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DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS

OF

THE NEIGHBORHOODS OF HOLLY RIDGE

Date: February 15, 2006

TABLE OF CONTENTS

I. Definitions.....2
II. Association - General Purposes, Membership and Voting4
III. Management and Administration of Subdivision.....5
IV. Intentionally Omitted6
V. Assessments for Common Expenses.....6
VI. Special Assessments.....9
VII. Lien for Assessments9
VIII. Compliance With Association Documents10
IX. Property Rights of Lot Owners, Cross-Easements, and Exceptions11
X. Architectural Committee and Architectural Restrictions12
XI. Insurance14
XII. Restrictions on Use and Occupancy.....15
XIII. Special Declarant Rights19
XIV. Development of the Subdivision20
XV. Waiver21
XVI. Variances.....21
XVII. Duration, Amendment and Termination22
XVIII. Common Areas: Private23
XIX. Acceptance23
XX. Hearing Procedure.....25
XXI. Captions.....26
XXII. Notice27
XXIII. Liberal Construction.....27
XXIV. Joinder27

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
OF
THE NEIGHBORHOODS OF HOLLY RIDGE

This DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF THE NEIGHBORHOODS OF HOLLY RIDGE ("Declaration"), a subdivision located in Onslow County, North Carolina, made and entered into as of the 15th day of February, 2006, by and among NEIGHBORHOODS OF HOLLY RIDGE, LLC, a North Carolina limited liability company (hereinafter called "Declarant"); SUNTRUST BANK, a Georgia banking corporation ("SunTrust"); SOUTHERN HOME BUILDERS, INC., a North Carolina corporation ("Southern Builders"); and ALL PROSPECTIVE PURCHASERS OR OWNERS of Lots as shown on all maps of "The Neighborhoods of Holly Ridge" recorded in the Onslow County Register of Deeds Office;

WITNESSETH:

WHEREAS, Declarant and Southern Builders are the owners of all of the Lots and Declarant is the Owner of all Common Areas and streets shown on and designated on the several maps of the Neighborhoods of Holly Ridge, Phase I, including, but not limited, to the map recorded in Map Book 49 at Page 38 in the office of the Register of Deeds of Onslow County, North Carolina (such map, together with future maps, herein collectively referred to as "the Maps");

WHEREAS, Declarant, desires to submit the Lots and Common Areas, together with the improvements thereon, to the provisions of Chapter 47F of the General Statutes of North Carolina (hereinafter sometimes referred to as the "North Carolina Planned Community Act" or the "Act"), and develop a residential community and intends by the recordation of this Declaration to impose the covenants, conditions, restrictions and easements contained herein (hereinafter sometimes called "Restrictions") on the property described herein as Lots and Common Areas to the end that the Lots and Common Areas shall be held subject to the Act and said Restrictions;

WHEREAS, Southern Builders owns certain Lots within the Subdivision (hereinafter defined) and desires to submit the Lots so owned, together with the improvements thereon, to this Declaration and the Restrictions;

WHEREAS, SunTrust is the beneficiary under certain deeds of trust recorded in the office of the Register of Deeds of Onslow County, North Carolina, as more particularly described Article XXIV hereof (collectively, the "Deeds of Trust") and have joined into this Declaration in order to consent to this Declaration and to subordinate the Deeds of Trust and the liens thereof to this Declaration;

WHEREAS, Declarant also owns in fee simple the real estate designated as Additional Property in the description attached as Attachment A hereto, as the same may be

amended by Declarant from time to time, and may hereafter elect to subject all or any portion of the Additional Property to the provisions of this Declaration pursuant to Article XIV hereof.

NOW, THEREFORE, Declarant does hereby declare that the Restrictions contained herein shall run with the Lots and Common Areas described herein; shall be a burden on and a benefit to such Lots and Common Areas; shall be binding on all parties having or acquiring any right, title, or interest in the Lots or any part thereof; and shall inure to the benefit of each Owner of any part thereof.

I.

Definitions

As used in this Declaration, the Articles, the Bylaws, and the Rules and Regulations of the Association, exhibits attached and all amendments thereof, unless the context requires otherwise, the following definitions shall prevail:

(1) "Additional Property" means the real property so designated on Attachment A attached hereto which Declarant may submit to this Declarant and to the jurisdiction of the Association pursuant to Article XIV hereof.

(2) "Articles" means the Articles of Incorporation of The Neighborhoods of Holly Ridge Owners Association.

(3) "Association" means The Neighborhoods of Holly Ridge Owners Association, its successors and assigns.

(4) "Association Documents" means collectively, the Articles of Incorporation of the Association, this Declaration, the Bylaws and the Rules and Regulations, all as may be amended, modified or restated from time to time. Any exhibit, schedule or amendment to an Association Document shall be considered a part of that document.

(5) "Builder" means any Person which purchases one or more Lots for the purpose of constructing improvements for later sale to consumers or purchases one or more parcels of land within the Additional Property for further subdivision, development and/or resale in the ordinary course of such Person's business. Any such Person occupying or leasing a Lot for residential purposes shall cease to be considered a Builder with respect to such Lot immediately upon occupation of the Lot for residential purposes notwithstanding that such Person originally purchased the Lot for the purpose of constructing improvements for later sale to consumers.

(6) "Bylaws" means the Bylaws of The Neighborhoods of Holly Ridge Owners Association.

(7) "Common Areas" means all real property (including the improvements thereon), interests in real property and personal property now owned or hereafter acquired by the Association for the common use and enjoyment of all of the Owners. The Common Areas are

subject to those easements and restrictions set forth in this Declaration, including but not limited to, Article I hereof.

(8) "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

(9) "Declarant" means Neighborhoods of Holly Ridge, LLC, its successors and assigns. In the event another Person acquires title to three (3) or more Lots on which no Dwelling has been constructed at the time of such acquisition, Neighborhoods of Holly Ridge, LLC, by recorded instrument, may designate such party as an additional Declarant, and in such event, such party shall be a Declarant as specified herein as to such Lots and as to such Lots shall be entitled to the same rights as Neighborhoods of Holly Ridge, LLC.

(10) "Declaration" means this Declaration of The Neighborhoods of Holly Ridge and any amendments hereto. This Declaration sometimes is referred to herein as the Restrictions.

(11) "Development Period" means the period ending on the earliest of (i) December 31, 2011 or (ii) the date specified by Declarant in a written notice to the Association that the Development Period is to terminate on that date.

(12) "Dwelling" means the primary residential structure located on a Lot built in accordance with the requirements of this Declaration.

(13) "Eligible Mortgage Holder" means the holder of a first deed of trust on a Lot who has requested in writing that the Association notify them of any proposed amendment to the Declaration, the Articles, or the Bylaws.

(14) "Executive Board" means the Executive Board of The Neighborhoods of Holly Ridge Owners Association, Inc.

(15) "Landscaping" means living plants, shrubs, vegetation, ground coverings (including grass or sod), and appurtenant live/growing vegetative materials together with straw, mulches and composting materials installed upon a Lot.

(16) "Lot" means those separately numbered and designated parcels shown on any of the Maps and on any other Maps of the Additional Property brought within the Subdivision.

(17) "Owner" means the record Owner, whether one or more Persons, of a fee or undivided fee interest in a Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

(18) "Permit" shall mean the North Carolina State Stormwater Management Permit Number SW8050213 and any amendments, additions or replacements thereof, or any such permit obtained by Declarant and relating to the Additional Property.

(19) "Person" means one or more natural persons, corporations, partnerships, limited liability companies, trusts or other legally recognized entities capable of holding title to real estate.

