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DECLARATION  
OF COVENANTS, CONDITIONS AND RESTRICTIONS  
KNOLLWOOD VILLAGE

GRIER GILMORE  
REGISTER OF DEEDS  
MOORE COUNTY, N.C.

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS made this  
1st day of March, 1982, by PINEHURST AREA REALTY, INC. a North  
Carolina corporation, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the Town of  
Southern Pines, County of Moore, State of North Carolina, and more par-  
ticularly described in those certain Deeds dated July 6, 1977 and  
November 30, 1977, recorded in Deed Book 427, Pages 559-463, of the Moore  
County Registry, and has created thereon, an exclusive residential community  
of single-family duplexes and condominiums, known as Knollwood Village; and

WHEREAS, Declarant desires to insure the attractiveness of the community  
and to prevent any future impairment thereof, to prevent nuisances, to  
preserve, protect and enhance the values and amenities of all properties  
within the community and to provide for the maintenance and upkeep of the  
Common Area, as hereinafter defined; and to this end desires to subject the  
real property described on Schedule A attached hereto, together with such  
additions as may hereafter be made thereto, to the covenants, conditions,  
restrictions, easements, charge and liens hereinafter set forth, each and  
all of which is and are for the benefit of said property and each owner  
thereof; and

WHEREAS, Declarant has deemed it desirable, for the efficient preser-  
vation, protection and enhancement of the values and amenities in the  
community and to insure the residents' enjoyment of the specific rights,  
privileges and easements in the Common Area and Open Space, as hereinafter  
defined, and to provide for the maintenance and upkeep of the Common Area and  
Open Space, to create an organization to which will be delegated and assigned  
the powers of owning, maintaining and administering the Common Area and  
administering and enforcing the covenants and restrictions, and collecting  
and disbursing the assessments and charges hereinafter created; and

WHEREAS, Declarant has or will cause to be incorporated under North  
Carolina law, THE KNOLLWOOD VILLAGE HOMEOWNERS ASSOCIATION, as a non-profit  
corporation for the purpose of exercising and performing the aforesaid  
functions;

NOW, THEREFORE, Declarant, by this Declaration of Covenants, Conditions  
and Restrictions, does declare that all of the property described on Schedule  
A attached hereto and incorporated herein by reference, and such additions  
thereto as may be hereafter made pursuant to Article II hereof, is and shall  
be held, transferred, sold, conveyed and occupied subject to the covenants,  
conditions, restrictions, easements, charges and liens set forth in this  
Declaration which shall run with the real property and be binding on all  
parties owning any right, title or interest in said real property or any part  
thereof, their heirs, successors and assigns, and shall inure to the benefit  
of each owner thereof.

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ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to THE KNOLLWOOD VILLAGE HOMEOWNERS ASSOCIATION, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Common Area" and "Open Space".

(a) "Common Area" shall mean all real property (including the improvements thereto) as shown on the Master Development Plan approved by the Town of Southern Pines and such changes as it allows, now owned or hereafter owned by the Association for the common use and enjoyment of the Owners.

(b) "Open Space" shall mean all real property designated as such on recorded subdivision plats filed by Declarant and approved by the Town of Southern Pines, now owned, or hereafter owned by Declarant for the common use and enjoyment of the Owners as more fully provided hereafter.

Section 3. "Declarant" shall mean and refer to PINEHURST AREA REALTY, INC. its successors and assigns (excluding purchasers of Units from PINEHURST AREA REALTY, INC.).

Section 4. "Unit" shall mean and refer to any plot of land with delineated boundary lines, appearing on any recorded map of the Properties or on the Master Development Plan approved by the Town of Southern Pines with the exception of the Common Area and Open Space and any area reserved for future development. "Unit" shall also mean any plot voluntarily submitted to this Declaration under Article II below.

