mary Ruth Begeal
Mary Ruth Begeal, Owner Lot 4

Inst # 37822 Book 1360 Page: 616

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Darlene Anuszewski, Notary Public, do hereby certify that Mary Ruth Begeal, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 19th day of February, 2000.



Darlene Anuszewski
Notary Public

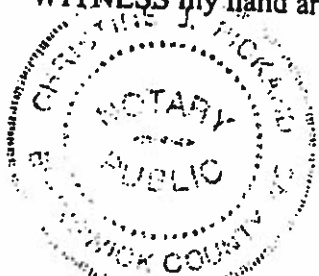
My Commission Expires:
July 6, 2000

Thomas Kenneth Hemphill
Thomas Kenneth Hemphill, Owner Lot 15

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Christine J. Pickard, Notary Public, do hereby certify that Thomas Kenneth Hemphill, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 21 day of February, 2000.



Christine J. Pickard
Notary Public

My Commission Expires:
3/29/2000

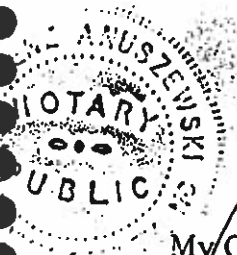
Roy Deaton Ellen Deaton
Roy Deaton and wife, Ellen Deaton, Owners Lot 49

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Darlene Anuszewski, Notary Public, do hereby certify that Roy Deaton and wife, Ellen Deaton, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 19th day of February, 2000.

Darlene Anuszewski
Notary Public



My Commission Expires:
July 6, 2004

James Hendricks and wife, Charlene Hendricks, Owners Lot 33

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, _____, Notary Public, do hereby certify that James Hendricks and wife, Charlene Hendricks, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the ____ day of February, 2000.

Notary Public

My Commission Expires:

Rebecca Simmons, Owner Lot 32

Inst # 37822 Book 1360 Page: 618

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, _____, Notary Public, do hereby certify that Rebecca Simmons, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the ____ day of February, 2000.

Notary Public

My Commission Expires:

Michael Toussaint

Michael Toussaint and wife, ~~Tiffany Toussaint~~, Owners Lot 29

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, *Darlene Anuszkiewicz*, Notary Public, do hereby certify that Michael Toussaint and wife, ~~Tiffany Toussaint~~, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 19th day of February, 2000.



Darlene Anuszkiewicz

Notary Public

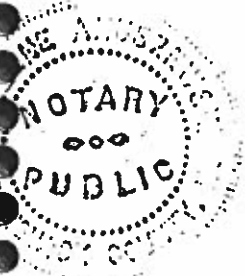
My Commission Expires:
July 6, 2001

Chad Gray Hamilton Gray
Chad Gray and wife, Hamilton Gray, Owners Lot 27

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Darlene Anuszewski, Notary Public, do hereby certify that Chad Gray and wife, Hamilton Gray, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 19th day of February, 2000.



Darlene Anuszewski
Notary Public

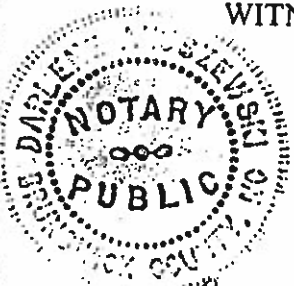
My Commission Expires:
July 6, 2000

Jody Zaleski
Jody Zaleski, Owner Lot 19

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Darlene Anuszewski, Notary Public, do hereby certify that Jody Zaleski, personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein set forth.

WITNESS my hand and official seal, this the 19th day of February, 2000.



Darlene Anuszewski
Notary Public

My Commission Expires:
July 6, 2000

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

The Foregoing (or annexed) Certificate(s) of LINDA B MCDONALD, DARLENE ANUSZEWSKI, CHRISTINE J

RECORD

Notary(ies) Public is (are) Certified to

COPY

STATE OF NORTH CAROLINA

COUNTY OF BRUNSWICK

DECLARATION OF WITHDRAWAL AS TO
THE MASTER DECLARATION OF
COVENANTS, CONDITIONS AND
RESTRICTIONS FOR OWENDON
PLANTATION

THIS DECLARATION OF WITHDRAWAL is made this 30 day of Sept, 2004, by OWEN VENTURES, INC., (hereinafter called "Owen") and OWENDON PLANTATION PROPERTY OWENRS ASSOCIATION, INC. (hereinafter called "Association").

WITNESSETH

WHEREAS, on or about the 29th day of July, 1998, Owen executed as "Declarant" its "Master Declaration of Covenants Conditions and Restrictions for Owendon Plantation" (hereafter called the "Master Declaration"); and

WHEREAS, by and through the execution and recording of the Master Declaration in Book 1238 at Pages 958-1012 of the Brunswick County Registry, Owen has placed those certain covenants, conditions and restrictions embodied therein on the

real property described therein; and

WHEREAS, pursuant to Article Three, Section 1 of the Master Declaration, Owen subjected all of the real property described in the Deed recorded in Deed Book 1058 at Page 964 (Map Cabinet 17, Page 88) of the Brunswick County Registry to the Master Declaration.

WHEREAS, Owen desires to withdraw and remove the real property constituting Phases 3, 4 and 5 of Owendon Plantation from the Master Declaration, which property consists of the real property described in the Deed recorded in Deed Book 1058 at Page 964, Less and Except (i) the Lots 1-60, Phase 1 and Lots 61-97, Phase 2 of Owendon Plantation shown on the plats recorded in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8-9 of the Brunswick County Registry and (ii) the parcels identified as "Amenities Center" and "Reserved" on the plats recorded in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8-9 of the Brunswick County Registry, (iii) the streets and right-of-ways identified on the plats recorded in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8-9 of the Brunswick County Registry.

Whereas, pursuant to Article Fourteen, Section 6 of the Master Declaration, the Master Declaration and the plan of development set forth therein may only be altered or modified by a written document executed by Owen together with the Owners of a

majority of the Lots then owned by persons other than Owen.

WHEREAS, pursuant to Article Fourteen, Section 6 of the Master Declaration, Owen, as Declarant, wishes to withdraw the property constituting Phases 3, 4 and 5 of Owendon Plantation described herein above from the Master Declaration, and a majority of the owners of lots in Owendon other than the Declarant have consented to the withdrawal after due notice from the Association as evidenced by the several consents attached hereto as Exhibit "A";

WHEREAS, the Association has consented to the withdrawal of the real property comprising Phases 3, 4 and 5 of Owendon Plantation as described herein above from the Master Declaration.

NOW, THEREFORE, the parties hereto do hereby withdraw and remove the real property the Property constituting Phases 3, 4 and 5 of Owendon Plantation, which is the real property described in the Deed recorded in Deed Book 1058 at Page 964 of the Brunswick County Registry, Less and Except: (I) Lots 1-60, Phase 1 and Lots 61-97, Phase 2 of Owendon Plantation shown on the plats recorded in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8-9 of the Brunswick County Registry, (ii) the parcels identified as "Amenities Center" and "Reserved" on the plats recorded

in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8.9 of the Brunswick County Registry, and (iii) the streets and right-of-ways identified on the plats recorded in Map Cabinet 19, Pages 549-550 and Map Cabinet 24, Pages 8.9 of the Brunswick county Registry.

The parties hereto agree that Owen, and its successors and assigns, shall have the right to use all streets and right-of-ways shown on the above-referenced plats as a means of access to and from the Property comprising Phases 3, 4 and 5 described herein above and as a means of extending utilities service to the property comprising Phases 3, 4 and 5 described herein above. The parties hereto further agree that Owen, and its successors and assigns, retain all easements and right-of-ways described in the Deed recorded in Deed Book 1058 at Page 964 of the Brunswick County Registry.

Owen Ventures, Inc.

By: 

Don Owen, President

Owendon Plantation Property
Owners Association, Inc.

By: 

President Sec. - Tres.

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Erin West, Notary Public of the
County and State aforesaid, certify that DON OWEN
personally came before me this day and acknowledged that he
is President of Owen Ventures, Inc., a North Carolina
Corporation, and that he, as President, being authorized to
do so, executed the foregoing on behalf of the corporation.
Witness my hand and official seal, this 30 day of
Sept., 2004.