(20) "Stormwater Management Facilities" or "Stormwater Management Facility" as those terms are used herein shall mean all areas consisting of ditches, swales, stormwater retention ponds and any other improvement located in the Subdivision constructed pursuant to the Permit.

(21) "Subdivision" means all of the property defined herein as Lots and Common Areas, and includes all or any portion of the Additional Property submitted to this Declaration by Declarant.

(22) Any capitalized word not defined herein, unless it is plainly evident from the context of this Declaration that a different meaning is intended, shall, as used herein, have the meaning as set forth in N.C.S. 47F-1-103.

II.

Association - General Purposes, Membership and Voting

(1) An association named The Neighborhoods of Holly Ridge Owners Association has been or will be formed under the direction of Declarant pursuant to the rules and requirements of the Nonprofit Corporation Act (Chapter 55A) of the General Statutes of North Carolina as an association of the Owners of Lots. Its purposes are to own, manage, maintain, and operate the Common Areas and facilities located upon the Common Areas, specifically including, but not limited to, the Subdivision entrance signs, street lights, Stormwater Management Facilities, drainage pipes and drainage outlets, streets (until accepted for maintenance by a governmental entity) and other improvements and amenities in the Subdivision owned by the Association; to maintain Landscaping installed on the Lots as provided herein; to enforce the Restrictions contained herein; and to make and enforce rules and regulations governing the Owners' use and occupancy of Lots and Common Areas. In addition to the foregoing, the Association has as its purposes the acceptance of the transfer of the Permit from Declarant and to take all actions and pay all fees required to affect such transfer of the Permit, and thereafter to oversee, inspect, manage and, when necessary, repair and replace all Stormwater Management Facilities located within the Common Area or on individually owned Lots.

(2) To fulfill the general purposes of the Association as set forth herein and in the other Association Documents, together with those purposes set forth in the Act, the Association shall have all the powers set forth in the Association Documents, the Act and the North Carolina Nonprofit Corporation Act.

(3) Declarant, by this Declaration and the Owners of individual Lots by their acceptance of individual deeds thereto, covenant and agree with respect to the Association: (A) that each is a member of the Association; (B) that for so long as each is an Owner, each will

perform all acts necessary to remain in good and current standing as a member of the Association; and (C) that each shall be subject to the rules and regulations of the Association with regard to ownership of a Lot.

(4) Each membership in the Association shall relate to and have a unity of interest with an individual Lot which may not be separated from ownership of said Lot.

(5) The Association shall have two (2) classes of members:

Class A - The Class A member(s) shall be all Owners with the exception of any Owners who qualify as Class B members, and they shall be entitled to one vote for each Lot owned; provided, however, when more than one Person holds an interest in any Lot, all such Persons shall hold the membership with regard to such Lot in undivided interests. The vote of such multiple Owners of a Lot shall be exercised as they, among themselves, shall determine, but in no event shall any fractional vote be counted or more than one vote be cast with respect to any Lot.

Class B - The Class B member(s) shall be Declarant. Class B members shall be entitled to three (3) votes for each Lot owned. The Class B member shall have a veto power under the circumstances and as more particularly set forth in the Articles over all actions of the Executive Board, any committee as may have been appointed by the Executive Board or established by the Bylaws or this Declaration and any other action as more particularly set forth in the Association Documents. The Class B membership shall cease and be converted to Class A membership upon the occurrence of either of the following events, whichever first occurs: (i) December 31, 2011; or (ii) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership.

III.

Management and Administration of Subdivision

The Association shall be fully responsible for the maintenance, management and operation of the Common Areas, Subdivision entrance signs, street lights, Stormwater Management Facilities, drainage pipes and drainage outlets, roads (until accepted for maintenance by a governmental entity) and other improvements and amenities in the Subdivision owned by the Association. Pursuant to and subject to the provisions contained herein but only to the extent specifically provided herein, the Association shall be responsible for the maintenance of Landscaping installed on the Lots as provided herein. The management shall be carried out in accordance with the terms and conditions of the Association Documents, but may be delegated or contracted to managers or management services. Provided, however, any contract entered into by the Association prior to the termination of the Class B membership shall contain a provision allowing the Association to terminate the contract without cause and without penalty or extra charge, at any time after the termination of the Class B membership upon ninety (90) days advance notice.

IV.

INTENTIONALLY OMITTED

V.

Assessments for Common Expenses

(1) Assessments:

(a) Each Owner of any Lot by acceptance of a deed for same (whether or not it shall be so expressed in such deed) is deemed to agree to pay to the Association assessments as hereinafter provided. The assessments, together with interest, costs and reasonable attorneys' fees, subject to the provisions of Section (7) of this Article, shall be a continuing lien upon the Lot against which each such assessment is made. Furthermore, each assessment, together with interest, costs, and Reasonable Attorneys' Fees, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for assessments shall not pass to a successor in title to a Lot unless expressly assumed by them but, subject to the provisions of this Declaration, delinquent assessments shall continue to be a lien upon such Lot. Assessments shall commence as to each Lot upon the delivery of the deed to the Person owning the Lot.

(b) Subject to the limitations set forth herein upon the Declarant's obligation to pay assessments, the Executive Board shall establish and set the assessment for each Lot for each fiscal year and may provide that such assessments shall be payable installments during the fiscal year, which installment shall be no less frequent than monthly. The initial assessment for each Lot is Three Hundred and No/100 Dollars (\$300.00) per year.

(c) During the Development Period, neither the Declarant nor any Builder shall be obligated to pay any assessments as would otherwise be due and payable upon each Lot owned by the Declarant or such Builder.

(d) For purposes of assessments to be determined, levied and paid pursuant to this Article or otherwise in the Association Documents, and notwithstanding the provision for recombination of Lots in Article XII(1), each Lot shown on the Maps recorded in Onslow County Register of Deeds Office and each Lot shown on the Maps of the Additional Property recorded by Declarant in the Onslow County Register of Deeds Office shall be considered one Lot. The number of Lots in the Subdivision shown on the Maps originally recorded by Declarant shall not be reduced for purposes of determining, levying and paying assessments. The obligation and liability for payment of assessments levied against each Lot and the Owners thereof resulting from the recombination of previously existing Lots shall be as such Owners may determine pursuant to the written agreement of such Owners delivered to the Association as required in Article XII(1).

(2) Annual Budget:

(a) As provided in the Bylaws and subject to the restrictions and limitations provided herein, the Executive Board shall establish an Annual Budget in advance for each fiscal year. Such budget shall project all Common Expenses for the forthcoming fiscal

year, including a reasonable allowance for contingencies and reserves. The budget shall take into account the maintenance obligations as set forth above and any projected or anticipated income. The Executive Board shall keep separate, in accordance with subparagraph (c) of this Section 2, items relating to the daily operation, management and maintenance of the Association and Common Areas from items relating to capital improvements. Upon adoption of such Annual Budget by the Executive Board, copies of said budget shall be delivered to each Owner and the assessment for said year shall be established, subject to the restrictions and limitations provided herein, based upon such budget; however, the non-delivery of a copy of said budget to each Owner shall not affect the liability of any Owner for such assessment. The Annual Budget shall be ratified by the Owners as provided by the Bylaws. Should the Executive Board at any time determine, in its sole discretion, that the assessments levied are, or may prove to be, insufficient to pay the Common Expenses of the Association during such fiscal year, or in the event of emergencies, the Executive Board shall have the authority to levy such additional assessment or assessments it may deem to be necessary.

