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STATE OF NORTH CAROLINA

COUNTY OF CARTERET

DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS FOR THE LAKES AT STAR HILL, a Townhouse Development

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR the Lakes at Star Hill is made this 11th day of March 2025 by the present owner of the property described in Paragraph 1.1(f) hereunder, MX3 Holdings, LLC, a North Carolina limited liability company, hereinafter called "Declarant."

STATEMENT OF PURPOSE

Declarant is the owner of certain property located in Cape Carteret, North Carolina more particularly described in Paragraph 1.1. herein which it desires to develop as a residential townhome development known as The Lakes at Star Hill.

Declarant desires to provide for the preservation of the values and amenities for the maintenance of Common Elements; and, to this end, desires to subject said property, to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property, Declarant and each subsequent owner thereof. Declarant deems it desirable for the efficient preservation of such values and amenities in said community, to create an agency to which should be delegated and assigned the powers of maintaining and administering the community properties and facilities and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created. To this end, Declarant has incorporated or will incorporate under the laws of the State of North Carolina, as a nonprofit corporation, The Lakes at Star Hill Owner's Association, Inc., for the purpose of exercising the functions aforesaid;

NOW THEREFORE, Declarant declares that the real property described herein as The Lakes at Star Hill and as further described in Paragraph 2.1 hereof, is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, restrictions, easements, charges and liens (sometimes referred to as "covenants and restrictions") hereinafter set forth.

ARTICLE ONE

Definitions

1.1 Definitions. The following words when used in this Declaration (unless the context shall prohibit) shall have the following meanings:

a. "Act" shall mean the North Carolina Planned Community Act, as contained in Chapter 47F of the North Carolina General Statutes, or any successor portion of the North Carolina General Statutes, as the same exists from time to time.

b. "Association" shall mean and refer to The Lakes at Star Hill Owner's Association, Inc., as formed or to be formed by Declarant.

d. "Board of Directors" or "Board" shall mean the Board of Directors and is the executive board as defined in the Act.

e. "Common Element" or "Common Area" shall mean and refer to all real property (including easements, licenses and rights to use real property) and personal property located within or adjacent to the Property which is owned by the Declarant, or by the Association and which the Declarant has designated for the common use and enjoyment of the Owners, together with all improvements constructed thereon by Declarant, but not owned or maintained by a public or private utility company. The Common Elements include open space, a fire pit and the street running through the Development.

f. "Common Expense" shall mean expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserve, all as provided for in the Declaration.

f. "Declarant" shall mean MX3 Holdings, LLC., and any successor and assign to which it shall convey or otherwise transfer its right, title and interest to all or any part of the Property and in so doing expressly designates the transferee as a "Declarant" hereunder.

g. "Declarant Control Period" shall mean the period which extends from the recordation of this Declaration at the Register of Deeds of Carteret County until December 31, 2034 or upon the sale of the final lot to a 3rd party, whichever occurs first.

h. "Declaration" shall mean this Declaration of Covenants, Conditions, and Restrictions for The Lakes at Star Hill.

i. "Development" and "Subdivision" shall mean the Lots and Common Elements

subject to the terms of this Declaration.

j. "Development Period" shall mean that period beginning upon the conveyance of the first Lot in the Property to an Owner other than the Declarant and shall continue until (i) Declarant shall notify the Association that it will no longer pay for the operating deficits of the Association or (ii) the Class B membership shall cease and be converted to Class A Membership.

k. "Governing Documents" shall mean all of the following: this Declaration; the Articles of Incorporation and Bylaws of the Association; rules and regulations of the Association; Annexation Declarations, Amendment to the Declaration; and other declarations of restrictive or protective covenants applicable to the Property, as the same may be amended, restated or supplemented from time to time.

m. "Lot" shall mean and refer to the lots shown as such on the Plat and Plans and specifically exclude the Common Elements as heretofore defined.

n. "Limited Common Elements" shall mean those portions of the Common Elements primarily benefitting one or more, but less than all, Lots and which are designated as Limited Common Elements by the Association, or, if during the Development Period by the Declarant.

o. "Member" shall mean a person or entity who holds membership in the Association as provided hereafter in this Declaration.

p. "Occupant" shall mean any person or persons in possession of a Townhome, including Owners, the family members, lessees, guests, and invitees of such person or persons, and family members, lessees, guests and invitees.

q. "Owner" shall mean and refer to any person or entity who is the record owner of a fee or undivided interest in a Lot or Townhome. A tenant or lessee shall not be considered an "Owner".

r. "Patio Area" that area shown and designated on the Plat as "Concrete Patio" that is located at the rear of each Townhome.

s. "Plat" shall mean that prepared by recorded in Map Book __, Page __, Carteret County Registry.

t. "Property" shall mean all that certain property described in Article Two herein.

v. "Structure" shall mean any permanent or temporary improvement to the real estate other than trees, shrubbery and landscaping, the placement of which upon a Lot (or any part thereof) may affect the appearance of the Lot (or any part thereof) including, by way of illustration and not limitation, any building, trailer, garage, porch, deck, shed, greenhouse, or bath house, coop or cage, covered or uncovered patio, swimming pool, clothesline, radio, television or other antenna, satellite dish, fence, sign, curbing, paving, wall, roadway, walkway, exterior light. "Structure" shall also mean

(i) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the natural flow of surface waters from, upon or across the Property, or which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across the Property, and (ii) any change in the grade of the Property (or any part thereof) of more than six (6) inches from that existing at the time of purchase by an Owner.

w. "Townhome" or "Townhouse" shall mean one building located on a Lot as shown on the Plat that is designated and intended for use and occupancy as a residence by a single family.