Erin West
Notary Public

My Commission Expires:
10-14-06

ERIN WEST
NOTARY PUBLIC
BRUNSWICK COUNTY, NC
COMMISSION EXPIRES 10-14-06

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Erin West, Notary Public of the
County and State aforesaid, certify that
Frank Smith personally came before me this day
and acknowledged that ~~he~~ she is ~~President~~ ^{Secretary/Treasurer} of Owendon
Plantation Property Owners Association, Inc., a North
Carolina Corporation, and that ~~he~~ she, as President, being
authorized to do so, executed the foregoing on behalf of
the corporation.
Witness my hand and official seal, this 30 day of
Sept., 2004.

Erin West
Notary Public

My Commission Expires:
10-14-06

ERIN WEST
NOTARY PUBLIC
BRUNSWICK COUNTY, NC
COMMISSION EXPIRES 10-14-06

COPY

**AMMENDMENT TO MASTER DECLARATION
FOR OWENDON PLANTATION AS APPEARS IN BOOK 1238, PAGE 958
OF THE BRUNSWICK COUNTY REGISTR**

THIS AMENDMENT to Master Declaration for Owendon Plantation made this 30 day of September, 2004, by Owen Ventures, Inc., a corporation organized and doing business under the laws of the State of North Carolina, with an office and place of business located in Shallotte, Brunswick County, North Carolina, hereinafter referred to as "Declarant" and Owendon Plantation Property Owners Association, Inc., hereinafter referred to as "Additional Declarant":

WITNESSETH

THAT WHEREAS, on or about the 29th day of July, 1998, the Declarant, Owen Ventures. Inc., executed its "Master Declaration of Covenants, Conditions and Restrictions for Owendon Plantation";

WHEREAS, by and through the execution and recording of the Master Declaration in Book 1238, Page 958-1012 of the Brunswick County Registry, Declarant has placed those certain covenants, conditions and restrictions embodied therein on the real property described therein;

WHEREAS, the Master Declaration contains in Article Thirteen, Section 10, restrictions and covenants concerning the use and storage of motor vehicles within Owendon Plantation, the subdivision; and

WHEREAS, for reasons satisfactory to itself the Additional Declarant, through its Board of Directors, wishes to amend Article Thirteen, Section 10 of the Master Declaration to establish additional rules and regulations concerning the use and storage of motor vehicles within the subdivision which rules and regulations the Additional Declarant has deemed to be in the best interest of the owners within the subdivision;

WHEREAS, a majority of the owners in Owendon Plantation other than the Declarant have within Owendon Plantation to the establishment of the additional rules and regulations concerning the use and storage of motor vehicles within the subdivision as evidenced by the several consents attached hereto; and

WHEREAS, Declarant has also consented to the additional rules and regulations described herein concerning the use and storage of motor vehicles within the subdivision;

WHEREAS, pursuant to Article Fourteen, Section 11 of the Master Declaration, the Board of Directors of the Additional Declarant may establish additional rules and regulations as may be deemed for the best interest of the Owners in Subdivision, and, pursuant to Article Fourteen, Section 6 of the Master Declaration, the Master Declaration and the plan of development set forth therein may be altered or modified by a written document executed by the Declarant together with the owners of a majority of the Lots then owned by persons other than Declarant; and

WHEREAS, Declarant and Additional Declarant wish to amend the Master Declaration to incorporate the additional rules and regulations concerning the use and

storage of motor vehicles within the subdivision approved by the Declarant, Additional Declarant and a majority of the owners in Owendon Plantation as evidenced by the several consents attached hereto

NOW THEREFORE, the Declarant and the Additional Declarant, with the approval of a majority of the owners of lots in the subdivision as evidenced by consents attached hereto as Exhibit A, do hereby amend Section 10. MOTOR VEHICLES AND NOISE LEVEL. of the Master Declaration by striking Section 10 in its entirety and inserting in lieu thereof the following:

Section 10. MOTOR VEHICLES AND NOISE LEVEL. No motor vehicle or motorcycle shall be used on the streets except for the purpose of coming to or from the state highway to a particular Lot. All motor vehicles operated in the Development shall have quiet mufflers. Further, no person shall operate any motor vehicle in the Development unless he or she holds a valid driver's license. There shall be no outside storage or parking upon any Lot or the Common Areas within the subdivision of any motor home, trailer (either with or without wheels), tractor or truck (other than standard size pickup trucks), or boat, except as provided herein below. No owner shall repair or restore any motor vehicle or boat of any kind on or within any Lot or other portion of The Property, except (a) within enclosed garages, or (b) for emergency repairs, and then only to the extent necessary to enable the movement thereof to a proper repair facility.

In addition to the above, the following restrictions and conditions shall be observed and complied with in regards to the storage of all utility trailers and marine watercrafts:

1. No utility trailer exceeding twelve (12) feet in length and six (6) feet in width shall be parked or stored overnight on any Lot within the subdivision.
2. No marine water craft exceeding twelve feet in length (including the tongue of any trailer used to move and carry said marine watercraft) and six (6) feet in width (including the wheels of any trailer used to move and carry said marine watercraft) shall be parked or stored overnight on any Lot in the subdivision.
3. No Lot owner shall attempt to park both a utility trailer and marine watercraft overnight on any Lot in the Subdivision.
4. Should the owner of a Lot attempt to store either a utility trailer or marine watercraft on his or her lot that complies with the above, then such owner shall store such utility trailer or marine water craft on a concrete pad constructed or placed on his or her lot. Such concrete pad shall be equal in size to that of the vehicle or watercraft stored thereon. The owner shall take all steps necessary to secure the vehicle or watercraft so as to keep it from rolling around and to keep the vehicle or craft, storage area and Lot from looking unsightly. No vehicle or watercraft shall be stored on blocks.
5. No marine watercraft stored on a lot in the subdivision shall be allowed to hold standing water or any substance that may be considered to be dangerous or a health risk. No marine watercraft shall be used as storage facility by its owner.

6. The owner of a utility trailer or marine watercraft who stores his or her vehicle on a Lot within the subdivision shall be liable for any accidents incurred by anyone due to the storage of said vehicle or watercraft on his or her lot.

Except as modified herein the covenants, conditions and restrictions set forth in the Master Declaration shall remain in full force.

IN TESTIMONY THEREOF, the Declarant and Additional Declarant, have caused this Amendment to be executed as provided by law, the day and year first above written.

Owen Ventures, Inc.

By: [Signature]
Don Owen, President

Owen Plantation Property Owners Association, Inc.

By: [Signature], President

Sec. - Tru

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Erin West, Notary Public of the County and State aforesaid, certify that DON OWEN personally appeared before me this day and acknowledged that he is President of Owen Ventures, Inc., a North Carolina Corporation, and that he, as President, being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and official seal, this 30 day of September, 2004.

Erin West
Notary Public

My Commission Expires:
10-14-06

ERIN WEST
NOTARY PUBLIC
BRUNSWICK COUNTY, NC
5 COMMISSION EXPIRES 10-14-06

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I, Erin West, Notary Public of the County and State aforesaid,
certify that Frank Smith personally appeared before me this day and
acknowledged that he is ~~President~~ secretary/treasurer of Owendon Plantation Property Owners Association,
Inc., a North Carolina Corporation, and that he, as President, being authorized to do so,
executed the foregoing on behalf of the corporation.

WITNESS my hand and official seal, this 30 day of September 2004.

Erin West
Notary Public

My Commission Expires:
10-14-06

ERIN WEST
NOTARY PUBLIC
BRUNSWICK COUNTY, NC
COMMISSION EXPIRES 10-14-06

UNOFFICIAL

UNOFFICIAL
UNOFFICIAL
UNOFFICIAL
Brunswick County Register of Deeds
Robert J. Robinson
Inst #255972 Book 2107 Page 1176
03/17/2005 04:53:09pm Rec# 204834

UNOFFICIAL
UNOFFICIAL
UNOFFICIAL

CORRECTION
EXPLANATION STATEMENT TO CORRECT OBVIOUS MINOR ERROR OR MATH IN AN INSTRUMENT AS
ORIGINALLY RECORDED

RE: BOOK 2020

RE: PAGE 511

RECORDED IN THE BRUNSWICK COUNTY REGISTRY

NAMES OF ALL PARTIES TO THE ORIGINAL INSTRUMENT:

GRANTORS: OWEN VENTURES, INC. and OWENSON PLANTATION PROPERTY OWNERS

ASSOCIATION, INC.