(b) The Executive Board, in establishing the Annual Budget, shall designate therein a sum to be collected and maintained as a reserve fund (the Capital Improvement Fund) for the periodic maintenance, repair and replacement of capital improvements to the Common Areas and Landscaping on the Lots. The amount to be allocated to the Capital Improvement Fund may be established by the Executive Board so as to collect and maintain a sum reasonably necessary to anticipate the need for repair, maintenance and replacement of capital improvements to the Common Areas and to maintain, repair and replace Landscaping on the Lots as provided herein. The Capital Improvement Fund shall be maintained in a separate account by the Association and such monies shall be used only for periodic maintenance, repair and replacement of capital improvements to the Common Areas and to maintain, repair and replace Landscaping on the Lots as provided herein. Any interest earned on monies in the Capital Improvement Fund shall not be expended for daily operation, management and maintenance of the Association and Common Areas.

(c) All monies collected by the Association shall be treated as the separate property of the Association and such monies may be applied by the Association to the payment of any expense of operating and managing the Association, or the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles and the Bylaws, except that monies placed in the Capital Improvement Fund shall be used only for the specified purposes of said account. As monies for assessments are paid into the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners for the same purposes. Although all funds, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Areas, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When the Owner of a Lot shall cease to be a member of the Association by reason of his divestment of ownership of such Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, including any monies which such Owner may have paid to the Association, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Association.

(3) Except as herein provided, assessments for Lots shall be fixed at a uniform rate.

(4) The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date for such payment. When in default, the delinquent assessment shall bear interest at such rate as may be determined by the Executive Board, from time to time, until paid in full. The Executive Board may establish procedures to collect delinquent assessments, together with penalties, interest and other charges as permitted by the Act; and, in accordance with such procedures, may declare the payment of any future installments of the assessment to be accelerated and the entire assessment due and payable immediately.

(5) The assessments levied by the Association shall be used exclusively to pay Common Expenses and to promote the recreation, health, safety and welfare of the Owners and the improvement and maintenance of the Common Areas and Lots as provided herein.

(6) The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

(7) The lien of the assessments provided for herein shall be subordinate to the lien of any first lien deed of trust. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of a first lien deed of trust or any proceeding in lieu thereof, shall extinguish the lien (but not the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due) of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

(8) In order to establish a working capital fund, upon the conveyance of a Lot to any Owner other than any Declarant identified in Article I(8) in this Declaration or otherwise specified by recorded instrument as provided in Article I(8), each such Owner shall contribute at closing an amount equal to one-sixth (1/6) of the assessment levied for the current year against such Lot, said sum to be paid to the Association. Said sum is not an advance payment of regular assessments, but shall be utilized to establish the working capital fund.

VI.

Special Assessments

(1) Special assessments may be levied against Lots for such reasons as are provided in the Association Documents, and on such terms as provided by the Executive Board. Furthermore, special assessments may be assessed against a specific Lot to pay for the cost of curing a violation of the Association Documents and as may otherwise be provided for in the Act. No special assessments shall be levied upon any Lot owned by Declarant unless Declarant consents. Special assessments, together with interest, costs and reasonable attorneys' fees, shall be a continuing lien upon the Lot against which each such special assessment is made. Furthermore, each such special assessment, together with interest, court costs, and reasonable attorneys' fees, shall be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for delinquent special assessments shall not pass to a successor in title to a Lot unless expressly assumed by them but, subject to the provisions of this Declaration, delinquent special assessments shall continue to be a lien upon such Lot. It is provided, however, that no special assessments shall be levied upon a Lot until a Dwelling on such Lot either has been constructed and occupied or constructed and sold unless Declarant consents to such special assessments.

(2) The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the special assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of special assessments on a Lot is binding upon the Association as of the date of its issuance.

VII.

Lien for Assessments

(1) Lien. The total annual assessment of each Owner for Common Expenses, any additional assessment, any special assessment or any other sum duly levied (including without limitation fines, charges, interest, late charges, etc.), pursuant to the Association Documents, is hereby declared to be a lien levied against any Lot owned by any Owner. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. The lien shall become effective as provided in the Act. The lien shall be prior to all liens and encumbrances hereafter recorded except a first mortgage or first deed of trust held by a Mortgagee, real estate taxes and other charges levied by governmental authority and made superior by law. The personal obligation of the Owner to pay such assessment shall, in addition, remain such Owner's personal obligation and a suit to recover a money judgment for non payment of any assessment or installation thereof, levied pursuant hereto, may be maintained without foreclosing or waiving the lien herein created to secure the same.

(2) Acceleration. In any case where an assessment against the Owner is payable in installments, upon a default by such Owner in the timely payment of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessment may be accelerated, at the option of the Executive Board, and the entire balance of the assessment may be declared due and payable in full by the service or notice to such effect upon the defaulting Owner.

(3) Enforcement. The lien for assessments may be enforced and foreclosed in any manner permitted by the laws of North Carolina for foreclosure of mortgages or deeds of trust containing a power of sale or by an action in the name of the Executive Board, or the managing agent, acting on behalf of the Association. During the pendency of any such action to enforce the Association lien, the Owner shall be required to pay a reasonable rental for the Lot for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of North Carolina. The Association shall have the power to bid on the Lot at foreclosure or other legal sales and to acquire, hold, lease, mortgage, convey or otherwise deal with such Lot.

(4) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

(5) Subordination and Mortgage Protection. Notwithstanding any other provision hereof to the contrary, the lien of any assessment levied pursuant to the Association Documents upon any Lot (and any charges, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to foreclosure or any proceedings in lieu of foreclosure. Such sale or transfer shall not relieve the Mortgagee or the purchaser of the Lot at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

VIII.

Compliance With Association Documents

In the case of failure of an Owner to comply with the terms and provisions contained in Association Documents, the following relief shall be available:

(1) The Association or an aggrieved Owner on his behalf shall have the right to bring an action and recover sums due, damages, injunctive relief, and/or such other and further relief as may be just and appropriate.

(2) The Association, in addition to any other rights set forth in the Association Documents, is authorized and shall have the right to: (a) enter any portion of the Subdivision or a

Lot on which, or as to which, a violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions of the Association Documents, and the Executive Board, its agents or employees, shall not thereby be deemed guilty in any manner of trespass; and (b) to use self-help to remove or cure any violation of the Association Documents within the Subdivision. Such actions undertaken by the Association shall be upon compliance with the Notice and Hearing procedures contained in this Declaration. However, notwithstanding any other provisions in the Declaration to the contrary, the Association, acting through its Executive Board may enforce any provision and regulations of the Association Documents by self-help specifically including, but not limited to, violations and defaults which create a health hazard, a dangerous or emergency situation, the towing of vehicles that are in violation of parking rules and regulations and removing of signs, mail boxes and other items of similar size which are in violation of the Association Documents. Additionally, the Board may elect to enforce any provision of the Association Documents without complying with the Notice and Hearing procedures through a civil action at law or in equity to enjoin any violation or to recover monetary damages or both. In any such civil action or lawsuit, to the maximum extent permissible, the Owner or occupant responsible for the violation for which abatement is sought shall pay all costs incurred by the Association, including Reasonable Attorneys' Fees actually incurred, if the court finds for the Association.

(3) The Executive Board shall not impose a fine or penalty, undertake permitted remedial action, suspend voting or infringe upon other rights of an Owner or other occupant of a Lot for violations of the Declaration, the Bylaws or the Association's rules and regulations without compliance with the Notice and Hearing procedures contained in this Declaration.

(4) The remedies provided by this Article are cumulative and are in addition to any other remedies provided in the Association Documents, by law and the Act.