Section 5. "Member" shall mean and refer to Unit owners who hold membership in the Association.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Unit which is a part of the Properties, or as shown on the Master Development Plan approved by the Town of Southern Pines, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Properties" shall mean and refer to the "Existing Property" described in Article II, Section 1 hereof, and such additions thereto as may hereafter be made subject to this Declaration and brought within the jurisdiction of the Association.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION  
AND WITHIN THE JURISDICTION OF THE  
KNOLLWOOD VILLAGE HOMEOWNERS ASSOCIATION

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration,

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and within the jurisdiction of the Association is located in McNeill Township, Moore County, North Carolina, and is more particularly described on attached Schedule A.

Section 2. Additions to Existing Property. Additional land may be brought within the scheme of this Declaration and the jurisdiction of the Association in the following manner:

(a) Additional land shown on the map recorded in Plat Cabinet \_\_\_\_\_, Slide \_\_\_\_\_ in the Moore County Public Registry but not within the area described as Schedule A attached hereto may be annexed to the Existing Property or Common Area by Declarant, in future stages of development, without the consent of the Association or its Members, provided that said annexations must occur within ten (10) years after the date of this instrument, and are subject to the approval by the Town of Southern Pines under the applicable section of its zoning ordinance.

(b) Any Owner of a Unit that was conveyed to the Owner within Knollwood Village as shown on the plat above prior to the filing of this Declaration subject to individual Deed Restrictions may request that the Unit be subjected to this Declaration. Additionally, any Condominium Association within Knollwood Village may request through its governing body that it be allowed to join the Association. In the event that a Condominium Association does join the Association then each individual Condominium Unit of the Condominium Association shall be considered a separate Unit as that term is defined in Article I, Section 4 above and each owner of a Condominium Unit shall be entitled to voting rights and be responsible for obligations hereafter set forth. No request of any such Owner or Association can be denied by Declarant.

(c) Property that is contiguous or adjacent to that described in 2(a) above may be added to the Existing Property by the affirmative vote of fifty-one per cent (51%) of all Members of the Association, and is subject to the approval of the Town of Southern Pines as provided in (a) above.

(d) The additions authorized under Subsections (a), (b) and (c) above shall be made by filing of record Supplementary Declarations of Covenants, Conditions and Restrictions with respect to the additional properties which shall extend the scheme of this Declaration and the jurisdiction of the Association to such properties and thereby subject such additions to the benefits, agreements, restrictions and obligations set forth herein, including, but not limited to, assessments as herein determined, to pay the Association's expenses.

ARTICLE III

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area including a non-exclusive easement for ingress, egress and regress over the drives and roadways of the properties owned by the Association which shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

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(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) The right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against his Unit remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Association to grant utility, drainage and other easements of the type and for the purposes set forth in Article IX.

(d) The right of egress, ingress and regress which is hereby reserved to the Declarant for access to other property of the Declarant, or its successors or assigns, which lies adjacent or contiguous to the Common Area.

Section 2. Owners' Easements of Enjoyment in Open Space. Every Owner shall have a right and easement of enjoyment in and to the Open Space owned by Declarant which shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

(a) The right of the Declarant to charge reasonable admission and other fees for the use of any recreational facility situated upon the Open Space;

(b) The right of the Declarant to grant utility, drainage and other easements of the type and for the purposes similar to those of the Association as provided in Article IX.

(c) The right of the Declarant to alter and amend the boundaries of the Open Space provided that such alteration or amendment result in providing the same or a greater amount of Open Space and be approved by the Town of Southern Pines.

Section 3. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws of the Association, a copy of which is attached as Schedule B, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

#### ARTICLE IV

##### MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Unit shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Unit.

Section 2. The voting rights of the membership shall be appurtenant to the ownership of each Unit. Each Unit shall entitle the Owner(s) of said Unit to one (1) vote. When more than one person owns an interest (other than a leasehold or a security interest) in any Unit all such persons shall be Members and the voting rights appurtenant to said Unit shall be exercised as

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they, among themselves, determine, but in no event shall more than one vote be cast with respect to any one Unit.

ARTICLE V

COVENANT FOR MAINTENANCE AND ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Unit by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, or by request to join the Association, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment or charge, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments or charges shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments or charges levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area, including, but not limited to, the cost of repair, replacement and additions thereto, the cost of labor, equipment, materials, management and supervision thereof, the payment of taxes assessed against the Common Area, the procurement and maintenance of insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.