ARTICLE TWO

Property Subject to Declaration And Description of Townhomes

2.1 Incorporation of the North Carolina Planned Community Act. The provisions of the North Carolina Planned Community Act set forth in Chapter 47F of the North Carolina General Statutes are generally incorporated herein by reference. However, in the event of conflict between any provision of the Act and this Declaration, the Declaration shall control if the law so allows, and if not, the Act shall control. The terms of the Act shall supplement this Declaration as required by context.

2.2 Description of Real Property. Declarant shall hereafter hold, grant and convey that certain real property located in the Town of Cape Carteret, Carteret County, North Carolina, recorded in Book 1 8 0 0, Page 3 8 2, Carteret County Registry, subject to the covenants, conditions, easements and restrictions herein set forth and which are for the benefit of, binding upon and shall run with the land, and are for the benefit of Declarant, the Association and the Owners, their heirs, personal representatives, successors and assigns. The entire townhouse project consists of Twelve (12) townhouse lots in three (3) buildings built or proposed to be built on the Lots, with each building containing four (4) units.

2.2 Description of Townhomes. All Townhomes will be basically the same size. Each Townhouse is a two-story townhome containing three (3) bedrooms and two and one-half (2 ½) bathrooms and will include a garage.

2.3 Townhome Boundaries. The boundaries of each Townhome constructed on the Property shall be as shown on the recorded plat or plats; provided that the side boundary of each Townhome shall be a line consistent with and along the center of all firewalls separating a Townhome from another Townhome. In the event of any discrepancy between the boundaries of a Townhome, as described herein and the boundaries of such Townhome when shown on the recorded plats, the description of the boundaries of the Townhome set forth herein shall control. All of the area within the boundaries of each of the Townhomes, as herein described, shall for all purposes constitute real

property which may be owned in fee simple, subject to the terms, provisions, liens, charges, covenants, easement and restrictions of this Declaration.

ARTICLE THREE
The Association.

3.1 Creation. To efficiently and effectively provide for the administration of the Properties by the Owners of the Lots, an association of all Owners named The Lakes at Star Hill Owner's Association, Inc. (hereinafter "Association") is or will be created by to Chapter 55A of the General Statutes and the Association shall administer the operation and management of the Property and undertake and perform all acts and duties incident thereto in accordance with this Declaration.

3.2 Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by this Declaration to assessment by the Association shall be a Member of the Association, provided that any such person or entity who holds such interest merely as security for the performance of an obligation shall not be a Member. Each new Owner automatically becomes a member of the Association upon acquisition of a Lot. Upon disposition of said property such Owner's membership automatically terminates and the membership interest is transferred to the new owner of said lot.

3.2 Voting Rights. The Association shall have two classes of voting membership.

Class A. Class A Members will be all Owners, with the exception of the Declarant. Class A Members shall be entitled to one vote for each Lot in which they hold the interests required for membership. When more than one person holds such interest or interests in any Lot all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine but in no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B Member will be the Declarant. The Class B Member shall be entitled to ten (10) votes for each Lot owned by the Declarant. The Class B membership shall cease and become converted to Class A membership at the earlier occurrence of the following events: (a) when the total votes outstanding in Class A membership exceed the total votes outstanding in Class B membership; but provided that the Class "B" membership shall be reinstated if thereafter, and before January 1, 2034 additional lands are annexed to the Property in accordance with this Declaration; (b) on January 1, 2034 or (c) such earlier date as the Declarant may choose to terminate the Class B Membership upon notice to the Association. From and after the happening of these events, whichever occurs earlier, the Class B Member will be deemed to be a Class A Member entitled to one vote for each Lot in which it holds the interests required for membership.

3.3 Board of Directors. The Association shall be governed by a Board of Directors. Subject to written waiver by Declarant or until Declarant's Class B membership is converted to Class A membership, Declarant shall appoint a majority of the members of the Board. As long as Declarant has the right to appoint a majority of the members of the Board, the Board shall consist of at least

three (3) members. Declarant's appointees need not be members of the Association. Upon the conversion of the Declarant's membership interest into Class A membership, the Board will thereafter be selected in accordance with the Bylaws of the Association. All power and authority of the Association is exercisable by the Board of Directors.

3.4 Bylaws. The Bylaws of the Association may be amended as set forth therein. In the event any provision of the Bylaws is inconsistent with the provisions of this Declaration, the provisions of this Declaration shall control. A copy of the Bylaws is attached as Exhibit B.

3.5 Powers of the Association. In the administration of the operation and management of the Development, the Association, by action of the Board of Directors on behalf of the Association, is hereby granted the authority and power to enforce the provisions of the Declaration, to levy and collect assessments in the manner herein provided, to adopt, promulgate and enforce such rules and regulations governing the use of the Lots and Common Elements as the Board may deem to be in the best interest of the Association and to exercise all powers contained in N.C.G.S. § 47F-3-102 of the Act including the specific power to assign its rights to future income and to receive Common Expenses assessments as provided in N.C.G.S. 47F-3-102 (a)(15) and as set forth in the Bylaws.