(5) The failure of the Association or any Person to enforce any provision of the Association Documents shall not be deemed a waiver of the right to enforce such provisions thereafter as to the same violation or subsequent violation of similar character.

IX.

Property Rights of Lot Owners,

Cross-Easements, and Exceptions

(1) Every Owner of a Lot as an appurtenance to such Lot shall have a non-exclusive perpetual easement over and upon the Common Areas for each and every purpose or use for which such Common Areas were intended as determined by their type or for which such Common Areas generally are used, subject to the limitations and provisions contained herein. Such easements and rights shall be appurtenant to and shall pass with the title to every Lot, whether or not specifically included in a deed thereto, subject to the restrictions and limitations contained herein, including but not limited to, the following provisions:

(a) The Association shall have the right to make reasonable rules and regulations respecting the use of same, and exercise any powers granted by the Act and the North Carolina Nonprofit Corporation Act.

(b) The Association shall have the right, upon compliance with the Notice and Hearing Procedures contained in this Declaration, to suspend the rights of an Owner to utilize the Common Areas and the improvements thereon during any period in which any assessment against such Owner's Lot remains unpaid, and for a period not to exceed sixty (60) days for any other violation of the Association Documents.

(2) Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Areas and facilities to the members of his family, his tenants, and guests.

(3) Easements for the installation and maintenance of utilities and drainage facilities as shown on the Maps are hereby reserved and retained by Declarant, together with the right to grant similar easement rights to other Persons. No structure, fence, planting, Landscaping or other material which may interfere with the installation and maintenance of utilities, which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements may be placed in the easement areas without prior approval by the Committee. Structures, fences, Landscaping and other materials which have been approved by the Committee may be placed in the easement areas. The Committee may deny placement of structures, fences, Landscaping or other materials in the easement areas if it determines they would adversely affect the drainage or utilities of the Subdivision.

(4) Each Owner, as an appurtenance to his Lot, shall have and is hereby conveyed a perpetual, non-exclusive right of way and easement for the purposes of ingress, egress and regress to and from his Lot over, through and across the streets and roads shown on the Maps.

(5) An easement is granted to the Association, its employees and designees, to make any reasonable entry onto any Lot without notice to the Owner thereof in the event of any emergency.

X.

Architectural Committee and Architectural Restrictions

(1) There hereby is constituted The Neighborhoods of Holly Ridge Architectural Committee ("Committee") to be appointed, and replaced, and to possess the qualifications and powers as specified herein. The Committee shall consist of one (1) individual to be appointed by Declarant until Declarant releases its right, in writing, to make such appointment who shall serve until he resigns or is replaced by Declarant, which Declarant reserves the right to do. Declarant shall have the sole right to replace said member unless Declarant has released that right to appoint the member of the Committee. The right of Declarant to appoint, remove and replace the Committee shall expire upon termination of the Development Period without any further action or consent of Declarant, at which time the

Executive Board shall thereafter have the right to appoint, remove and replace members of the Committee. Thereafter, the Committee shall be subject to such procedures and regulations as may be approved, amended, restated or modified from time to time at the direction of the Executive Board.

(2) Before any Lot clearing, grading, or removal of trees, or before any structure, fence, building, wall, walkway, mailbox, paper box, sign, trash can holder, or any improvement, replacement or addition to any of same shall be commenced, erected, or maintained upon any Lot, or upon any Common Areas and before any alteration (including painting) of the exterior portion of any structure located upon the Lots or the Common Areas and before any alteration of the surface of any Lot or area appurtenant to any Lot including, but not limited to installation of Landscaping, in the Subdivision shall be commenced (except as shall be undertaken by the Declarant or the Association itself), the Person desiring to make such changes or erections shall submit and have approved by the Committee plans and specifications detailing the changes and erections, which plans and specifications shall include Landscaping. The plans and specifications must show the structure, kind, shape, height, color, material and location of the changes or erections. Applications to the Committee shall include two (2) complete sets of the final plans and specifications for any and all proposed improvements and other information requested by the Committee on its application forms and shall be (a) hand delivered to the current president of the Association, or (b) mailed certified or registered with return receipt requested to the registered office of the Association and marked to the attention of the Committee.

(3) The Committee shall make its decision approving or disapproving the plans by taking into consideration the nature of the Subdivision, the aesthetics of the proposed changes or alterations, the harmony of the proposed change or erection with the architectural style of neighboring buildings (including the Dwelling on a Lot in the case of approval sought for permitted outbuilding appurtenant to the Dwelling), durability of construction, relative costs, and protection of the investment of the Owners of other Lots in the Subdivision. Submission of incomplete or inaccurate plans and specifications shall result in disapproval. One set of plans and specifications with the approval or disapproval of the Committee shall be returned to the party submitting them and the other copy shall be retained by the Committee for its permanent files.

(4) A majority vote of the Committee shall be required to take any action. If the Committee fails either to approve or disapprove any plans so submitted within thirty (30) days of receipt by the chair of the Committee, the plans will be deemed approved. The Committee does not have to hold formal meetings. Any action or decision of the Committee may be appealed to the Executive Board by the Person submitting such request to the Committee or any other party deemed by the Executive Board to have standing as an aggrieved party. The Executive Board may modify or reverse any such action or decision of the Committee or may grant reasonable variances of the requirements of this Article as generally permitted in Article XVI. Any appeal to the Executive Board shall be in writing and delivered to the President of the Executive Board in the manner provided for delivery of notices set forth in Article XXIII within ten (10) days following the decision by the Committee.

(5) Neither the Executive Board, the Committee nor any agent of Declarant shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions or any structural or other defect in any work done according to such plans and specifications.

(6) The requirements of this Article shall not constitute a lien or encumbrance on any Lot on which construction is complete, and any subsequent purchaser thereof is in no way affected by the failure of his predecessors in title to comply with the terms hereof.

(7) Subject to approval of the Executive Board, the Committee may establish (a) such procedures and requirements for submittal and review of plans and specifications as it deems appropriate from time to time the review of plans and inspections which are not inconsistent with Sections (2), (3) and (4) above, (b) times during which construction may take place upon Lots or within Dwellings and (c) fees and costs associated with the review of plans and the conduct of inspections.

XI.

Insurance

(1) The Association shall purchase and maintain, to the extent reasonably available, hazard insurance against loss or damage by fire and similar perils for all improvements and fixtures owned by the Association located on Common Areas, including personal property of the Association. The insurance, if reasonably available, shall cover at least ninety percent (90%) of the current replacement costs of the improvements and fixtures, after application of any deductibles, as determined by the Association with the assistance of the insurance company providing coverage or consultant selected by the Executive Board. Coverage may exclude land, foundations, excavations, or other items that are usually excluded from insurance coverage. The insurance policy shall require that the insurer notify the Association in writing at least sixty (60) days prior to any substantial change in coverage or cancellation. The insurance policy shall also contain clauses providing for waiver of subrogation.

(2) If the property of the Association is located within a special flood hazard area, the Association may purchase and maintain flood insurance in amounts it deems necessary. Any such policy shall require the insurer to notify the Association in writing at least sixty (60) days prior to cancellation or any substantial change in the coverage.