The Association shall maintain a separate interest bearing account for that portion of the assessment specifically earmarked for the continued maintenance and repair of roadways and streets that are a portion of the Common Area.

The Association shall not have any obligation to maintain roadways or streets that are a portion of the Common Area which adjoin or abut other properties that are not owned by the Declarant or by a member of the Association.

The Association may dedicate the roadways and streets which are a portion of the Common Area to an appropriate public agency for their continued maintenance only upon the affirmative vote of at least eighty per cent (80%) of its Members excluding the Declarant who will not be entitled to vote on such issue.

Section 3. Maximum Annual Assessment. Until January 1 of the calendar year following the conveyance of the first Unit, the maximum annual assessment shall be \$40.00 per Unit.

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(a) The maximum annual assessments established above may be increased, effective January 1 of each calendar year following the conveyance of the first Unit to an Owner, without a vote of the membership, but subject to the limitation that the percentage of any such increase shall not exceed the percentage increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers, all cities, all items, published by the United States Department of Labor, over the 12-month period ended on the October 31 immediately preceding that January 1. If the annual assessment is not increased by the maximum amount permitted under terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the assessment may be increased by that amount in a future year at the election of a majority of the Board of Directors without a vote of the membership, in addition to the maximum increase permitted under the terms of the preceding sentence.

(b) From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, said maximum annual assessments may be increased without limitation if such increase is approved by Members entitled to no less than two-thirds (2/3) of the votes represented in person or by proxy at a meeting duly called for this purpose.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including streets and roadways, fixtures and personal property related thereto, provided that any such assessment shall have the same assent of the Members as provided in Section 3(b) of this Article.

Section 5. Assessment Rate. Both annual and special assessments must be fixed at a uniform rate for all Units and may be collected on a monthly basis.

Section 6. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty per cent (60%) of all the votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be fifty-one per cent (51%) of all Members. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments and Due Dates. The annual assessments provided for herein shall commence as to each Unit on the first day of the month following the conveyance of the Unit by the Declarant or the joining of the Association by the Owner(s) of a Unit pursuant to Article II, Section 2 above. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Unit at least thirty (30) days in advance of each annual assessment

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period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Unit have been paid. A properly executed certificate of the Association as to the status of assessments on a Unit is binding upon the Association as of the date of its issuance.

Section 8. Effect of Non-Payment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of fifteen per cent (15%) per annum or the maximum interest rate permitted to be legally charged under the laws of the State of North Carolina at the time of such delinquency, whichever is greater. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors of the Association to defray the costs of late payment. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property, and interest, late payment fee, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Unit.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust on a Unit or any mortgage or deed of trust to the Declarant. Sale or transfer of any Unit shall not affect the assessment lien. No sale or transfer including the sale of transfer of any Unit pursuant to mortgage foreclosure or any transaction in lien thereof shall relieve such Unit from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage or deed of trust as above provided.

Section 10. Maintenance of Open Space by Declarant. The Declarant covenants with each Member of the Association that it will maintain the Open Space, including, but not limited to, the cost of repair, replacement and additions thereto, the cost of labor, equipment, materials, management and supervision thereof, the payment of taxes assessed against the Open Space and such other needs as may arise subject to the following provisions:

(a) The right of the Declarant to erect recreational and other amenities allowed under the present Zoning Ordinance or any amendment thereto;

(b) The right of the Declarant to convey the Open Space to the Association as additional Common Area provided the consent of fifty-one per cent (51%) of the Members of the Association is obtained;

(c) The right of the Declarant to convey the Open Space to the Town of Southern Pines for the benefit of property owners in Knollwood Village; and

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(d) The obligation of Declarant to maintain the Open Space shall cease if neither the Association nor the Town of Southern Pines shall accept a conveyance of the Open Space as provided above and the Declarant is no longer the owner of any unit as those terms have been defined herein.