Unless specifically limited by a provision of this Declaration or the Bylaws, any action allowed or required to be taken by the Association may be taken by a majority vote of the Board, without joinder or approval of the Members of the Association.

3.6 Powers of the Declarant on Behalf of the Association to Enter into Management and Other Utility Provider Agreements. The Declarant, on behalf of the Association, has the right to subject the Lots to utility agreements and or contracts for internet, cable television, sewer system maintenance and landscaping maintenance for the individual lots and common areas for a reasonable term of years from the date of recording of this Declaration, so long as the Declarant does not substantially financially benefit from the contract and it is in the best interest of the Association and its members at the time of execution of the contract. Any fees for such utility services may be a part of the regular Association assessment, whether such lot owners utilize the utility service or not.

ARTICLE FOUR Common Area

4.1 Conveyance of Common Area. Declarant agrees that all of the Common Area owned by Declarant shall be conveyed or assigned to the Association, subject to covenants, easements, restrictions and other matters of record, on or before ninety (90) days following the conveyance of the last Lot owned by Declarant. Upon recordation of the deed conveying Common Area to the Association, the Association shall be conclusively presumed to have accepted the conveyance.

4.2. Grant of Easement in Common Areas. Declarant hereby grants an easement to all Owners and the Association over the Common Areas as defined in Section 1.1 (e) and the Association shall maintain all Common Elements in good repair.

4.3 Owner's Easements of Enjoyment. Except for Limited Common Elements every Member and the Association shall have a right and non-exclusive easement of use and enjoyment in and to the Common Elements together with and including the right of access, ingress and egress, both pedestrian and vehicular, on and over the drives, walkways of the Common Elements all of which shall be appurtenant to and shall pass with the title to every Lot.

4.4 Delegation of Use. Members may delegate this right of use and enjoyment to the Common Elements and facilities to the members of his family, his lessees, or contract purchasers who reside in the Townhouse in the case of the Member being a partnership, limited liability company, or corporation use may be delegated to the partners, members or shareholders as the case may be; however, such delegations of use shall be subject to regulation by the Association..

4.5 Rules. The Declarant and subsequently the Association shall have the right to prescribe reasonable rules and regulations governing the use of the Common Elements, which rules and regulations shall apply equally to all Owners, their family members, guests, lessees and invitees. Any violation of such rules may, after a hearing in front of the Board of Directors or adjudicatory panel, be punishable by a fine not to exceed \$100.00 per violation, suspension of voting rights and /or suspension of rights to use the Common Elements all as set forth in N.C.G.S.§47F-3-107.1.

4.6 Maintenance of Common Area. The Association shall keep in good condition, order and repair, the Common Area, including but not limited to the private street shown on the Plat or any plat of the Development, sidewalks, curbing, all entry features and entry landscaping, if any, all street signage and streetlights and any stormwater control features. In the event that the Association determines that any maintenance which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owners, or the occupant, family member, guest, invitee or lessee of an Owner, then the Association may perform such maintenance, and all costs thereof may be assessed against the Owner as a specific assessment.

The Board of Directors, in its sole discretion, may change the landscaping of the Common Areas at any time and from time to time, including the adding or modifying of landscaping improvements.

4.7 Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

a. The right of the Association, in accordance with the North Carolina Non-Profit Corporation Act, to borrow money for the purpose of improving the Common Elements and in aid thereof to mortgage said properties;

b. The rights of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosure;

c. The right of the Association, to suspend the voting rights of any Member for any period during which any assessment remains unpaid, and for any period not to exceed thirty (30) days for any infraction of its published rules and regulations;

d. The legal right of an Owner of property shown on the same plat to include portions of the Common Elements as may be necessary for said Owner to qualify under governmental requirements such as setback lines, open space, parking or other aspects which may be needed for issuance of a building permit to be secured to rebuild a damaged Townhome; and

e. The right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority, or entity for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer, determination as to the purposes or as to the conditions thereof, shall be effective unless such an instrument is approved by a majority of the members attending in person or by proxy a meeting called for such purpose . Written notice of the meeting along with the proposed agreement and action thereunder must be sent to every Member at least thirty (30) days in advance of any action taken.

ARTICLE FIVE

Aesthetics Review

5.1 Review and Approval. Unless otherwise provided herein, no building, fence, wall or other structure, nor any exterior improvement, replacement nor any planting or landscaping change (including removal of any tree) shall be commenced, erected or maintained upon the Property 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 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 complied with fully. The Board or its designated committee may extend the approval period by an additional thirty (30) days by giving written notice to the applicant. The Association shall have the right to bring an action to enjoin any activity taken in violation of this Article.

In reviewing each submission, the Board or its designated committee may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements.

ARTICLE SIX

Covenant for Budget and Assessments

6.1 Budget. The Board of Directors shall from time to time, and at least annually, prepare and adopt a proposed budget for the Association and determine the amount of the common expense payable by the Owners to meet the proposed budget of the Association.