GRANTEES:

STATE OF NORTH CAROLINA
COUNTY OF BUNSWICK

I/WE, THE UNDERSIGNED, HEREBY CERTIFY THAT THE FOLLOWING CORRECTIONS ARE MADE IN THE
ABOVE NAMED RECORDED INSTRUMENT IN ACCORDANCE WITH THE PROVISIONS OF G.S. 47-36.1 EFFECTIVE JUNE
30, 1986.

DESCRIPTION OF CORRECTION:

Page 4, Paragraph #2, change length of watercraft from "12 feet" to
"22 feet"; and width of watercraft from "6 feet" to "8 feet", an error
changed in accordance with the provisions of NCGS 47.36.1 The aforesaid
correction is being made to correspond with the original amendment approved
by the members of the Property Owners Association.

THIS, THE 15 DAY OF March, 2005

RET AIP
3 TOTAL 102 REV TC# 36
REC# CK AMT CK#
CASH REF BY JW

THE ANDERSON LAW FIRM, PLLC (SEAL)
By: [Signature] (SEAL)
Chris Webster
OWENSON PLANTATION PROPERTY OWNERS (SEAL)
ASSOCIATION, INC. UNOFFICIAL
BY: [Signature] (SEAL)
Frank Smith, Director and Secretary/Treasurer

THIS EXPLANATION STATEMENT TOGETHER WITH THE ATTACHED INSTRUMENT DULY RECORDED AT
4:52:19 O'CLOCK PM THIS THE 17th day of March 2005 IN
THE BOOK AND PAGE SHOWN ON THE FIRST PAGE HEREOF.

UNOFFICIAL
UNOFFICIAL
UNOFFICIAL
[Signature] BY Kelley Howard
REGISTER OF DEEDS ASSIST/DEPUTY REGISTER OF DEEDS

CAS, Inc.

5915 Farrington Road, Suite 104, Chapel Hill, NC 27517

919-403-1400 Fax: 919-403-1499

Accounting Office, PO Box 83, Pinchurst, North Carolina 28370 1-877-420-9320 (toll free)
edbedford@casnc.com / www.casnc.com

GUIDANCE FOR ASSOCIATION FINING PROCEDURES

- A. Determine if the Association's Declaration contains a fining provision. If a fining provision exists in the Declaration, follow that provision. If the Declaration does not contain such a provision proceed with the steps below.
- B. The Association, through its Board of Directors, should establish and follow a logical and coherent policy regarding covenant violations, i.e. warning letter to offending homeowner identifying violation and remedial action required, follow-up letter(s), etc. Once adopted this procedure needs to be communicated to all homeowners.
- C. The steps below assume that the adopted policy is followed and the violation remains has not been corrected.
- D. Assuming no fining provision exists in the Declaration, follow the provision contained in North Carolina State Law (N.C. Gen. Stat. 47F-3-107.1), as follows:
 1. Mail a letter to the homeowner identifying the nature of violation and referencing the specific provision of declaration, bylaws, or rules and regulations that has been violated. You may want to take a picture to illustrate a visual violation. We generally suggest that homeowner be given two weekends to correct a typical violation. Obviously something like bringing in a trash can does not require that much notice. The letter should contain a specific date, such as on or before October 29th. If the letter says within two weeks you can wind up arguing about deadlines.
 2. Send a second warning letter (optional) which states it is the final warning. Once again set a specific date for compliance.
 3. If the violation is not corrected in response to the warning letter(s) send a final letter. State they were sent a warning letter(s) which has been ignored. Inform the homeowner that a show cause hearing will be held and that a fine may be imposed. Inform them of the time and place of the show cause hearing. Inform them that they have the right to bring an attorney to the meeting. Be reasonable, allow

adequate time between the letter and the hearing date, I suggest a minimum of ten (10) Days.

4. The hearing is to be held before an adjudicatory panel appointed by Board or in front of Board. Be sure you have arranged a suitable location. Someone's home is not recommended.
5. At the hearing the adjudicatory panel or Board must act impartially. Listen carefully to what the homeowner has to say. Remember that the homeowner may bring their attorney, if this happens it is a good idea to have an attorney to represent the association present.
6. After the homeowner has presented his or her case and explained either why they are not in violation, or why they should not be fined, the homeowner may be excused from the hearing. After the homeowner leaves the Board should determine if a fine should be levied and the appropriate amount of the fine, up to \$100.00 per day per violation. The fine should be in line with the nature of the offending activity (for example \$100 per day for an unauthorized above-ground swimming pool; \$50.00 for a junk car, \$25 for and improperly parked car or garbage can violation). There are no rules other than common sense and those adopted by the Board.
7. The homeowner should then be notified (in writing) of the Board's decision and the date upon which a daily fine will commence. The Board **must** wait at least 5 days after the hearing (and after providing written notice) before levying a fine. The homeowner may still remedy the violation and avoid the fine until that deadline is reached. If the hearing was held before an adjudicatory board and the Board is imposing a fine, the letter should include the right to appeal the decision within fifteen days to the Board of Directors.
8. If the hearing was held before an adjudicatory board, and the homeowner files an appeal repeat the above steps, beginning with establishing an appeal date.
9. If the violation is not remedied, start fining. Be sure that the fine is accounted for on the homeowners' ledger. Send the homeowner a monthly invoice for the fine.
10. At this point the Association should hire an attorney, if they have not already done so. Under North Carolina law, the fine is an assessment. An attorney can file a lien against the homeowners property to secure payment of the fine if payment of the fine becomes past due. The lien may be ultimately foreclosed. Note that the foreclosure must occur pursuant to judicial foreclosure, not power of sale foreclosure as it the case with the collection of assessments.
11. The Association should consider waving all or part of the fine, but generally not attorney fees, if the homeowner ultimately complies. The purpose of fining is to get the homeowner to comply with the covenants, not to generate revenue for the HOA.

This document is provided as general information only. Associations should consult with their attorney in establishing fining policies and procedures.

Chapter 47F.

North Carolina Planned Community Act.

Article I.

General Provisions.

§ 47F-1-101. Short title.

This Chapter shall be known and may be cited as the North Carolina Planned Community Act. (1998-199, s. 1.)

§ 47F-1-102. Applicability.

(a) This Chapter applies to all planned communities created within this State on or after January 1, 1999, except as otherwise provided in this section.

(b) This Chapter does not apply to a planned community created within this State on or after January 1, 1999:

- (1) Which contains no more than 20 lots (including all lots which may be added or created by the exercise of development rights) unless the declaration provides or is amended to provide that this Chapter does apply to that planned community; or
- (2) In which all lots are restricted exclusively to nonresidential purposes, unless the declaration provides or is amended to provide that this Chapter does apply to that planned community.

(c) Notwithstanding the provisions of subsection (a) of this section, G.S. 47F-3-102(1) through (6) and (11) through (17) (Powers of owners' association), G.S. 47F-3-103(f) (Executive board members and officers), G.S. 47F-3-107(a), (b), and (c) (Upkeep of planned community; responsibility and assessments for damages), G.S. 47F-3-107.1 (Procedures for fines and suspension of planned community privileges or services), G.S. 47F-3-108 (Meetings), G.S. 47F-3-115 (Assessments for common expenses), and G.S. 47F-3-116 (Lien for assessments), G.S. 47F-3-118 (Association records), and G.S. 47C-3-121 (American and State flags and political sign displays) apply to all planned communities created in this State before January 1, 1999, unless the articles of incorporation or the declaration expressly provides to the contrary. These sections apply only with respect to events and circumstances occurring on or after January 1, 1999, and do not invalidate existing provisions of the declaration, bylaws, or plats and plans of those planned communities. G.S. 47F-1-103 (Definitions) also applies to all planned communities created in this State before January 1, 1999, to the extent necessary in construing any of the preceding sections.

(d) Notwithstanding the provisions of subsections (a) and (c) of this section, any planned community created prior to January 1, 1999, may elect to make the provisions of this Chapter applicable to it by amending its declaration to provide that this Chapter shall apply to that planned community. The amendment may be made by affirmative vote or written agreement signed by lot owners of lots to which at least sixty-seven percent (67%) of the votes in the association are allocated or any smaller majority the declaration specifies. To the extent the procedures and requirements for amendment in the declaration conflict with the provisions of this subsection, this subsection shall control with respect to any amendment to provide that this Chapter applies to that planned community.

(e) This Chapter does not apply to planned communities or lots located outside this State. (1998-199, s. 1; 2002-112, s. 2; 2004-109, s. 3.)

§ 47F-1-103. Definitions.