ARTICLE VI

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

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Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE VIII

USE RESTRICTIONS

Section 1. Land Use. All Units shall be used for residential purposes only and common recreational purposes auxiliary thereto and for no other purpose. Only one family may occupy a Unit as a principal residence at any one time. Declarant may maintain a sales office, models and construction office in one or more units until all such units to be located on the Properties have been sold.

Section 2. Nuisance. No noxious or offensive activity shall be conducted upon any Unit or in any dwelling nor shall anything be done thereon or therein which may be or may become an annoyance or nuisance to the neighborhood.

Section 3. Animals. No animals, livestock, or poultry of any kind shall be kept or maintained on any Unit or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided they are not kept or maintained for commercial purposes.

Section 4. Temporary Structures. No structure of a temporary nature shall be erected or allowed to remain on any Unit unless and until permission for the same has been granted by the Association, or its designated agent or representative.

Section 5. Use of Common Area. The Common Area shall not be used in any manner except as shall be approved or specifically permitted by the Association.

Section 6. Access to Unit. The Association, its agents or employees shall have access to all Units from time to time during reasonable working hours, upon oral or written notice to the Owner, as may be necessary for the maintenance, repair or replacement of any portion of the Common Area, or facilities situate upon such Unit which serve another Owner's Unit. The Association or its agent shall also have access to each Unit at all times without notice as may be necessary to make emergency repairs to prevent damage to the Common Area or another Unit.

Section 7. Clothes Drying. No drying or airing of any clothing or bedding shall be permitted outdoors on any Unit or in any other unenclosed area (including patios) within the Properties.

Section 8. Signs. No signs or other advertising devices shall be displayed upon any Unit which are visible from the exterior of the dwelling thereon or on the Common Area, or in the facilities thereon, without prior written permission of the Association. Declarant, however, may post temporary for sale signs on the Properties until such time as all Units owned by Declarant have been sold.

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Section 9. Garbage Disposal. All garbage shall be stored within the residence of each Owner. No Owner may change or supplement the garbage disposal facilities (if any) provided for such Owner's residence on the date of completion of construction thereof unless the Board of Directors of the Association shall first approve in writing the change or addition to the method of storage. It is provided, however, that if the public health authorities, or other public agency, shall require a specific method of garbage disposal, nothing herein contained shall prevent the compliance by Owners with obligatory public rules and regulations.

Section 10. Regulations. Reasonable regulations governing the use of the Common Area and external appearance of the units may be made and amended from time to time by the Board of Directors of the Association. Copies of such regulations and amendments thereto shall be furnished to each Member by the Association upon request.

Section 11. Hazardous Activities. Nothing shall be done or kept in any Unit or in the Common Area which will increase the rate of insurance on the Common Area or any other Unit without the prior written consent of the Board of Directors. No Owner shall permit anything to be done or kept in his Unit or in the Common Area which would result in the cancellation of insurance on any Unit or any part of the Common Area, or which would be in violation of any law.

Section 12. Owners shall not lease their Units except with the prior written consent of the Association.

Section 13. The Association, or its successors and assigns, shall have the right of first refusal on the resale of any Unit by the Owner thereof. The Association's failure to accept such offer within thirty (30) days after receipt of such offer terminates this provision.

#### ARTICLE IX

##### EASEMENTS

The Association may reserve and grant easements for the installation and maintenance of driveways, walkways, parking areas, water lines, telephone and electric power lines, sanitary sewer and storm drainage facilities and for other utility installations over the Properties as provided in Article III, Section 1(c) of this instrument. Within any such easements, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation of sewage disposal facilities and utilities, or which may change the direction of flow or drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels in the easements. In addition, the Association shall have the continuing right and easement to maintain all sewer and water lines located on the Properties. The Association reserves the right to convey any utilities it maintains along with all easements for the continued maintenance of the utility systems to appropriate municipal or county governmental entities upon their acceptance of the system.