Within 30 days after adoption of any proposed budget for the Association, the Board shall provide a summary of the budget to all Owners, and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) days nor more than thirty (30) days after mailing of the summary. Notwithstanding any other provisions of this Declaration or the By-laws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of this Declaration or the By-laws, the proposed budget shall be deemed ratified unless at that meeting a majority of all the Owners present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

6.2 Assessments. Each Owner of every Lot, by the acceptance of title thereto, will be deemed to covenant and agree to pay to the Association (a) annual assessments or charges; (b) special assessments; and (c) specific assessments.

a. Annual Assessments by the Association shall be used for covering all expenses of the Common Elements including administration, inspection and maintenance of the Common Elements; all expenses related to the inspections, repair and maintenance of any stormwater management controls as set forth herein; expenses for the upkeep and maintenance of the residential townhouse structures and landscaping features located on each Lot; expenses classified as common expenses under the Act, or under the provisions of this Declaration or other Governing Documents; expenses for acquisition, maintenance, repair, restoration, replacement, use and operation of personal property owned or leased by the Association for the benefit of the Members; premiums for property, liability or such other insurance premiums as this Declaration or other Governing Documents may require the Association to purchase; ad valorem taxes and assessment and charges lawfully levied against any Common Elements owned in fee simple by the Association; fees or charges for utilities used in connection with the Common Element; fees or charges for sewer services provided to individual Townhomes; any unpaid Association assessment following the foreclosure of a first mortgage or first deed of trust or an assessment lien; allocations to reserve funds; fees for services engaged by the Association; financial obligations of the Association or financial obligations of Members with respect to which the Association has responsibility for collection and payment; expenses incurred by the Association in performing its functions and providing services, including operating, management, enforcement and administrative expenses; expenses agreed by the Members to be common expenses of the Association and expenses to fund any activity, power of authority of the Association as set forth the Governing Documents.

The Board of Directors, in adopting its budget for the operation, management and maintenance

of the Development, may designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Elements and for meeting its responsibilities for exterior maintenance set forth in Article VII below, which capital improvement and replacement fund ("Capital Improvement Fund") shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a portion of the Common Elements, the replacement of personal property which may constitute a portion of the Common Elements held for the joint use and benefit of the Owners of Lots, as well as, its maintenance and repair responsibilities under Article VII hereof. The amount to be allocated to the Capital Improvement Fund may be established by the Board so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement, maintenance or repair. The amount so collected for the Capital Improvement Fund shall be maintained in a separate account by the Association and such monies shall be used only to make capital improvement. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Board, be expended for current operations and maintenance.

b. Special Assessments may be levied by the Board of Directors during any fiscal year to pay for any or all of the following (i) unbudgeted Common Expenses; (ii) Common Expenses in excess of those budgeted; or (iii) the costs of any capital improvements or capital repairs. No special assessment shall be imposed unless approved by the affirmative vote of fifty percent (50%) or more of the votes cast by the Members present at a meeting of the Association and, during the Development Period, the written consent of the Declarant. Notices for all meetings of the Association at which there is to be a vote on a special assessment shall include notice of the purpose and amount of the proposed special assessment. A special assessment is effective on the later of the date it is approved by the Members or Declarant (if such approval is required), or such later date adopted by the Members in the vote approving the special assessment, and is due and payable as established by the vote of the Members approving the special assessment, or, if not established by such vote of the Members, as established by the Board. Each Lot shall be liable for the payment of an equal share of every special assessment which shall be levied by the Association pursuant to the provisions of this section.

c. Specific Assessments may be levied by the Board of Directors against any particular Lot as set forth herein including, but not limited to, amounts to reimburse the Association for maintenance expenses resulting from the failure of such Owner to maintain adequately that Owner's Lot, or for damages to Common Elements, reasonable fines as may imposed in accordance with the terms of this Declaration and for such other purposes as stated herein. Upon establishment of a specific assessment under this section, the Board of Directors shall written notice of the amount and due date of such specific assessment to the affected Owner at least thirty (30) days prior to the date such specific assessment is due.

Notwithstanding anything to the contrary, at the first conveyance of any Lot by the Declarant, the grantee shall pay the Association the sum of \$500.00 for each Lot acquired as a contribution to the capital of the Association (the "Capital Contribution"). The Association may use the Capital Contribution or any part thereof for any purposes authorized for assessments by this Declaration.

Additionally, at the first conveyance of any Lot by the Declarant, the grantee shall reimburse the Declarant for any prepaid insurance premiums with said sum being prorated based upon the remaining effective period of the policy.

6.3 Lien and Personal Obligation.

a. All assessments levied by the Association, and any installment thereof, if unpaid for a period of thirty (30) days after the due date, will constitute a lien on the Lot against which such assessments are made when filed of record in the office of the Clerk of Superior Court of Carteret County in the manner provided therefor by Article 8 of Chapter 44 of the General Statutes of North Carolina (or any replacement article). The Association's lien may be foreclosed in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes of North Carolina with the Association being deemed as holding the power of sale.