In the declaration and bylaws, unless specifically provided otherwise or the context otherwise requires, and in this Chapter:

- (1) Reserved.



- (2) "Allocated interests" means the common expense liability and votes in the association allocated to each lot.
- (3) "Association" or "owners' association" means the association organized as allowed under North Carolina law, including G.S. 47F-3-101.
- (4) "Common elements" means any real estate within a planned community owned or leased by the association, other than a lot.
- (5) "Common expenses" means expenditures made by or financial liabilities of the association, together with any allocations to reserves.
- (6) "Common expense liability" means the liability for common expenses allocated to each lot as permitted by this Chapter, the declaration or otherwise by law.
- (7) "Condominium" means real estate, as defined and created under Chapter 47C [of the General Statutes].
- (8) "Cooperative" means real estate owned by a corporation, trust, trustee, partnership, or unincorporated association, where the governing instruments of that organization provide that each of the organization's members, partners, stockholders, or beneficiaries is entitled to exclusive occupancy of a designated portion of that real estate.
- (9) "Declarant" means any person or group of persons acting in concert who (i) as part of a common promotional plan, offers to dispose of the person's or group's interest in a lot not previously disposed of, or (ii) reserves or succeeds to any special declarant right.
- (10) "Declaration" means any instruments, however denominated, that create a planned community and any amendments to those instruments.
- (11), (12) Reserved.
- (13) "Executive board" means the body, regardless of name, designated in the declaration to act on behalf of the association.
- (14), (15) Reserved.
- (16) "Leasehold planned community" means a planned community in which all or a portion of the real estate is subject to a lease, the expiration or termination of which will terminate the planned community or reduce its size.
- (17) "Lessee" means the party entitled to present possession of a leased lot whether lessee, sublessee, or assignee.
- (18) "Limited common element" means a portion of the common elements allocated by the declaration or by operation of law for the exclusive use of one or more but fewer than all of the lots.
- (19) "Lot" means a physical portion of the planned community designated for separate ownership or occupancy by a lot owner.
- (20) "Lot owner" means a declarant or other person who owns a lot, or a lessee of a lot in a leasehold planned community whose lease expires simultaneously with any lease the expiration or termination of which will remove the lot from the planned community, but does not include a person having an interest in a lot solely as security for an obligation.
- (21) "Master association" means an organization described in G.S. 47F-2-120, whether or not it is also an association described in G.S. 47F-3-101.
- (22) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.
- (23) "Planned community" means real estate with respect to which any person, by virtue of that person's ownership of a lot, is expressly obligated by a declaration to pay real property taxes, insurance premiums, or other expenses to maintain, improve, or



benefit other lots or other real estate described in the declaration. For purposes of this act, neither a cooperative nor a condominium is a planned community, but real estate comprising a condominium or cooperative may be part of a planned community. "Ownership of a lot" does not include holding a leasehold interest of less than [than] 20 years in a lot, including renewal options.

- (24) "Purchaser" means any person, other than a declarant or a person in the business of selling real estate for the purchaser's own account, who by means of a voluntary transfer acquires a legal or equitable interest in a lot, other than (i) a leasehold interest (including renewal options) of less than 20 years, or (ii) as security for an obligation.
- (25) "Real estate" means any leasehold or other estate or interest in, over, or under land, including structures, fixtures, and other improvements and interests which by custom, usage, or law pass with a conveyance of land though not described in the contract of sale or instrument of conveyance. "Real estate" includes parcels with or without upper or lower boundaries, and spaces that may be filled with air or water.
- (26) "Reasonable attorneys' fees" means attorneys' fees reasonably incurred without regard to any limitations on attorneys' fees which otherwise may be allowed by law.
- (27) Reserved.
- (28) "Special declarant rights" means rights reserved for the benefit of a declarant including, without limitation, any right (i) to complete improvements indicated on plats and plans filed with the declaration; (ii) to exercise any development right; (iii) to maintain sales offices, management offices, signs advertising the planned community, and models; (iv) to use easements through the common elements for the purpose of making improvements within the planned community or within real estate which may be added to the planned community; (v) to make the planned community part of a larger planned community or group of planned communities; (vi) to make the planned community subject to a master association; or (vii) to appoint or remove any officer or executive board member of the association or any master association during any period of declarant control.
- (29) Reserved. (1998-199, s. 1.)

§ 47F-1-104. Variation.

(a) Except as specifically provided in specific sections of this Chapter, the provisions of this Chapter may not be varied by the declaration or bylaws.

(b) The provisions of this Chapter may not be varied by agreement; however, after breach of a provision of this Chapter, rights created hereunder may be knowingly waived in writing.

(c) Notwithstanding any of the provisions of this Chapter, a declarant may not act under a power of attorney or proxy or use any other device to evade the limitations or prohibitions of this Chapter, the declaration, or the bylaws. (1998-199, s. 1.)

§ 47F-1-105. Reserved for future codification purposes.

§ 47F-1-106. Applicability of local ordinances, regulations, and building codes.

A zoning, subdivision, or building code or other real estate use law, ordinance, or regulation may not prohibit a planned community or impose any requirement upon a planned community which it would not impose upon a substantially similar development under a different form of ownership or administration. Otherwise, no provision of this Chapter invalidates or modifies any provision of any zoning, subdivision, or building code or any other real estate use law, ordinance, or regulation. No local ordinance or regulation may require the recordation of a declaration prior to the date required by this Chapter. (1998-199, s. 1.)



§ 47F-1-107. Eminent domain.

(a) If a lot is acquired by eminent domain, or if part of a lot is acquired by eminent domain leaving the lot owner with a remnant which may not practically or lawfully be used for any purpose permitted by the declaration, the award shall compensate the lot owner for his lot and its interest in the common element. Upon acquisition, unless the decree otherwise provides, the lot's allocated interests are automatically reallocated to the remaining lots in proportion to the respective allocated interests of those lots before the taking, exclusive of the lot taken.

(b) Except as provided in subsection (a) of this section, if part of a lot is acquired by eminent domain, the award shall compensate the lot owner for the reduction in value of the lot. Upon acquisition, unless the decree otherwise provides, (i) that lot's allocated interests are reduced in proportion to the reduction in the size of the lot, or on any other basis specified in the declaration, and (ii) the portion of the allocated interests divested from the partially acquired lot are automatically reallocated to that lot and the remaining lots in proportion to the respective allocated interests of those lots before the taking, with the partially acquired lot participating in the reallocation on the basis of its reduced allocated interests.

(c) If there is any reallocation under subsection (a) or (b) of this section, the association shall promptly prepare, execute, and record an amendment to the declaration reflecting the reallocations. Any remnant of a lot remaining after part of a lot is taken under this subsection is thereafter a common element.

(d) If part of the common elements is acquired by eminent domain, the portion of the award attributable to the common elements taken shall be paid to the association. Unless the declaration provides otherwise, any portion of the award attributable to the acquisition of a limited common element shall be apportioned among the owners of the lots to which that limited common element was allocated at the time of acquisition based on their allocated interest in the common elements before the taking.

(e) The court decree shall be recorded in every county in which any portion of the planned community is located. (1998-199, s. 1.)

§ 47F-1-108. Supplemental general principles of law applicable.

The principles of law and equity as well as other North Carolina statutes (including the provisions of the North Carolina Nonprofit Corporation Act) supplement the provisions of this Chapter, except to the extent inconsistent with this Chapter. When these principles or statutes are inconsistent or conflict with this Chapter, the provisions of this Chapter will control. (1998-199, s. 1.)

§ 47F-1-109. Reserved for future codification purposes.

Article 2

Creation, Alteration, and Termination of Planned Communities.

§ 47F-2-101. Creation of the planned community.

A declaration creating a planned community shall be executed in the same manner as a deed, shall be recorded in every county in which any portion of the planned community is located, and shall be indexed in the Grantee index in the name of the planned community and the association and in the Grantor index in the name of each person executing the declaration. (1998-199, s. 1.)

§ 47F-2-102. Reserved for future codification purposes.

§ 47F-2-103. Construction and validity of declaration and bylaws.

(a) All provisions of the declaration and bylaws are severable.



(b) The rule against perpetuities may not be applied to defeat any provision of the declaration, bylaws, rules, or regulations adopted pursuant to G.S. 47F-3-102(1).

(c) In the event of a conflict between the provisions of the declaration and the bylaws, the declaration prevails except to the extent the declaration is inconsistent with this Chapter.