Every portion of a Unit and each single-family attached townhouse constructed thereon and contributing to the support of an abutting townhouse

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shall be burdened with an easement of support for the benefit of such abutting townhouse. Further, all attachments to the exterior walls of a townhouse which are a part thereof but which protrude beyond the delineated boundaries of the Unit upon which the dwelling is located, and which were constructed in conformity with the plans and specifications, shall be deemed to be included within said delineated boundaries and there is hereby reserved an easement to permit the construction of and continued existence of any such protruding attachment.

Each Owner of a Unit with a fence, concrete walk or concrete patio which encroaches on the Common Area owned by the Association shall have an easement over that portion of the Common Area affected by the encroaching fence, walk or patio for the purpose of using said portion of the Common Area for his own benefit and for the purpose of maintaining the encroaching structure in good condition and repair. In the event of a fence encroachment, it shall be the Owner's responsibility to maintain the encroaching fence in good condition and repair and also to maintain that portion of the Common Area located within the encroaching fence (i.e., that portion of the Common Area between the Owner's Unit and said fence). In the event of an encroachment by a concrete patio or walk, it shall be the Owner's responsibility to maintain the encroaching patio or walk in good condition and repair.

ARTICLE X

INSURANCE

Each Owner shall secure and maintain in full force and effect at such Owner's expense, one or more insurance policies insuring Owner's Unit and the improvements thereon for the full replacement value thereof against loss or damage from all hazards and risks normally covered by a standard "Extended Coverage" insurance policy, including fire and lightning, vandalism and malicious mischief.

Each Owner, at Owner's expense, shall secure and maintain in full force and effect comprehensive personal liability insurance for damage to person or property of others occurring on Owner's Unit, any other Unit, or upon the Common Area, in an amount not less than the amount designated by the Association. Owner shall provide the Association with satisfactory evidence that such insurance as herein required is in full force and effect and the Association will be given thirty (30) days' notice prior to the expiration or cancellation of any Owner's insurance coverage. In the event Owner fails or refuses to maintain such insurance coverage as herein required, the Association may, but shall not be obligated to, (except for liability insurance upon the Common Area) through its agent or representative, secure and maintain such insurance coverage for Owner's benefit, and the cost or expense thereof shall be deemed a special assessment levied by the Association against Owner and Owner's Unit in accordance with the other provisions of this Declaration, and Owner covenants and agrees to pay to the Association such special assessment upon demand.

This insurance provision may be modified or amended to substitute one comprehensive insurance policy covering all units provided the approval of a majority of the Owners and holders of first deeds of trust on the Units is obtained. Such approvals shall be in writing but need not be acknowledged

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and shall be attached to an amendment to this Declaration which amendment shall be executed only by the Association and recorded in the Moore County Public Registry.

Owner shall insure his Unit in an amount equal to the maximum insurable replacement value thereof as determined by the Association and the Owner with the assistance of the insurance company providing such coverage. Such coverage shall provide protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location, and use as the building on the Unit which is the subject hereof.

ARTICLE XI

FINANCING PROVISIONS

Section 1. Approval of Owners and Holders of First Deeds of Trust. Unless at least seventy-five per cent (75%) of the owners and holders of first deeds of trust on Units located within the property described on Schedule A, have given their prior written approval, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association. The granting of easements for utilities or other purposes or the conveyance of such systems to governmental bodies shall not be deemed a transfer within the meaning of this clause.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

(c) By act or omission change, waive or abandon any plan of regulation, or enforcement thereof pertaining to the architectural design or the exterior appearance of residences located on Units, the maintenance of party walls or common fences and driveways, or the upkeep of lawns and plantings in the subdivision.

(d) Fail to maintain fire and extended coverage insurance on insurable improvements in the Common Area on a current replacement cost basis in an amount not less than one hundred per cent (100%) of the insurable value.

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

Section 2. Books and Records. Any owner and holder of a first deed of trust on any Unit will have the right to examine the book and records of the Association during any reasonable business hours.

Section 3. Payment of Taxes and Insurance Premiums. The owners and holders of first deeds of trust on Units may, jointly or singly, pay taxes or

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other charges which are in default and which may or have become a charge or lien against the Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for property owned by the Association and the persons, firms or corporations making such payments shall be owed immediate reimbursement therefor from the Association.