b. The claim of lien shall be subordinate to the lien of any first mortgage or the lien of any other encumbrance recorded before the docketing of the claim of lien in the office of the clerk of court. The sale or transfer of any Lot shall not affect the lien except that the sale or transfer of a Lot pursuant to judicial or nonjudicial foreclosure of a first mortgage or any bona fide, good faith proceeding in lieu thereof shall extinguish the lien as to payments which became due prior to the sale or transfer. Such unpaid Assessments shall be deemed Common Expenses collectible from all Owners, including the purchaser at foreclosure. In addition, no sale or transfer shall relieve the Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

c. Each assessment, together with such interest thereon and cost of collection thereof as hereinafter provided, in addition to constituting a lien when thirty days delinquent, will also be the personal obligation of the owner of the Lot at the time the assessment, or installment thereof, was due. In addition to foreclosure of its lien, the Association may also institute suit against the owner for collection of the delinquent assessment. The personal obligation for assessments which are delinquent at the time of transfer of a Lot will not pass to the transferee of said Lot unless delinquent assessments are expressly assumed by the transferee.

d. The remedies set forth herein are cumulative and will be in addition to any other remedy provided to the Association by law.

e. If it is necessary for the Association to enforce any lien, or to pursue a civil action to recover unpaid assessments, the Association will be entitled to recover its actual reasonable attorney's fees, court costs, and any other expenses in connection therewith.

f. As used in this Declaration the term "assessment," if more than 30 days delinquent is deemed to include interest thereon at the rate of eighteen percent (18%) per annum, the Association's actual reasonable attorney's fees incurred in collecting the delinquent assessment(s), and other costs of collection incurred by the Association.

g. The Association shall, within ten (10) business days after receipt of a written request from an Owner or the Owner's authorized agent, and for such reasonable charge as the Board may determine, furnish a certificate signed by an officer of the Association, or by a Person or

employee of any Person employed by the Association and to whom the Association has delegated the authority to issue such certificates, setting forth whether the assessments and other charges against a specified Lot have been paid. If such certificate states that an assessment has been paid, such certificate shall be conclusive evidence of payment and is binding on the Association, the Board, and every Owner.

6.4 Acceleration of Assessments Payable by Installment. In any case where an assessment is payable in installments, upon a default by an 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 Board, and the entire remaining balance of the assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner.

6.5 Calculation of Assessments. Annual assessments shall be established by the Board of Directors based upon the annual budget and the same amount will be charged to each Owner of a Lot.

The assessment obligation of each Owner other than the Declarant shall commence upon the recordation of this Declaration at the Carteret County Registry. Annual assessments shall be collectable in advance on a periodic basis established by the Board of Directors from time to time, which periodic basis shall not be less frequently than annually. Special assessments shall be collectable in advance in the manner established by the Board of Directors at the time such special assessment is authorized.

6.6 Declarant Assessments. Notwithstanding any provision of this Declaration to the contrary, during the Development Period the Lots and other portions of the Property owned by the Declarant shall not be subject to any annual or special assessment levied by the Association or to any lien for such assessment. During the Development Period, the Declarant shall pay the balance of the actual operating expenses of the Association remaining after the Association levies and collects assessments from Owners. The Declarant shall be obligated to fund such balance only as the expenses are actually incurred by the Association during the Development Period. Upon the termination of Declarant's agreement to pay operating deficits, the Declarant shall become obligated to pay assessments on Lots owned by it within the Property on the same basis as the Owner. In no event shall the Declarant be obligated to pay for the operating deficits of the Association after the Declarant no longer owns any Lots within the Property.

ARTICLE SEVEN

Exterior Maintenance and Party Walls

7.1 Exterior Maintenance. In addition to maintenance of the Common Elements, the Association shall provide exterior maintenance to each Townhome which is subject to assessment hereunder, as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building

surfaces, walks, porches, fences installed by Declarant or the Association, exterior post lights (excluding electricity therefore), and other exterior improvements. Such exterior maintenance shall not include landscaping in the front and rear of the Townhouse Structure, glass surfaces, or screens for windows and doors, or any improvements contained within Patio Area, or the repair or reconstruction of any improvements on any Lot, the cost of which repair or reconstruction would be covered by casualty insurance, whether or not a policy of casualty insurance is in effect.

Except as otherwise provided for in this Article, the Owner of each Lot shall keep his Lot and all improvements thereon (including the Townhouse), in good order and repair, if not covered by the association, including but not limited to: (i) keeping all sidewalks and patios neat, clean and in good repair, and (ii) the exterior care of the Townhouse and all other structures on the Lot, including but not limited to, windows, screens, sliding glass doors, decks, and patios; however, excluding such maintenance being the responsibility of the Association under this article, all in a manner and with such frequency as is consistent with good property management and maintenance.

If, in the opinion of the Board of Directors, any Owner fails to perform the duties imposed hereunder, the Association, after thirty (30) days written notice to the Owner to remedy the condition in question, and upon failure of the Owner to remedy the condition, the Association shall have the right (but not the obligation), through its agents and employees, to enter upon the Lot in question and to repair, maintain, repaint and restore the Lot and the improvements or structures thereon (including Living Unit) and the cost thereof shall be a binding, personal obligation of such Owner, and an additional assessment upon the Lot collectible as provided for in Article VI.

7.2 Damage by Owner. In the event that the need for maintenance or repair is caused through the willful or negligent act of an Owner, his family, lessees, guests, contractors, or invitees, or contract purchasers, the cost of such maintenance or repairs shall be added to, and become a part of, the assessment to which such Lot is subject.