(d) Title to a lot and common elements is not rendered unmarketable or otherwise affected by reason of an insubstantial failure of the declaration to comply with this Chapter. Whether a substantial failure to comply with this Chapter impairs marketability shall be determined by the law of this State relating to marketability. (1998-199, s. 1.)

§§ 47F-2-104 through 47F-2-116. Reserved for future codification purposes.

§ 47F-2-117. Amendment of declaration.

(a) Except in cases of amendments that may be executed by a declarant under the terms of the declaration or by certain lot owners under G.S. 47F-2-118(b), the declaration may be amended only by affirmative vote or written agreement signed by lot owners of lots to which at least sixty-seven percent (67%) of the votes in the association are allocated, or any larger majority the declaration specifies or by the declarant if necessary for the exercise of any development right. The declaration may specify a smaller number only if all of the lots are restricted exclusively to nonresidential use.

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

(c) Every amendment to the declaration shall be recorded in every county in which any portion of the planned community is located and is effective only upon recordation. An amendment shall be indexed in the Grantee index in the name of the planned community and the association and in the Grantor index in the name of each person executing the amendment.

(d) Reserved.

(e) Amendments to the declaration required by this Chapter to be recorded by the association shall be prepared, executed, recorded, and certified in accordance with G.S. 47-41. (1998-199, s. 1.)

§ 47F-2-118. Termination of planned community.

(a) Except in the case of taking of all the lots by eminent domain (G.S. 47F-1-107), a planned community may be terminated only by agreement of lot owners of lots to which at least eighty percent (80%) of the votes in the association are allocated, or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the lots in the planned community are restricted exclusively to nonresidential uses.

(b) An agreement to terminate shall be evidenced by the execution of a termination agreement, or ratifications thereof, in the same manner as a deed, by the requisite number of lot owners. The termination agreement shall specify a date after which the agreement will be void unless it is recorded before that date. A termination agreement and all ratifications thereof shall be recorded in every county in which a portion of the planned community is situated and is effective only upon recordation.

(c) A termination agreement may provide for sale of the common elements, but may not require that the lots be sold following termination, unless the declaration as originally recorded provided otherwise or unless all the lot owners consent to the sale. If, pursuant to the agreement, any real estate in the planned community is to be sold following termination, the termination agreement shall set forth the minimum terms of the sale.

(d) The association, on behalf of the lot owners, may contract for the sale of real estate in the planned community, but the contract is not binding until approved pursuant to subsections (a) and (b) of this section. Until the sale has been concluded and the proceeds thereof distributed, the association continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to lot owners and lienholders as their interests may appear, as provided in the termination agreement.



(c) If the real estate constituting the planned community is not to be sold following termination, title to the common elements vests in the lot owners upon termination as tenants in common in proportion to their respective interests as provided in the termination agreement.

(f) Following termination of the planned community, the proceeds of any sale of real estate, together with the assets of the association, are held by the association as trustee for lot owners and holders of liens on the lots as their interests may appear. All other creditors of the association are to be treated as if they had perfected liens on the common elements immediately before termination.

(g) If the termination agreement does not provide for the distribution of sales proceeds pursuant to subsection (d) of this section or the vesting of title pursuant to subsection (e) of this section, sales proceeds shall be distributed and title shall vest in accordance with each lot owner's allocated share of common expense liability.

(h) Except as provided in subsection (i) of this section, foreclosure or enforcement of a lien or encumbrance against the common elements does not of itself terminate the planned community, and foreclosure or enforcement of a lien or encumbrance against a portion of the common elements other than withdrawable real estate does not withdraw that portion from the planned community. Foreclosure or enforcement of a lien or encumbrance against withdrawable real estate does not of itself withdraw that real estate from the planned community, but the person taking title thereto has the right to require from the association, upon request, an amendment excluding the real estate from the planned community.

(i) If a lien or encumbrance against a portion of the real estate comprising the planned community has priority over the declaration and the lien or encumbrance has not been partially released, the parties foreclosing the lien or encumbrance may, upon foreclosure, record an instrument excluding the real estate subject to that lien or encumbrance from the planned community. (1998-199, s. 1.)

§ 47F-2-119. Reserved for future codification purposes.

§ 47F-2-120. Master associations.

If the declaration for a planned community provides that any of the powers described in G.S. 47F-3-102 are to be exercised by or may be delegated to a profit or nonprofit corporation which exercises those or other powers on behalf of one or more other planned communities or for the benefit of the lot owners of one or more other planned communities, all provisions of this act applicable to lot owners' associations apply to any such corporation. (1998-199, s. 1.)

§ 47F-2-121. Merger or consolidation of planned communities.

(a) Any two or more planned communities, by agreement of the lot owners as provided in subsection (b) of this section, may be merged or consolidated into a single planned community. In the event of a merger or consolidation, unless the agreement otherwise provides, the resultant planned community is, for all purposes, the legal successor of all of the preexisting planned communities, and the operations and activities of all associations of the preexisting planned communities shall be merged or consolidated into a single association which shall hold all powers, rights, obligations, assets, and liabilities of all preexisting associations.

(b) An agreement of two or more planned communities to merge or consolidate pursuant to subsection (a) of this section shall be evidenced by an agreement prepared, executed, recorded, and certified by the president of the association of each of the preexisting planned communities following approval by owners of lots to which are allocated the percentage of votes in each planned community required to terminate that planned community. Any such agreement shall be recorded in every county in which a portion of the planned community is located and is not effective until recorded.

(c) Every merger or consolidation agreement shall provide for the reallocation of the allocated interests in the new association among the lots of the resultant planned community either (i) by stating the reallocations or the formulas upon which they are based or (ii) by stating the percentage of overall common expense liabilities and votes in the new association which are allocated to all of the lots



comprising each of the preexisting planned communities, and providing that the portion of the percentages allocated to each lot formerly comprising a part of the preexisting planned community shall be equal to the percentages of common expense liabilities and votes in the association allocated to that lot by the declaration of the preexisting planned community. (1998-199, s. 1.)

Article 3.

Management of Planned Community.

§ 47F-3-101. Organization of owners' association.

A lot owners' association shall be incorporated no later than the date the first lot in the planned community is conveyed. The membership of the association at all times shall consist exclusively of all the lot owners or, following termination of the planned community, of all persons entitled to distributions of proceeds under G.S. 47F-2-118. Every association created after the effective date of this Chapter shall be organized as a nonprofit corporation. (1998-199, s. 1.)

§ 47F-3-102. Powers of owners' association.

Unless the articles of incorporation or the declaration expressly provides to the contrary, the association may:

- (1) Adopt and amend bylaws and rules and regulations;
- (2) Adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from lot owners;
- (3) Hire and discharge managing agents and other employees, agents, and independent contractors;
- (4) Institute, defend, or intervene in litigation or administrative proceedings on matters affecting the planned community;
- (5) Make contracts and incur liabilities;
- (6) Regulate the use, maintenance, repair, replacement, and modification of common elements;
- (7) Cause additional improvements to be made as a part of the common elements;
- (8) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, provided that common elements may be conveyed or subjected to a security interest only pursuant to G.S. 47F-3-112;
- (9) Grant easements, leases, licenses, and concessions through or over the common elements;
- (10) Impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements other than the limited common elements and for services provided to lot owners;
- (11) Impose reasonable charges for late payment of ~~assessments~~ assessments, not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any assessment installment unpaid and, after notice and an opportunity to be heard, suspend privileges or services provided by the association (except rights of access to lots) during any period that assessments or other amounts due and owing to the association remain unpaid for a period of 30 days or longer; (12) After notice and an opportunity to be heard, impose reasonable fines or suspend privileges or services provided by the association (except rights of access to lots) for reasonable periods for violations of the declaration, bylaws, and rules and regulations of the association;
- (13) Impose reasonable charges in connection with the preparation and recordation of documents, including, without limitation, amendments to the declaration or statements of unpaid assessments;



- (14) Provide for the indemnification of and maintain liability insurance for its officers, executive board, directors, employees, and agents;
- (15) Assign its right to future income, including the right to receive common expense assessments;
- (16) Exercise all other powers that may be exercised in this State by legal entities of the same type as the association; and
- (17) Exercise any other powers necessary and proper for the governance and operation of the association. (1998-199, s. 1; 2004-109, s. 4.)

§ 47F-3-103. Executive board members and officers.