(3) The Association shall purchase and maintain at all times a comprehensive general liability insurance policy covering all Common Areas and any other areas that are under its supervision. The liability insurance shall insure against liability to the public or to Owners, their tenants, guests or invitees, relating in any way to the ownership, operation, maintenance and/or use of the Common Areas, and any part thereof, and any other areas under the Association's supervision. Such insurance policy shall, if reasonably available, contain a "severability of interest endorsement" or equivalent coverage which precludes the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners. Limits of liability shall be at least One Million Dollars (\$1,000,000) covering all claims for bodily injury and/or property damage arising out of a single occurrence. Coverage under this

policy shall include, if available and economically feasible, legal liability arising out of losses related to employment contracts of the Association. The policy shall require the insurer to notify the Association in writing at least 10 days before the insurer cancels or substantially changes the coverage. The general liability insurance to be purchased pursuant to this subsection shall include Directors and Officers Liability Insurance in an amount not less than One Million Dollars (\$1,000,000.00), or, if such coverage cannot be obtained within said policy, a separate policy providing such coverage and in such amount shall be purchased by the Association.

(4) Fidelity bonds or insurance coverage against dishonest acts on the part of such persons (including by way of illustration and not limitation, Association members, officers, directors, managers, agents, employees and volunteers) handling or responsible for funds belonging to or administered by the Association may be maintained by the Association if deemed necessary. In the event the Association has delegated some or all of the responsibility for handling of funds to a management agent, such bonds or insurance coverage may include officers, employees and agents of such management agent. Any such fidelity bond or insurance shall name the Association as the named insured. Any such policy shall contain a provision providing that it may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days prior written notice to the Association and all Eligible Mortgage Holders.

(5) If the insurance described in Section (1) and (3) above 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.

(6) Each Owner shall be responsible for obtaining and shall pay the cost of any hazard insurance against fire and similar perils including flood on such Owner's Dwelling, personal property, fixtures and appliances. Each Owner's hazard insurance policy shall name the Association as a loss payee. Each Owner shall be responsible for purchasing and maintaining liability insurance covering his Lot and Dwelling.

(7) The deductible, if any, of any insurance policy purchased by the Executive Board shall be a Common Expense; provided, however, that the Association may, pursuant to Article VI hereof, assess as a special assessment any deductible amount necessitated and arising from the act, misuse or neglect of an Owner or such Owner's tenant, household, guests, employees, agents and invitees.

XII.

Restrictions on Use and Occupancy

(1) The division or any recombination of Lots shown on plats of the Subdivision recorded by the Declarant in the Onslow County Register of Deeds is permitted provided that the Person(s) requesting a division or recombination shall make a written request therefor to the Executive Board, as hereinafter provided, and Executive Board determines that the following requirements are met and conditions fully satisfied:

(a) The Person(s) submitting the application shall be Owners of the Lots to be divided or recombined.

(b) The proposed division or recombination of Lots shall not increase the number of Lots (i.e., Lots or portions of Lots are combined with other Lots or portions of other Lots to form a new Lot).

(c) A surveyor registered to conduct land surveys in the State of North Carolina shall have prepared a map or plat meeting all requirements for the recording thereof in the Onslow County Register of Deeds depicting the division or recombination of Lots.

(d) The Executive Board shall have received fully executed copies of the deed(s) or other instrument(s) of conveyance effecting the division or recombination of the Lots.

(e) The Owners shall have submitted to the Executive Board an executed copy of the agreement between such Owners of the divided or recombined Lots, in form so as to be recordable in the Onslow County Register of Deeds, establishing the liability as between said Owners for the purpose of establishing the obligation and liability for payment of assessments levied against the Owners resulting from the recombination or division of the previously existing Lot(s).

Applications to the Executive Board shall include two (2) complete sets of the documents set forth above and shall be (a) hand delivered to the current President of the Association or (b) mailed certified or registered with return receipt requested to the registered office of the Association and marked to the attention of the President of the Executive Board.

Any Lot which is created by the combination of one or more Lots or portions thereof shall be considered only one Lot under these Restrictions notwithstanding the fact that it may contain more than one Lot, except for purposes relating to assessments as set forth in Article V(1)(d). Any drainage or utility easement which runs along the side lot lines of a Lot automatically shall be relocated to the new side lot lines of any new or resultant Lot. If the drainage or utility easement is already in use, the Owner combining the Lots shall pay for the relocation of such drainage or utility easements and the lines and pipes using such and any replacement and re-location of Landscaping.

(2) All Lots shall be used for single family residential purposes only and no dwelling shall be erected on any Lot other than one detached single family dwelling not to exceed two and one-half stories in height, and a one, two, or three car garage. No permitted garage shall be utilized for living quarters. No trailer, tent, mobile home, or other structure of a temporary character shall be placed on any Lot. All buildings shall be of wood, stone, brick, brick veneer, stucco, masonite, or vinyl siding. Any other materials must be approved by Declarant or the Committee.

(3) No building shall be erected nearer to the front lot line, or side lot line, or rear lot line than the setback lines shown on the Maps.

(4) No dwelling erected on any Lot shown on the Maps shall have less than 1,000 square feet of enclosed dwelling area. The term "enclosed dwelling area" as used herein shall be the total finished/heated area within the dwelling; provided, however, that such term does not include garages, terraces, decks, porches and other unheated areas.

(5) No Lot shall be re-subdivided in such a manner as to create a re-subdivided Lot or a portion of a Lot having less than 6,000 square feet. Nothing herein shall prevent a redivision which shall increase the square footage of a Lot used for the erection of a detached single family dwelling as hereinbefore defined.

(6) No commercial trade or activity, or any noxious trade or activity whatsoever, shall be carried on upon any Lot, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to other Lot Owners. Unsightly, inoperative junk cars and like eyesores cannot be maintained on any Lot either prior to or after a dwelling has been erected on said Lot or on any Street located in the Subdivision and any such automobiles may be removed by the Declarant or the Corporation at the Lot Owner's expense.

(7) There shall not be placed or used on any Lot any of the following structures: trailer, mobile home (including a multiple-wide mobile home), tent, shack, garage apartment, barn, any other out building or any such structure of a permanent or temporary character.

(8) All buildings, structures and their appurtenances located on a Lot shall be maintained in a suitable state of repair.

(9) If any Dwelling or other improvements located on a Lot are destroyed by fire or other casualty, all rubbish and debris shall be removed with promptness after such fire or other casualty. In no event shall debris or rubbish remain on a Lot longer than two (2) months after such fire or other casualty. Provided, however, no such removal or demolition shall be required if prohibited by court order or if a legal or insurance investigation concerning such fire or casualty is ongoing.

(10) No animals, other than domesticated dogs, cats or other household pets, may be kept or housed on any Lot. No dogs, cats or other household pets may be kept, bred or maintained for any commercial purposes, nor may more than two (2) such pets may be kept or housed on any lot. Any housing or shelter constructed for said domesticated dogs or cats shall be screened with fencing (or otherwise) that shall be approved by Declarant or the Committee. Animals, when not housed, shall be on a leash at all times.

(11) No Lot shall be used or maintained as a dumping ground for rubbish, trash, garbage, or other waste, and such materials may not be kept on any Lot, except in sanitary containers. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. Upon completion of construction of a Dwelling, and as a part of the construction, the Owner of said Lot thereof shall generally landscape the Lot so as to be in keeping with the yards of the Owner's neighbors. The front yard areas of all Lots shall be generally smoothed and sodded at all street fronts and all Stormwater Management Facilities located on a Lot shall be maintained by the Owner of such Lot in compliance with North

Carolina State Stormwater Management Permit Number SW8050213 and any amendments, additions or replacements thereof, or any such permit obtained by Declarant and relating to property annexed into the Subdivision by Declarant as provided herein. There shall be no mass clearing or stripping of trees from any Lot without the prior written consent of the Declarant or the Committee. The lawn and grass on each Lot shall be kept mowed to a length no greater than four (4) inches.