7.3 Inspection and Access Rights Reserved. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association, its agents, employees or contractors, the right to unobstructed access over and upon each Lot at all reasonable times for inspection and to perform maintenance as provided in this Article after notice has been provided to the Owner. In the case of an emergency repairs, access will be permitted at any time with only such notice as under the circumstances is practical.

7.4 Common Party Walls. All common party walls between individual Townhomes shall conform to the requirements of the North Carolina State Building Code. The following rules also apply to common party walls between individual residences:

a. Each wall which is built as part of the original construction on a Lot which serves as the dividing line between two adjoining Lots or Townhomes shall constitute a common party wall and, to the extent not inconsistent with the provisions of this section, the general rules of law regarding common party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

b. The cost of reasonable maintenance of a common party wall shall be shared by the Owners of the residences that share the common party wall, in proportion to such use. Provided, however, each Owner is responsible for usual and routine maintenance (for example, painting) of the portion of any party wall on the inside of such Owner's residence.

c. If a common party wall is destroyed or damaged by fire or other casualty, any Owner of a residence which shares such common party wall may restore or repair it, and the Owners of the other residences which share the restored or repaired common party wall shall, within twenty-one (21) days of the receipt of a request for payment and invoices showing the cost of such restoration or repair, contribute to the cost of the restoration or repair thereof (or reimburse the Owner who has paid such costs) in proportion to their use of the common party wall or fence, without prejudice, however, to the right of any such Owner to demand a larger contribution from the other Owners under any rule of law regarding liability for negligent or willful acts or omissions.

d. Notwithstanding any other provision of this Section, an Owner of a residence which shares a common party wall who, by such Owner's negligent or willful act or omission, damages or causes the common party wall to be exposed to the elements shall bear the entire cost of the necessary repair or restoration.

e. The right of any Owner to contribution from any other Owner under this Section with respect to all matters occurring prior to the transfer of title of the Lot to a subsequent Owner may be retained by the transferring Owner to the extent that the transferring Owner paid any expenses for which contribution is available; otherwise, the right of contribution shall be transferred to the subsequent Owner. The amount owed shall constitute the personal debt of the Owner from whom it is owed, and the Owner to whom the contribution is owed shall have all remedies available at law or in equity to enforce such Owner's right of contribution. An Owner's obligation for contribution is appurtenant to and shall run with title to such Owner's Lot.

f. An Owner who desires to sell a residence, or the prospective purchaser of such residence, may request the Owners of each other residence which shares that common party wall to provide a certificate stating whether or not such certifying Owner has any right or obligation of contribution with respect to such common party wall against the Owner who desires to sell. Each certifying Owner from whom such certificate is requested, shall, within ten (10) days after receipt of a written request for certification, furnish same to the requesting Owner or purchaser, as applicable, either confirming that no right of contribution exists or stating the amount of and reasons for the contribution claimed against the requesting Owner. A certificate signed by any one or more of the Owners of a residence which shares a common party wall with the residence of the requesting Owner shall be conclusive evidence of its contents with respect to all other Owners of that residence and with respect to third parties.

g. Each Owner of a residence which shares a common party wall with one or more other residences and such Owner's contractors and subcontractors shall have an easement and right of entry upon such other residences to the extent reasonably necessary to repair, restore, maintain or reconstruct the common party wall or fence. Such repair, restoration, maintenance or

reconstruction shall be done expeditiously and, promptly upon completion of the work, the Owner on whose behalf the work is being done shall restore all portions of the adjoining residences damaged as a result thereof to substantially the same condition as that which existed at the time the work commenced.

ARTICLE EIGHT
Use Restrictions and Rights

8.1 Residential Use. All Lots subject to this Declaration shall be used for residential dwellings and for no other purpose. However, this residential limitation does not affect the use of the Common Elements for the purposes for which they are established.

Notwithstanding the limitation of the Lots to residential use, Declarant, and Declarant's agents, have the right to maintain on one or more Lots model homes, construction trailers and offices for the purposes of selling, marketing, and developing Lots and building Townhomes within the Property or Future Development Property.

8.2 Utilities. All connections for utilities, including but not limited to, water, sewer, electricity, gas, telephone, televisions systems for sending and receiving data and/or other electronic signals, and other utilities shall be run underground from the proper connecting point to the dwelling structure.

Prior to the occupancy of a Townhome, the Declarant will provide a proper and suitable connection for water and sewer services to each Townhome. The cost of sewer services shall be included in the annual assessment paid by each Owner and sewer usage will not be separately metered at each Townhome. Each Owner shall be responsible for establishing an account with West Carteret Water Corporation or successor provider of water services to the Development for water services and each Owner shall be responsible for the payments of all fees for water services including the reoccurring monthly charges for the same.

8.3 Nuisance. No activity, whether active or passive, that is reasonably considered a nuisance by the Association shall be allowed within the Development. Activities which are noisy, produce noxious fumes or odors or otherwise interfere with the peace and quiet or the residential character of the subdivision are prohibited.

8.4 Leasing. Every Owner shall be permitted to rent his Townhome including renting the same on a short-term basis. All lessees, guests and invitees shall be subject to the rules and regulations which may be established from time to time by the Board of Directors of the Association, and the Association shall have the right to enforce violations of the rules and regulations against both the Owner and the Owner's lessees, guests, and invitees. Notwithstanding the foregoing, no sub-leasing of a Townhome is permitted.