(a) Except as provided in the declaration, in the bylaws, in subsection (b) of this section, or in other provisions of this Chapter, the executive board may act in all instances on behalf of the association. In the performance of their duties, officers and members of the executive board shall discharge their duties in good faith. Officers shall act according to the standards for officers of a nonprofit corporation set forth in G.S. 55A-8-42, and members shall act according to the standards for directors of a nonprofit corporation set forth in G.S. 55A-8-30.

(b) The executive board may not act unilaterally on behalf of the association to amend the declaration (G.S. 47F-2-117), to terminate the planned community (G.S. 47F-2-118), or to elect members of the executive board or determine the qualifications, powers and duties, or terms of office of executive board members (G.S. 47F-3-103(f)), (G.S. 47F-3-103(e)), but the executive board may unilaterally fill vacancies in its membership for the unexpired portion of any term. Notwithstanding any provision of the declaration or bylaws to the contrary, the lot owners, by a majority vote of all persons present and entitled to vote at any meeting of the lot owners at which a quorum is present, may remove any member of the executive board with or without cause, other than a member appointed by the declarant."

(c) Within 30 days after adoption of any proposed budget for the planned community, the executive board shall provide to all the lot owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The executive board shall set a date for a meeting of the lot owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all the lot owners in the association or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the lot owners shall be continued until such time as the lot owners ratify a subsequent budget proposed by the executive board.

(d) The declaration may provide for a period of declarant control of the association, during which period a declarant, or persons designated by the declarant, may appoint and remove the officers and members of the executive board.

(e) Not later than the termination of any period of declarant control, the lot owners shall elect an executive board of at least three members, at least a majority of whom shall be lot owners. The executive board shall elect the officers. The executive board members and officers shall take office upon election. (1998-199, s. 1.)

(f) The association shall publish the names and addresses of all officers and board members of the association within 30 days of their election.

§ 47F-3-104. Transfer of special declarant rights.

Except for transfer of declarant rights pursuant to foreclosure, no special declarant right (G.S. 47F-1-103(28)) may be transferred except by an instrument evidencing the transfer recorded in every county in which any portion of the planned community is located. The instrument is not effective unless executed by the transferee. (1998-199, s. 1.)

§ 47F-3-105. Termination of contracts and leases of declarant.



If entered into before the executive board elected by the lot owners pursuant to G.S. 47F-3-103(e) takes office, any contract or lease affecting or related to the planned community that is not bona fide or was unconscionable to the lot owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the association at any time after the executive board elected by the lot owners pursuant to G.S. 47F-3-103(e) takes office upon not less than 90 days' notice to the other party. (1998-199, s. 1.)

§ 47F-3-106. Bylaws.

(a) The bylaws of the association shall provide for:

- (1) The number of members of the executive board and the titles of the officers of the association;
- (2) Election by the executive board of officers of the association;
- (3) The qualifications, powers and duties, terms of office, and manner of electing and removing executive board members and officers and filling vacancies;
- (4) Which, if any, of its powers the executive board or officers may delegate to other persons or to a managing agent;
- (5) Which of its officers may prepare, execute, certify, and record amendments to the declaration on behalf of the association; and
- (6) The method of amending the bylaws.

(b) The bylaws may provide for any other matters the association deems necessary and appropriate. (1998-199, s. 1.)

§ 47F-3-107. Upkeep of planned community; responsibility and assessments for damages.

(a) Except as otherwise provided in the declaration, G.S. 47F-3-113(h) or subsection (b) of this section, the association is responsible for causing the common elements to be maintained, repaired, and replaced when necessary and to assess the lot owners as necessary to recover the costs of such maintenance, repair, or replacement except that the costs of maintenance, repair, or replacement of a limited common element shall be assessed as provided in G.S. 47F-3-115(c)(1). Except as otherwise provided in the declaration, each lot owner is responsible for the maintenance and repair of his lot and any improvements thereon. Each lot owner shall afford to the association and when necessary to another lot owner access through the lot owner's lot reasonably necessary for any such maintenance, repair, or replacement activity.

(b) If a lot owner is legally responsible for damage inflicted on any common element, the association may direct such lot owner to repair such damage, or the association may itself cause the repairs to be made and recover damages from the responsible lot owner.

(c) If damage is inflicted on any lot by an agent of the association in the scope of the agent's activities as such agent, the association is liable to repair such damage or to reimburse the lot owner for the cost of repairing such damages. The association shall also be liable for any losses to the lot owner.

(d) When the claim under subsection (b) or (c) of this section is less than or equal to the jurisdictional amount established for small claims by G.S. 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the executive board to determine if a lot owner is responsible for damages to any common element or the association is responsible for damages to any lot. If the executive board fails to appoint an adjudicatory panel to hear such matters, hearings under this section shall be held before the executive board. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each lot owner charged or against the association not in excess of the jurisdictional amount established for small claims by G.S. 7A-210. When the claim under subsection (b) or (c) of this section exceeds the jurisdictional amount established for small claims by G.S. 7A-210, liability of any lot owner charged or the association shall be determined as otherwise provided by law. Liabilities of lot owners determined by adjudicatory hearing or as otherwise



provided by law shall be assessments secured by lien under G.S. 47F-3-116. Liabilities of the association determined by adjudicatory hearing or as otherwise provided by law may be offset by the lot owner against sums owing to the association and if so offset, shall reduce the amount of any lien of the association against the lot at issue.

(e) The association shall not be liable for maintenance, repair, and all other expenses in connection with any real estate which has not been incorporated into the planned community. (1998-199, s. 1.)

§ 47F-3-107.1. Procedures for fines and suspension of planned community privileges or services.
Procedures for fines and suspension of planned community privileges or services.

Unless a specific procedure for the imposition of fines or suspension of planned community privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any lot owner should be fined or if planned community privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47F-3-102(11) and (12). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. If the executive board fails to appoint an adjudicatory panel to hear such matters, hearings under this section shall be held before the executive board. The lot owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. If it is decided that a fine should be imposed, a fine not to exceed one hundred ~~fifty~~ (\$150.00) (\$100.00) dollars may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation occurs. Such fines shall be assessments secured by liens under G.S. 47F-3-116. If it is decided that a suspension of planned community privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. The lot owner may appeal the decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body."

(1997-456, s. 27; 1998-199, s. 1.)

§ 47F-3-108. Meetings.

(a) A meeting of the association shall be held at least once each year. Special meetings of the association may be called by the president, a majority of the executive board, or by lot owners having ten percent (10%), or any lower percentage specified in the bylaws, of the votes in the association. Not less than 10 nor more than 60 days in advance of any meeting, the secretary or other officer specified in the bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each lot or to any other mailing address designated in writing by the lot owner, or sent by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the lot owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the declaration or bylaws, any budget changes, and any proposal to remove a director or officer.

(b) Meetings of the executive board shall be held as provided in the bylaws. At regular intervals, the executive board meeting shall provide lot owners an opportunity to attend a portion of an executive board meeting and to speak to the executive board about their issues or concerns. The executive board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

(c) Except as otherwise provided in the bylaws, meetings of the association and the executive board shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised."

§ 47F-3-109. Quorums.



(a) Unless the bylaws provide otherwise, a quorum is present throughout any meeting of the association if persons entitled to cast ten percent (10%) of the votes which may be cast for election of the executive board are present in person or by proxy at the beginning of the meeting.

(b) Unless the bylaws specify a larger percentage, a quorum is deemed present throughout any meeting of the executive board if persons entitled to cast fifty percent (50%) of the votes on that board are present at the beginning of the meeting.

(c) In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy. Notwithstanding any provision to the contrary in the declaration or the bylaws, the quorum requirement at the next meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted. (1998-199, s. 1.)

§ 47F-3-110. Voting; proxies.

(a) If only one of the multiple owners of a lot is present at a meeting of the association, the owner who is present is entitled to cast all the votes allocated to that lot. If more than one of the multiple owners are present, the votes allocated to that lot may be cast only in accordance with the agreement of a majority in interest of the multiple owners, unless the declaration or bylaws expressly provide otherwise. Majority agreement is conclusively presumed if any one of the multiple owners casts the votes allocated to that lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the lot.

(b) Votes allocated to a lot may be cast pursuant to a proxy duly executed by a lot owner. If a lot is owned by more than one person, each owner of the lot may vote or register protest to the casting of votes by the other owners of the lot through a duly executed proxy. A lot owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the association. A proxy is void if it is not dated. A proxy terminates 11 months after its date, unless it specifies a shorter term.