(12) No fence shall be erected on any Lot nearer the front property or lot line than the rear corners of the dwelling erected on said Lot, and all fences erected on any Lot shall not exceed four (4) feet in height and shall be constructed of wood or "PVC" type composition. No fence or structure of any kind shall be placed within utility and drainage easements shown on the Maps or upon any Stormwater Management Facility except as permitted by the Permit. The drainage between Lots shall not be disrupted by fill, shrubs, beds, debris, or any other means.

(13) No boat, motor boat, camper, trailer, school bus, motor home, mobile home, truck rated over one (1) ton, or other vehicle similar to any of the same shall be permitted to remain on any Lot, or in any parking space on or adjacent to any Lot, unless prior written consent for the same is obtained from the Declarant or the Committee, or unless the same is properly stored in an area enclosed by a fence no shorter than six (6) feet such that no part of such vehicle is visible to anyone from the Streets located in the Subdivision.

(14) Any and all erosion from a Lot occurring as the result of any construction on said Lot must be stabilized and controlled as described hereinabove within sixty (60) days of the occupancy of said dwelling by the Owner of the Lot or as required by any applicable law, regulation, rule or ordinance.

(15) The maximum allowable "built-upon area" on any Lot in the Subdivision is 3,800 square feet. "Built-Upon Area" includes any area constructed within the Lot property boundaries and that portion of the right-of-way between the front lot line and the edge of the pavement. "Built-Upon Area" includes, but is not limited to, structures, asphalt, concrete, gravel, brick, stone, slate, and coquina, but does not include raised, open wood decking, or the water surface of swimming pools. Filling in or piping of any vegetative conveyances (ditches, swales, etc.) associated with the Subdivision except for average driveway crossings, is strictly prohibited by any persons. A thirty (30) foot wide vegetated buffer between all impervious areas and surface waters shall be maintained on each Lot. All roof drains shall terminate at least thirty (30) feet from the mean highwater mark of any surface waters. The covenants set forth in this Paragraph (15) are intended to ensure ongoing compliance with State Stormwater Management Permit No. SW8050213 as issued by the Division of Water Quality under NCAC 2H.1000 and any amendments, additions or replacements thereof, or any such permit obtained by Declarant and relating to property annexed into the Subdivision by Declarant as provided herein (the "Permit"). The State of North Carolina is made a beneficiary of the covenants set forth in this Paragraph (15) to the extent necessary to maintain compliance with the Permit. The covenants set forth in this Paragraph (15) pertaining to stormwater may not be altered or rescinded without the express written consent of the State of North Carolina, Division of Water Quality. Alteration of the drainage as shown on the approved stormwater plan for the Subdivision may not take place without the concurrence of the State.

(16) In the event the Owner of a Lot shall damage or through negligent failure to act allow damage to occur to any drainage or utility easement or Stormwater Management Facilities located in the Subdivision, the Owner of said Lot shall be responsible and liable for the repair or replacement of said drainage or utility easement or the Stormwater Management Facilities as provided in these Restrictions. From and after the time the Permit is transferred to the Corporation, Declarant shall have no responsibility for maintaining any drainage easements or Stormwater Management Facilities in the Subdivision except drainage easements or Stormwater Management Facilities located on Lots owned by Declarant. Within the drainage and utility easements set forth in these Restrictions or shown on the Maps, no structure, fencing, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation or maintenance of utilities or which may change the direction or flow of drainage channels in the easements or violate the provisions of the Permit.

(17) It shall be the obligation of the Owner of any Lot in the Subdivision to provide, install and maintain an adequate culvert or drain pipe beneath any driveway located on said Lot as said driveway crosses the ditch or swale line at the front of the Lot in order that the natural flow of drainage will not be at any time blocked along the street. The culvert or drainage pipe must be of sufficient size to accommodate the flow of surface water in the ditch line. In no instance shall said drainage pipe be less than 15 inches in diameter. This pipe shall be installed prior to the construction of any dwelling on a Lot. The foregoing provisions of this Paragraph 16 notwithstanding, all such culverts or drain pipes shall comply with the Permit.

(18) Motor vehicles without current and valid licenses and inspections shall not be permitted to remain on any Lot or any Streets within the Subdivision. Motor vehicles utilized for commercial purposes shall not be permitted upon any Lot or upon the Streets within the Subdivision except during the construction of residential dwellings upon the Lots and for the delivery of goods and services to the residential dwellings located upon the Lots.

(19) No signs of any type or description shall be placed on or displayed on a Lot or the improvements thereon except signs advertising the property as being for sale, which signs shall not exceed six (6) square feet in size.

XIII.

Special Declarant Rights

In addition to rights elsewhere reserved by Declarant in this Declaration, the Articles and the Bylaws, Declarant hereby reserves those Special Declarant Rights as defined in the Act together with the following:

(1) Declarant reserves the right to subject the Lots to a contract with any public utility or municipality for electricity and lighting to the Lots, including the installation of underground electric cables, which contract may require an initial payment and/or continuing monthly payments to such public utility or municipality by the Owner of each Lot. Such expense, including both initial and continuing monthly payments, shall be an individual cost to be borne by each individual Lot Owner and is not a Common Expense paid through assessments.

(2) Declarant hereby retains and reserves for itself, together with the right to grant similar easements to other Persons, perpetual non-exclusive easements over, upon and under the streets, roads, utility lines, and drainage and utility easements existing in the Subdivision and/or shown on the Maps. Such easements are non-exclusive and are for any purposes as Declarant, in its discretion, determines and include for the purposes of providing utilities and access to the Additional Property and property in the Subdivision area. Said easements shall run to the benefit of all parties and property to whom Declarant grants similar easements. Reference to access easements throughout this Declaration shall be interpreted to include perpetual non exclusive general access and utility easements for ingress, egress, regress, access and the maintenance and installation of utilities.

(3) Declarant retains and reserves a perpetual easement over and under the streets in the Subdivision for the purpose of installing, maintaining, and repairing power lines, light poles, light fixtures and other apparatus necessary for a street light system for the Subdivision.

(4) Declarant retains and reserves for itself, together with the right to grant a similar easement to any other Person, a perpetual easement over and under the streets in the Subdivision for the purpose of installing, maintaining, and repairing water and sewer lines to service property in the Subdivision area.

(5) During the Development Period, Declarant may install and maintain signs used to market Lots within the Property including, but not limited to, for sale signs of any size and signs noting and identifying model Dwellings.

(6) The right to appoint the Committee as set forth in Article X(1) of this Declaration.

(7) The right to exercise veto power as set forth in the Articles.

Declarant may transfer all or any portion of the Special Declarant Rights created or reserved hereunder to any Person pursuant to the provisions of the Act.

XIV.

Development of the Subdivision

(1) Declarant hereby reserves an option to expand the Subdivision from time to time without the consent of any Owner or Eligible Mortgagee by submitting all or any portion of the Additional Property to the provision of this Declaration and the jurisdiction of the Association. The option to incorporate Additional Property into the Subdivision shall continue to the end of the Development Period and may be terminated only upon the recordation by Declarant of an instrument relinquishing such option. When submitting any portion of the Additional Property to the provisions of this Declaration and the jurisdiction of the Association, Declarant reserves the right unilaterally to record additional amendments to the Declaration subjecting any Lot on such portion of the Additional Property to such additional covenants, restrictions and conditions as may be necessary, in the discretion of Declarant, to reflect the

different characteristics of the development of such portions of the Additional Property as are not inconsistent with the overall scheme of the Declaration; provided, however, that Declarant shall not have such right over a specific Lot after the conveyance of such Lot to an Owner other than Declarant.