ARTICLE XII

CONDEMNATION

Section 1. Partial Taking Without Direct Effect on Units. If part of the Properties shall be taken or condemned by any authority having the power of eminent domain, such that no Unit is taken, all compensation and damages for and on account of the taking of the Common Properties, exclusive of compensation for consequential damages to certain affected Units, shall be paid to the Board of Directors of the Association in trust for all Owners and their mortgagees according to the loss or damages to their respective interests in such Common Properties. The Association, acting through the Board of Directors, shall have the right to act on behalf of the Owners with respect to the negotiation and litigation of the issues with respect to the taking and compensation affecting the Common Properties, without limitation on the right of the Owners to represent their own interests. Such proceeds shall be used to restore the Common Properties with the excess, if any, paid to the Owners pro rata. Nothing herein is to prevent Owners whose Units are specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for consequential damages relating to loss of value of the affected Units, or personal improvements therein, exclusive of damages relating to Common Properties. In the event that the condemnation award does not allocate consequential damages to specific Owners, but by its terms includes an award for reduction in value of Units without such allocation, the award shall be divided between affected Owners and the Board of Directors as their interest may appear by arbitration in accordance with the rules of the American Arbitration Association.

Section 2. Partial or Total Taking Directly Affecting Units. If part or all of the Properties shall be taken or condemned by any authority having the power of eminent domain, such that any Unit or a part thereof (including specific easements assigned to any Unit) is taken, the Association shall have the right to act on behalf of the Owners with respect to Common Properties as provided in Section 1 of this Article and the proceeds shall be payable as outlined therein. The Owners directly affected by such taking shall represent and negotiate for themselves with respect to the damages affecting their respective Units. All compensation and damages for and on account of the taking of any one or more of the Units, or personal improvements therein, shall be paid to the Owners of the affected Units and their mortgagees, as their interest appear.

Section 3. Notice to Mortgagee. A notice of any eminent domain or condemnation proceeding shall be sent to holders of all first mortgages.

ARTICLE XIII

GENERAL PROVISIONS

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ATTORNEYS AT LAW

487-775

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

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty-five (25) years from the date this Declaration is recorded after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration, except Article II, Section 2 hereof which may not be amended without Declarant's consent, may be amended during the first twenty-five (25) year period by an instrument signed by the Owners of not less than sixty-six and two-thirds per cent (66 2/3%) of the Units, and thereafter by an instrument signed by the Owners of not less than fifty-one per cent (51%) of the Units. Any amendment must be properly recorded.

IN WITNESS WHEREOF, the Declarant by virtue of the provisions of Article I, Section 3 of the aforesaid Declaration of Covenants, Conditions and Restrictions, has caused this instrument to be executed by its officers thereunto duly authorized and its corporate seal to be hereunto affixed, all the day and year first above written.

PINEHURST AREA REALTY, INC.

(CORPORATE SEAL)



ATTEST:

Helen E. Kramer  
Secretary

By Robert J. Kramer  
President

VAN CAMP GILL &  
CRUMPLEY, P.A.  
ATTORNEYS AT LAW

P.M. 487 776

STATE OF NORTH CAROLINA  
COUNTY OF MOORE

This 15th day of March, 1982, personally came before me Robert L. Kramer, who being by me duly sworn, says that he is the President of PINEHURST AREA REALTY, INC. and that the seal affixed to the writing was signed and sealed by him, in behalf of said Corporation, by its authority duly given, and the said Helen E. Kramer, Secretary acknowledged the said writing to be the act and deed of said Corporation.

*Marva Lee Toney*  
Notary Public



My Commission Expires:  
August 23, 1984

NORTH CAROLINA - MOORE COUNTY  
The foregoing (or annexed) certificate of  
Marva Lee Toney Notary Public  
Moore COUNTY,  
STATE OF N. C., is certified to be  
correct. This March 25, 1982

Grier Gilmore  
Register of Deeds  
*Mary K. Hylton* Assistant

VAN CAMP HILL &  
CRUMPLER, P.A.  
ATTORNEYS AT LAW