(c) If the declaration requires that votes on specified matters affecting the planned community be cast by lessees rather than lot owners of leased lots, (i) the provisions of subsections (a) and (b) of this section apply to lessees as if they were lot owners; (ii) lot owners who have leased their lots to other persons may not cast votes on those specified matters; and (iii) lessees are entitled to notice of meetings, access to records, and other rights respecting those matters as if they were lot owners. Lot owners shall also be given notice, in the manner provided in G.S. 47F-3-108, of all meetings at which lessees may be entitled to vote.

(d) No votes allocated to a lot owned by the association may be cast.

(e) The declaration may provide that on specified issues only a defined subgroup of lot owners may vote provided:

- (1) The issue being voted is of special interest solely to the members of the subgroup; and
- (2) All except de minimis cost that will be incurred based on the vote taken will be assessed solely against those lot owners entitled to vote.

(f) For purposes of subdivision (e)(1) above, an issue to be voted on is not a special interest solely to a subgroup if it substantially affects the overall appearance of the planned community or substantially affects living conditions of lot owners not included in the voting subgroup. (1998-199, s. 1.)

§ 47F-3-111. Tort and contract liability.

(a) Neither the association nor any lot owner except the declarant is liable for that declarant's torts in connection with any part of the planned community which that declarant has the responsibility to maintain.



(b) An action alleging a wrong done by the association shall be brought against the association and not against a lot owner.

(c) Any statute of limitation affecting the association's right of action under this section is tolled until the period of declarant control terminates. A lot owner is not precluded from bringing an action contemplated by this section because the person is a lot owner or a member of the association. (1998-199, s. 1.)

§ 47F-3-112. Conveyance or encumbrance of common elements.

(a) Portions of the common elements may be conveyed or subjected to a security interest by the association if persons entitled to cast at least eighty percent (80%) of the votes in the association, or any larger percentage the declaration specifies, agree in writing to that action; provided that all the owners of lots to which any limited common element is allocated shall agree in order to convey that limited common element or subject it to a security interest. The declaration may specify a smaller percentage only if all the lots are restricted exclusively to nonresidential uses. Distribution of proceeds of the sale of a limited common element shall be as provided by agreement between the lot owners to which it is allocated and the association. Proceeds of the sale or financing of a common element (other than a limited common element) shall be an asset of the association.

(b) The association, on behalf of the lot owners, may contract to convey common elements or subject them to a security interest, but the contract is not enforceable against the association until approved pursuant to subsection (a) of this section. Thereafter, the association has all powers necessary and appropriate to effect the conveyance or encumbrance, free and clear of any interest of any lot owner or the association in or to the common element conveyed or encumbered, including the power to execute deeds or other instruments.

(c) Any purported conveyance, encumbrance, or other voluntary transfer of common elements, unless made pursuant to this section is void.

(d) No conveyance or encumbrance of common elements pursuant to this section may deprive any lot of its rights of access and support. (1998-199, s. 1.)

§ 47F-3-113. Insurance.

(a) Commencing not later than the time of the first conveyance of a lot to a person other than a declarant, the association shall maintain, to the extent reasonably available:

- (1) Property insurance on the common elements insuring against all risks of direct physical loss commonly insured against including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies; and
- (2) Liability insurance in reasonable amounts, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements.

(b) If the insurance described in subsection (a) of this section is not reasonably available, the association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all lot owners. The declaration may require the association to carry any other insurance, and the association in any event may carry any other insurance it deems appropriate to protect the association or the lot owners.

(c) Insurance policies carried pursuant to subsection (a) of this section shall provide that:

- (1) Each lot owner is an insured person under the policy to the extent of the lot owner's insurable interest;
- (2) The insurer waives its right to subrogation under the policy against any lot owner or member of the lot owner's household;



- (3) No act or omission by any lot owner, unless acting within the scope of the owner's authority on behalf of the association, will preclude recovery under the policy; and
- (4) If, at the time of a loss under the policy, there is other insurance in the name of a lot owner covering the same risk covered by the policy, the association's policy provides primary insurance.

(d) Any loss covered by the property policy under subdivision (a)(1) of this section shall be adjusted with the association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the association, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the association shall hold any insurance proceeds in trust for lot owners and lienholders as their interests may appear. Subject to the provisions of subsection (h) of this section, the proceeds shall be disbursed first for the repair or restoration of the damaged property, and lot owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the planned community is terminated.

(e) An insurance policy issued to the association does not prevent a lot owner from obtaining insurance for the lot owner's own benefit.

(f) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the association and, upon written request, to any lot owner, mortgagee, or beneficiary under a deed of trust. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the association, each lot owner, and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(g) Any portion of the planned community for which insurance is required under subdivision (a)(1) of this section which is damaged or destroyed shall be repaired or replaced promptly by the association unless (i) the planned community is terminated, (ii) repair or replacement would be illegal under any State or local health or safety statute or ordinance, or (iii) the lot owners decide not to rebuild by an eighty percent (80%) vote, including one hundred percent (100%) approval of owners assigned to the limited common elements not to be rebuilt. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. If any portion of the planned community is not repaired or replaced, (i) the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the planned community, (ii) the insurance proceeds attributable to limited common elements which are not rebuilt shall be distributed to the owners of the lots to which those limited common elements were allocated, or to lienholders, as their interests may appear, and (iii) the remainder of the proceeds shall be distributed to all the lot owners or lienholders, as their interests may appear, in proportion to the common expense liabilities of all the lots. Notwithstanding the provisions of this subsection, G.S. 47F-2-118 (termination of the planned community) governs the distribution of insurance proceeds if the planned community is terminated.

(h) The provisions of this section may be varied or waived in the case of a planned community all of whose lots are restricted to nonresidential use. (1998-199, s. 1.)

§ 47F-3-114. Surplus funds.

Unless otherwise provided in the declaration, any surplus funds of the association remaining after payment of or provision for common expenses, the funding of a reasonable operating expense surplus, and any prepayment of reserves shall be paid to the lot owners in proportion to their common expense liabilities or credited to them to reduce their future common expense assessments. (1998-199, s. 1.)

§ 47F-3-115. Assessments for common expenses.

(a) Except as otherwise provided in the declaration, until the association makes a common expense assessment, the declarant shall pay all common expenses. After any assessment has been made by the association, assessments thereafter shall be made at least annually.



(b) Except for assessments under subsections (c), (d), and (e) of this section, all common expenses shall be assessed against all the lots in accordance with the allocations set forth in the declaration. Any past-due common expense assessment or installment thereof bears interest at the rate established by the association not exceeding eighteen percent (18%) per year. For planned communities created prior to January 1, 1999, interest may be charged on any past-due common expense assessment or installment only if the declaration provides for interest charges, and where the declaration does not otherwise specify the interest rate, the rate may not exceed eighteen percent (18%) per year.

(c) To the extent required by the declaration:

- (1) Any common expense associated with the maintenance, repair, or replacement of a limited common element shall be assessed against the lots to which that limited common element is assigned, equally, or in any other proportion that the declaration provides;
- (2) Any common expense or portion thereof benefiting fewer than all of the lots shall be assessed exclusively against the lots benefited; and
- (3) The costs of insurance shall be assessed in proportion to risk and the costs of utilities shall be assessed in proportion to usage.

(d) Assessments to pay a judgment against the association may be made only against the lots in the planned community at the time the judgment was entered, in proportion to their common expense liabilities.

(e) If any common expense is caused by the negligence or misconduct of any lot owner or occupant, the association may assess that expense exclusively against that lot owner or occupant's lot.

(f) If common expense liabilities are reallocated, common expense assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated common expense liabilities. (1998-199, s. 1.)

§ 47F-3-116. Lien for assessments.

a) Any assessment levied against a lot remaining unpaid for a period of 30 days or longer shall constitute a lien on that lot when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the lot is located in the manner provided herein. Unless the declaration otherwise provides, fees, charges, late charges, and other charges imposed pursuant to G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115 are enforceable as assessments under this section. The Except as provided in subsections (a1) and (a2) of this section, the association may foreclose the claim of lien in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. ~~Unless the declaration otherwise provides, fees, charges, late charges, fines, interest, and other charges imposed pursuant to G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115 are enforceable as assessments under this section.~~

(a1) An association may not foreclose an association assessment lien under Article 2A of Chapter 45 of the General Statutes if the debt securing the lien consists solely of fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines imposed by the association. The association, however, may enforce the lien by judicial foreclosure as provided in Article 29A of Chapter 1 of the General Statutes.