(2) Declarant may unilaterally amend the description of the Additional Property set forth in Attachment A and the Maps of the Additional Property.

(3) Declarant shall record in the office of the register of deeds of Onslow County one or more amendments to the Declaration submitting such portion of the Additional Property described therein to this Declaration and to the jurisdiction of the Association. Each amendment shall include a legally sufficient description of the real estate added and each the Maps shall designate such real estate with the term "Section" followed by a unique identifier so as to differentiate between each Section of the Subdivision. Any such amendment may contain such additions, modification or other changes to the provisions in this Declaration as may be necessary, in the discretion of Declarant, to reflect the different character of the Additional Property added thereby and as are not inconsistent with the overall scheme of this Declaration; provided, however, that such additions shall not apply to any real estate previously submitted to this Declaration. When recording an amendment adding all or portions of the Additional Property to the Subdivision, appropriate Maps shall be recorded showing such Additional Property being submitted, describing any real estate being conveyed to the Association as Common Areas and showing any new Lots.

XV.

Waiver

No provision contained in Association Documents shall be deemed to have been waived, abandoned, or abrogated by reason of failure to enforce them on the part of any Person as to the same or similar future violations, no matter how often the failure to enforce is repeated.

XVI.

Variances

The Executive Board in its discretion may allow reasonable variances and adjustments in the restrictions contained herein in order to alleviate practical difficulties and hardship in their enforcement and operation. Any such variances shall not violate the spirit or the intent of this document to create a Subdivision of Lots owned in fee by various Persons with each such Owner having an easement upon areas owned by the Association. No variance or adjustment will be permitted if such would be materially detrimental or injurious to the welfare of the other property and improvements in the Subdivision as determined by the Executive Board.

XVII.

Duration, Amendment and Termination

(1) The Restrictions contained in this Declaration shall run with and bind the Lots and Common Areas until July 1, 2026, after which time they shall automatically be extended for successive periods of ten (10) years.

(2) The Association may amend this Declaration in full or part by an affirmative vote or written agreement signed by Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

(3) Written notice of any proposed amendment shall be sent to every member and Owner at least thirty (30) days before any action is taken.

(4) Notwithstanding anything to the contrary contained herein:

(a) No amendment to this Declaration shall be made during the Development Period without the prior written consent of the Declarant.

(b) No amendment to this Declaration shall (i) increase the financial obligations of an Owner in a discriminatory manner or further restrict development permitted on a Lot; (ii) alter any obligation to pay ad valorem taxes on the Common Areas; (iii) alter any obligation to pay assessments for street lighting as herein provided or affect any lien for the payment of same; (iv) modify any provision contained herein which specifically requires the consent of another party to modify such provision unless the required consent of such other party has been obtained; or (v) modify the rights or add to the obligations of the Declarant unless the Declarant executes the instrument including, but not limited to, the veto rights of the Declarant as set forth in the Articles.

(c) No amendment to this Declaration shall diminish or impair the rights of the Declarant, including voting or veto rights, under the Declaration without the prior written consent of the Declarant.

(d) No amendment to this Declaration may modify this Article XII or the rights of any Person hereunder.

(e) Except as specifically provided in this Declaration, no amendment to this Declaration shall be construed to grant to any Owner or to any other Person any priority over any rights of Mortgagees.

(4) An amendment to this Declaration shall not be effective until certified by the President as to compliance with the procedures set forth herein, executed and acknowledged by the President and attested by the Secretary or Assistant Secretary of the Association, and recorded in the office of the Register of Deeds of Onslow County.

(5) During the Development Period, Declarant may unilaterally amend this Declaration for any purpose; however, any such amendment shall not adversely affect the title to any Lot unless the Owner thereof shall consent in writing.

(6) Invalidation of any of these Restrictions by judgment or court order shall in no way affect any other provision of these Restrictions which shall remain in full force and effect.

(7) This Declaration and The Neighborhoods of Holly Ridge planned community may be terminated only by written agreement signed by Owners of Lots to which at least eighty percent (80%) of the votes in the Association are allocated. Any such termination shall be in accordance with the provisions of N.C. Gen. Stat. § 47F-2-118.

XVIII.

Common Areas: Private

(1) All Common Areas and any facility thereon are private. Neither the Declarant's execution of this Declaration nor recording of the Map nor any other act of the Declarant with respect to the property is or is intended to be or shall be construed as a dedication to the public of any of the Common Areas. An easement for the use and enjoyment of each of the areas designated as Common Areas is reserved by the Declarant, its successors and assigns.

(2) All Common Areas shall be owned by the Association and shall be accepted by the Association free and clear of all liens and encumbrances except pro rata ad valorem real property taxes for the year of conveyance, reasonable drainage and utility easements, the easement rights specified herein, including but not limited to, easement rights retained by Declarant herein, all government laws and regulations, and this Declaration.

XIX.

Acceptance

(1) The grantee of any Lot subject to these Restrictions, by acceptance of a deed conveying title thereto, or by the execution of a contract for the purchase thereof, whether from Declarant or a subsequent owner of such Lot, shall accept such deed or contract upon and subject to each and all of these Restrictions herein contained and also the jurisdiction, rights and powers of Declarant and the Association, and by such acceptance shall for himself, his heirs, personal representatives, successors and assigns, covenant, consent and agree to and with Declarant and the Association and to and with the grantees and subsequent owners of each of the Lots to keep, observe, and comply with the Association Documents.

(2) Each such grantee also agrees, by such acceptance, to assume, as against Declarant, its successors and assigns, all of the risks and hazards of ownership or occupancy attendant to such Lot, including but not limited to its proximity to any Common Element or recreational facility.

ARTICLE XX

COMPLIANCE AND DEFAULT

(1) Relief. Each Owner and each Owners Association located within the Property shall be governed by, and shall comply with, all of the terms of the Association Documents as they may be amended from time to time. For the purpose of determining an Owner's liability for the violation of any provision of the Association Documents or for an act or omission of such Owner, each Owner is responsible, regardless of negligence or culpability, for such Owner's own acts or omissions, the acts or omission of such Owner's tenants, and the acts or omissions of such Owner's (or tenant's) household, guests, employees, customers, agent or invitees. A default by an Owner or an Owners Association located within the Property shall entitle the Association, acting through its Executive Board or through the managing agent, to the relief and remedies set forth in the Act, the Association Documents and this Article XX.

(2) Abating and Enjoining Violations. The violation or the breach of any provision of the Association Documents shall give the Executive Board the right, in addition to any other rights set forth in the Association Documents: (a) to enter the portion of the Property on which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner or member, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of the Association Documents, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; (b) to use self-help to remove or cure any violation of the Association Documents on the Property (including without limitation the towing of vehicles); or (c) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.

(3) Legal Proceedings. Failure to comply with any of the terms of the Association Documents shall be grounds for relief, including without limitation an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in the Association Documents and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Executive Board, the managing agent or, if appropriate, by any aggrieved Owner or member and shall not constitute an election of remedies.

(4) Other Remedies. The Executive Board may suspend an Owner's voting rights pursuant to the Bylaws. The Board may also suspend the right of an Owner or other resident, and the right of such Person's household, guests, employees, customers, tenants, agents and invitees, to use the Common Elements for a reasonable period not to exceed sixty (60) days for any violation of any provision of any of the Association Documents or for any period during which any assessment against an Owner's Lot remains unpaid; provided, however, that the Association shall not suspend the right to use the Common Elements for pedestrian ingress and egress to and from such Owner's Lot or to suspend any easement over the Common Elements for storm water drainage, electricity, water, sanitary sewer, natural gas, television reception, telephone service, data transmission, computer service or similar utilities and services to the Lots.