8.5 Mobile Home and Detached Buildings. Manufactured homes, mobile homes, modular homes, and houses built off site shall be prohibited on the Property. No detached tool or

storage sheds, tents, trailers, tanks, temporary or accessory buildings or structures shall be erected or permitted to remain on any Lot. Notwithstanding this general prohibition, the Declarant, its agents, and contractors in the course of development of the Property shall be allowed to maintain mobile offices while development or construction is being pursued.

8.6 Fences. An Owner may elect to place a fence around his Patio Area after receiving approval from the Board as provided in Article 5 hereof. In the event the Declarant or the Association needs to access the Patio Area which has been fenced, the Owner shall permit access upon reasonable notice. The Declarant and subsequently the Association may install fences around easement areas and the Common Elements. No Owner shall alter any fencing installed by the Declarant or the Association.

8.7 Landscaping. Landscaping shall be installed on each Lot by Declarant. Owners shall not alter any landscape features. Owners shall be responsible for any landscaping each Owner's Patio Area. If, in the opinion of the Association any Owner fails to maintain his rear yard in a neat and orderly manner, the Association shall perform such at the expense of the Owner. No Owner shall plant any vegetation in the front yard or around the porch of his Townhome.

Declarant may install a sprinkler system to be utilize in connection with maintenance of landscaping. No Owner shall interfere with or alter any portion of the sprinkler system located on Owner's Lot or on the Common Element. In the event an Owner encloses his Patio Area, Owner shall be responsible for any necessary sprinkler maintenance for any portion located within his enclosed area.

8.8 Parking Rights. No parking is permitted any part of the Common Element including within the street right of way. No boats, campers, recreational vehicles, motorhomes, trucks, tractors, trailers, junked, dismantled, wrecked, unlicensed, unregistered or abandoned vehicles may be parked on a Lot.

8.9 Satellite Dishes. Televisions satellites dishes exceeding 24 inches in diameter are expressly prohibited. Any satellite dish not exceeding 24 inches shall not be permitted without permission of the Board or the designated Aesthetic Committee as to design, appearance and location or pursuant to any architectural guideline that may be issued for that purpose.

8.10 Signs. Subject to applicable law, no sign, banner, billboard, or advertisement of any kind, including without limitation, information signs, "for sale" or "for rent" signs, and those of contractors/subcontractors, shall be displayed on any Lot including inside any window so that it is visible from the exterior of the Townhouse except for signs, banners, and billboards approved in advance by the ARB, and by Declarant so long as Declarant owns any Lot, or any portion of Property. If permission is granted to any Owner to erect a sign on a Lot, the ARB and Declarant for as long as Declarant owns any Lot or a portion of the Property reserves the right to restrict the size, shape color, lettering, height, material and location of the sign, or in the alternative, provide the Owner with a sign to be used for such purposes. No sign shall be nailed or otherwise attached to trees.

No political signs shall be permitted to be placed on any Lot or Common Element by an Owner or the Association.

Notwithstanding the foregoing the following signs shall be allowed;

- a. street or directional signs erected by Declarant or by the Association;
- b. any sign constructed by any governmental agency;
- c. identification and informational signs constructed by Declarant, the purpose of which is to assist Declarant in identifying the project and the location of Lots or sales models within the Development;
- d. during property development and sale, Declarant may erect such identifying and marketing signs as it may deem necessary;
- e. signs placed on Common Elements by the Declarant or the Association for purposes of identifying the same and/or containing information about the use of such property.

8.11 Mailboxes. No mailboxes and newspaper holders shall be erected on a Lot and Owners shall use the designated boxes provided by the Declarant for such purposes.

8.12 Clotheslines. No exterior clothesline of any type shall be permitted upon any Lot.

8.13 Fuel Tanks. Fuel tanks and LP gas tanks shall be prohibited except for tanks connected to standard household gas grills.

8.14 Trash. All trash shall be deposited within approved receptacles located on the Property. All trash receptacles shall be stored on the rear of each Lot. No trash shall be allowed to accumulate on a Lot.

8.15 Window air conditioner and window treatments. No window air conditioning units shall be installed on any Townhouse within the Development. The outside of all window treatments which can be seen at any time from the outside of any Townhome must be white or off-white.

8.16 Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any Townhome except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and are not a nuisance to other Owners, such determination being within the sole discretion of the Association. Any excrement deposited by an animal on any portion of the Property shall be promptly removed and appropriately disposed of by the owner of such animal. All animals shall be kept under control by each Owner at all times and leashed when outside of the Owner's Townhome. The Association may restrict the walking of pets to certain areas. Any animal not so kept or which poses a danger to persons, other animals or wildlife may be permanently or temporarily removed by the Association or by animal control authorities at the request of the Association. The ability to keep a pet is a privilege and not a right. If, in the discretion of the Board, any animal shall become dangerous or an annoyance or nuisance to other Owners, or destructive to wildlife or property, such animal may not thereafter be kept on a Lot or in a Townhome. Further, in the event any group of animals shall collectively become

dangerous or an annoyance or nuisance to other Owners, the Board shall have the right require the Owner to reduce the number of animals kept on the Lot or to take such other remedial action as the Board shall specify in its sole discretion. All pets shall be registered, licensed and inoculated as required by law.