(a2) An association shall not levy, charge, or attempt to collect a service, collection, consulting, or administration fee from any lot owner unless the fee is expressly allowed in the declaration. Any lien securing a debt consisting solely of these fees may only be enforced by judicial foreclosure as provided in Article 29A of Chapter 1 of the General Statutes.

(b) The lien under this section is prior to all liens and encumbrances on a lot except (i) liens and encumbrances (specifically including, but not limited to, a mortgage or deed of trust on the lot) recorded before the docketing of the claim of lien in the office of the clerk of superior court, and (ii) liens for real estate taxes and other governmental assessments and charges against the lot. This subsection does not affect the priority of mechanics' or materialmen's liens.



(c) A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the clerk of superior court.

(d) This section does not prohibit other actions to recover the sums for which subsection (a) of this section creates a lien or prohibit an association taking a deed in lieu of foreclosure.

(e) A judgment, decree, or order in any action brought under this section shall include costs and reasonable attorneys' fees for the prevailing party. If the lot owner does not contest the collection of debt and enforcement of a lien after the expiration of the 15-day period following notice as required in subsection (e1) of this section, then reasonable attorneys' fees shall not exceed one thousand two hundred dollars (\$1,200), not including costs or expenses incurred. The collection of debt and enforcement of a lien remain uncontested as long as the lot owner does not dispute, contest, or raise any objection, defense, offset, or counterclaim as to the amount or validity of the debt and lien asserted or the association's right to collect the debt and enforce the lien as provided in this section. The attorneys' fee limitation in this subsection shall not apply to judicial foreclosures or to proceedings authorized under subsection (d) of this section or G.S. 47F-3-120.

(e1) A lot owner may not be required to pay attorneys' fees and court costs until the lot owner is notified in writing of the association's intent to seek payment of attorneys' fees and court costs. The notice must be sent by first-class mail to the property address and, if different, to the mailing address for the lot owner in the association's records. The notice shall set out the outstanding balance due as of the date of the notice and state that the lot owner has 15 days from the mailing of the notice by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If the lot owner pays the outstanding balance within this period, then the lot owner shall have no obligation to pay attorneys' fees and court costs. The notice shall also inform the lot owner of the opportunity to contact a representative of the association to discuss a payment schedule for the outstanding balance as provided in subsection (e2) of this section and shall provide the name and telephone number of the representative.

(e2) The association, acting through its executive board and in the board's sole discretion, may agree to allow payment of an outstanding balance in installments. Neither the association nor the lot owner is obligated to offer or accept any proposed installment schedule. Reasonable administrative fees and costs for accepting and processing installments may be added to the outstanding balance and included in an installment payment schedule. Reasonable attorneys' fees may be added to the outstanding balance and included in an installment schedule only after the lot owner has been given notice as required in subsection (e1) of this section.

(f) Where the holder of a first mortgage or first deed of trust of record, or other purchaser of a lot obtains title to the lot as a result of foreclosure of a first mortgage or first deed of trust, such purchaser and its heirs, successors, and assigns, shall not be liable for the assessments against such lot which became due prior to the acquisition of title to such lot by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all the lot owners including such purchaser, its heirs, successors, and assigns.

(g) A claim of lien shall set forth the name and address of the association, the name of the record owner of the lot at the time the claim of lien is filed, a description of the lot, and the amount of the lien claimed. (1998-199, s. 1.)

§ 47F-3-117. Reserved for future codification purposes.

§ 47F-3-118. Association records.

(a) The association shall keep financial records sufficiently detailed to enable the association to comply with this Chapter. All financial and other ~~records~~ records, including records of meetings of the association and executive board, shall be made reasonably available for examination by any lot owner and the lot owner's authorized agents ~~agents~~ as required in the bylaws and Chapter 55A of the General Statutes. If the bylaws do not specify particular records to be maintained, the association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. In addition to any



specific information that is required by the bylaws to be assembled and reported to the lot owners at specified times, the association shall make an annual income and expense statement and balance sheet available to all lot owners at no charge and within 75 days after the close of the fiscal year to which the information relates. Notwithstanding the bylaws, a more extensive compilation, review, or audit of the association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the executive board or by the affirmative vote of a majority of the lot owners present and voting in person or by proxy at any annual meeting or any special meeting duly called for that purpose.

(b) The association, upon written request, shall furnish to a lot owner or the lot owner's authorized agents a statement setting forth the amount of unpaid assessments and other charges against a lot. The statement shall be furnished within 10 business days after receipt of the request and is binding on the association, the executive board, and every lot owner. (1998-199, s. 1.)

(c) In addition to the limitations of Article 9 of Chapter 47F of the General Statutes, no financial payments, including payments made in the form of goods and services, may be made to any officer or member of the association's executive board or to a business, business associate, or relative of an officer or member of the executive board, except as expressly provided for in the bylaws or in payments for services or expenses paid on behalf of the association which are incurred in advance by the executive board.

§ 47F-3-119. Association as trustee.

With respect to a third person dealing with the association in the association's capacity as a trustee under G.S. 47F-2-118 following termination or G.S. 47F-3-113 for insurance proceeds, the existence of trust powers and their proper exercise by the association may be assumed without inquiry. A third person is not bound to inquire whether the association has power to act as trustee or is properly exercising trust powers, and a third person, without actual knowledge that the association is exceeding or improperly exercising its powers, is fully protected in dealing with the association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the association in its capacity as trustee. (1998-199, s. 1.)

§ 47F-3-120. Declaration limits on attorneys' fees.

Except as provided in G.S. 47F-3-116, in an action to enforce provisions of the articles of incorporation, the declaration, bylaws, or duly adopted rules or regulations, the court may award reasonable attorneys' fees to the prevailing party if recovery of attorneys' fees is allowed in the declaration. (1998-199, s. 1.)

§ 47F-3-121. American and State flag and political sign displays.

Notwithstanding any provision in any declaration of covenants, no restriction on the use of land shall be construed to:

- (1) Regulate or prohibit the display of the flag of the United States or North Carolina of a size no greater than four feet by six feet, which is displayed in accordance with or in a manner consistent with the patriotic customs set forth in 4 U.S.C. §§ 5-10, as amended, governing the display and use of the flag of the United States unless:
 - a. For restrictions registered prior to October 1, 2005, the restriction specifically uses the following terms:
 1. Flag of the United States of America;
 2. American flag;
 3. United States flag; or
 4. North Carolina flag;
 - b. For restrictions registered on or after October 1, 2005, the restriction shall be written on the first page of the instrument or conveyance in print that is in boldface type, capital letters, and no smaller than the largest print used



elsewhere in the instrument or conveyance. The restriction shall be construed to regulate or prohibit the display of the United States or North Carolina flag only if the restriction specifically states: THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF THE UNITED STATES OF AMERICA OR STATE OF NORTH CAROLINA'.

This subdivision shall apply to owners of property who display the flag of the United States or North Carolina on property owned exclusively by them and does not apply to common areas, easements, rights-of-way, or other areas owned by others.

(2) Regulate or prohibit the indoor or outdoor display of a political sign by an association member on property owned exclusively by the member, unless:

a. For restrictions registered prior to October 1, 2005, the restriction specifically uses the term 'political signs'.

b. For restrictions registered on or after October 1, 2005, the restriction shall be written on the first page of the instrument or conveyance in print that is in boldface type, capital letters, and no smaller than the largest print used elsewhere in the instrument or conveyance. The restriction shall be construed to regulate or prohibit the display of political signs only if the restriction specifically states: THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE POLITICAL SIGNS'.

Even when display of a political sign is permitted under this subdivision, an association (i) may prohibit the display of political signs earlier than 45 days before the day of the election and later than seven days after an election day, and (ii) may regulate the size and number of political signs that may be placed on a member's property if the association's regulation is no more restrictive than any applicable city, town, or county ordinance that regulates the size and number of political signs on residential property. If the local government in which the property is located does not regulate the size and number of political signs on residential property, the association shall permit at least one political sign with the maximum dimensions of 24 inches by 24 inches on a member's property. For the purposes of this subdivision, 'political sign' means a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on the election ballot. This subdivision shall apply to owners of property who display political signs on property owned exclusively by them and does not apply to common areas, easements, rights-of-way, or other areas owned by others."