(5) Interest. In the event of a default by any Owner in paying any sum due the Association assessed against such Owner's Lot or any Owners Association in paying any amount to be collected from such Owners Association which continues for a period in excess of fifteen (15) days, interest from the due date at a rate not to exceed the highest rate permissible by law (which shall not be construed as the "legal rate" of interest) may be imposed in the discretion of the Executive Board on the principal amount unpaid from the date due until paid; provided, however, that if the Executive Board does not impose interest, the Board shall set forth its reasons for not charging such interest in a written record of its decision. The interest to be imposed pursuant to this subsection shall be in addition to any the late charges permitted hereunder.

(6) No Waiver of Rights. The failure of the Association, the Executive Board or of a member or Owner to enforce any right, provision, covenant or condition which may be granted by the Association Documents shall not constitute a waiver of the right of the Association, the Board or any member or Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Executive Board or any member or Owner pursuant to any term, provision, covenant or condition of the Association Documents shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Association Documents, at law or in equity.

(7) Imposition of Charges. The Executive Board, or the Architectural Committee created by the Executive Board for this purpose, shall have the power to impose charges in the case of an Owner or an Owners Association found to be responsible for a violation of the Association Documents (personally or under the provisions of the Association Documents). No such penalty shall be imposed until the Owner charged with such a violation has been given notice and an opportunity for a hearing as set forth herein. No charge may be imposed for failure to pay an assessment except as otherwise provided in the Declaration. Charges are special assessments and shall be collectible as such and shall also constitute a lien against an Owner's Lot in accordance with Article VII hereof.

XXI

Hearing Procedures

Except as may be otherwise specifically authorized by the Declaration, and permitted by the Declaration, the Executive Board shall not (i) impose a fine or penalty, (ii) undertake permitted remedial action, or (iii) suspend voting or infringe upon other rights of a member or other occupant for violations of the Association Documents, or for assessments or other amounts due and owing to the Association remaining unpaid for a period of thirty (30) days, or longer, unless and until the following procedure is completed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than ten (10) days, during

which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months following such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board shall serve the violator with a written notice of a hearing to be held by the Executive Board of the Association in executive session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the proposed sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the alleged violator or to any person who may be served on the alleged violator's behalf as provided in said Rule 4.

(c) Hearing. The hearing shall be held in executive session of the Executive Board of the Association pursuant to the notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(d) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred and No/100 Dollars (\$100.00) (or as may be provided otherwise by law) per violation of the Association Documents and without further hearing, for each day after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in North Carolina General Statutes Section 47F 3 107(d). If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

XXI.

Captions

The captions preceding the various Articles of these Restrictions are for the convenience of reference only, and shall not be used as an aid in interpretation or construction of these Restrictions. As used herein, the singular includes the plural and where there is more than one Owner of a Lot, said Owners are jointly and severally liable for the obligations herein

imposed. Throughout this Declaration, references to the masculine shall be deemed to include the feminine, the feminine to include the masculine and the neuter to include the masculine and feminine.

XXII.

Notice

All notices provided for or permitted pursuant to these Restrictions shall be in writing and, except as is herein expressly otherwise provided, notice shall be deemed sufficient and service thereof completed upon transmittal by facsimile, hand-delivery or receipt, refusal or nondelivery of same when mailed postage prepaid to the party to or upon whom notice is being given or served at the address of such party last reflected on the records of the Association.

XXIII.

Liberal Construction

The provisions of this Declaration shall be construed liberally to effectuate its purpose of creating a Planned Community of fee simple ownership of Lots with Common Areas governed and controlled by rules, regulations, restrictions, covenants, conditions, reservations and easements administered by an owners' association with each Owner entitled to and burdened with various rights and easements.

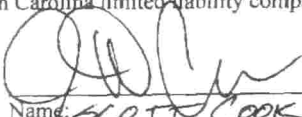
XXIV.

Joinder and Subordination

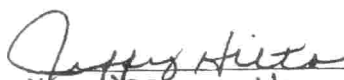
SunTrust is the holder of deeds of trust covering portions or all of the Lots, Common Areas, streets, and Additional Property recorded in the office of the Register of Deeds of Onslow County, North Carolina. SunTrust joins in the execution of this Declaration to consent to the terms hereof and to subordinate said deeds of trust and the liens thereof to the lien of this Declaration on the Lots, Common Areas, streets, and any Additional Property which is now or may in the future be affected by this Declaration, and to all provisions, easements, obligations and other matters set forth in this Declaration, as the same may hereafter be amended, modified, supplemented, or changed.

IN TESTIMONY WHEREOF, the parties have caused this instrument to be executed in such form as to be binding, all by authority duly given, this the day and year first above written.

NEIGHBORHOODS OF HOLLY RIDGE, LLC (SEAL)
a North Carolina limited liability company

By:  (SEAL)
Name: SCOTT COOK
Title: Manager

SOUTHERN HOMEBUILDERS, INC., a North Carolina corporation (SEAL)

By:  (SEAL)
Name: JEFFREY HILTON
Title: VICE PRES.

PENDER COUNTY, NORTH CAROLINA

I certify that the following person personally appeared before me this day, acknowledging to me that he/she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: SCOTT COOK, Manager of NEIGHBORHOODS OF HOLLY RIDGE, LLC

Date 02/15/06

Sandra B Horne
Signature of Notary Public



SANDRA B. HORNE, Notary Public
Printed or typed name
My commission expires: 08/21/08

PENDER COUNTY, NORTH CAROLINA

I certify that the following person personally appeared before me this day, acknowledging to me that he/she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: JEFFREY HULTON, VICE-PRESIDENT of SOUTHERN HOMEBUILDERS, INC.

Date 02/15/06

Sandra B Horne
Signature of Notary Public



SANDRA B HORNE, Notary Public
Printed or typed name
My commission expires: 08/21/08

SUNTRUST BANK, a Georgia banking corporation

By: _____

Name:

Title: First Vice President

STATE OF North Carolina
COUNTY OF New Hanover

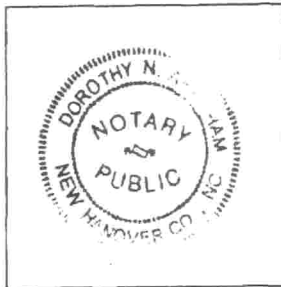
I, Dorothy N. Abraham, a Notary Public in and for said County and State, do hereby certify that Charles Davis personally came before me this day and acknowledged that he/she is 1st Vice President of SUNTRUST BANK, a Georgia banking corporation, and that he/she, as 1st Vice President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and official seal, this the 16th day of February, 2006.

Dorothy N. Abraham
Notary Public

My Commission Expires:

8/13/07



Notary seal or stamp must appear within this box.

040680-00002-001
WLMAIN\126108\4

Attachment A
(Description of Additional Property)

Those tracts or parcels of land lying and being situate in Stump Sound Township, Onslow County, North Carolina, being more particularly described in those certain deeds recorded in Book 2214, at Page 826 and Book 2217, at Page 767 in the office of the Register of Deeds of Onslow County, North Carolina, the descriptions as set forth in said deeds being incorporated herein by reference.

SAVING AND EXCEPTING FROM THE ABOVE-DESCRIBED PARCELS, portions of said parcels as are shown and designated on the map of the Neighborhoods of Holly Ridge, Phase I recorded in Map Book 49, at Page 38 in the office of the Register of Deeds of Onslow County, North Carolina.