8.17 Play Equipment. No portable sporting equipment may be installed or used in front of a Townhouse or in the street or Common Elements, including, but no limited to soccer goals, skate ramps, basketball hoops, hockey nets, etc. Small pay equipment, not to exceed four feet in height be located on the rear of each Lot.

8.18 Streets. All streets within the Development shall be private streets. The operation of unlicensed motorcycles, dirt bikes, go-carts, or all-terrain vehicles ("ATV's) on the streets, Lots, or Common Elements is prohibited.

8.19 Exteriors. Any change to the exterior color, finish or texture of any improvement located on a Lots, including without limitation, the dwelling, the roof on any dwelling or any fence, must be approved by the Association.

8.20 Maintenance of Lots and Limited Common Element.

a. All Lots and limited Common Elements located within the Development shall be maintained in a clean and attractive condition and shall be kept free from all litter, trash, garbage and other refuse. All trash shall be placed or stored in containers approved by the Association.

b. All Lots, whether occupied or unoccupied, must be well maintained so they are compatible with the rest of the Development.

c. Each Lot Owner shall be responsible for landscaping and maintenance of their respective Lots extending for a distance of fifteen (15) feet from the front and rear of the Townhouse structure. In the event an Owner fails to maintain said Owner's Lot, the Association after ten day's advanced notice to the Owner shall have the right to enter into the area in order to maintain the same. The cost of such work shall be assessed to the Owner as a Specific Assessment set forth in Section 6.2.

ARTICLE NINE

Rights and Easements Granted or Reserved by Declarant

9.1. Reservation of Rights. Declarant hereby reserves for itself, the Association, and their respective successors, assigns and designees, a right of way and perpetual, nonexclusive easement for ingress and egress and to erect, maintain and use: utility, electric and telephone lines, street lighting poles, wires, valves, conduits, storm sewers, sanitary sewers, water mains, sewer, water lines, drainage ways, and other public conveniences or utilities on, in and over (i) any portion of the Common Elements; (ii) any area designated as an easement, private street or right of way on any plat of all of any portion of the Property; (iii) a strip of land within each Lot five feet in width along the

front, rear, and sides of each Lot. Declarant will not be responsible for damage or destruction of any landscaping, fencing, or other improvements placed in the foregoing easement.

9.2 Future Easements. Declarant reserves the right to impose further restrictions and to grant or dedicate additional easements and rights of way on any Lots within the Property owned by Declarant. In addition, Declarant hereby expressly reserves the right to grant easements and rights of way over under and through the Common Element so long as Declarant shall own any portion of the Property or the Future Development Property. The easements granted by Declarant shall not materially or adversely affect any improvement or unreasonable interfere with the enjoyment of the Common Element.

9.3 Access Easements. There is hereby reserved for Declarant and granted to each Owner an access easement for purposes of ingress, egress and regress between each individual Lot and Fairview Street over those areas on the Plat designated as "Access Easement". All drives located within the Access Easement within the Development shall be privately maintained by the Declarant and subsequently the Association.

9.4 Easements over Lots. The Lots shall be subject to, and the Declarant does hereby grant, in addition to the easements described above, the following non-exclusive perpetual easement for the enjoyment of Declarant, the Association, any builders, and subcontractors authorized by Declarant, the Members, the Owners and their successors in interest:

a. Townhome and Lot Maintenance. There is reserved for the benefit of each Lot and the Association, a reciprocal appurtenant easement between all adjacent Lots for the purposes of maintaining or repairing the improvements located on each Lot which easement shall extend a distance of five (5) feet as measured from any portion the common boundary between the Lots. This easement shall be used only for such period of time as is reasonable necessary in order to complete the maintenance or repair. The Owner exercising this easement right shall be liable for the prompt repair or any damage to the Lots over which this easement is exercised which arises out of such maintenance or repair work. In addition each Lot shall be subject to a perpetual easement in favor of the Association and its contractors for the maintenance of the Townhomes and of the landscaping features and lawn located on the Lots.

b. Lot Construction and Boundary Line Improvements. Each Lot shall be subject to a temporary construction easement in favor of the Declarant, authorized builders and subcontractors and adjoining Lot Owners for the construction on any Lot, including but not limited to, installation of boundary line improvements such as fences, walls and hedges. Any boundary line improvements made by an adjoining Owner shall first be approved by Declarant or the Association prior to installation.

c. Overhanging Roofs and Eaves. Each Lot and its Owner is hereby declared to have an easement, and the same is hereby granted by the Declarant, over each adjoining Lot and/or the Common Element as the case may be, for over-hanging roofs and eaves and the maintenance thereof.

d. Adjoining Areas. Each Owner is hereby declared to have an easement, and the same is hereby granted by the Declarant, over all adjoining Lots and Common Elements for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, or additional settlement or shifting of the building, or any other cause. There shall be valid easements for the maintenance of said encroachment, which include any encroachments created during the original construction of the building and related structures on a Lot, settlement or shifting; provided however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure on any Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot and the Common Elements agree that minor encroachments over adjoining Lots and the Common Elements shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

e. Unintentional Encroachments. In the event that any building on a Lot shall encroach upon any Common Elements or upon any other Lot for any reason not caused by the purposeful or negligent act of the Owner or agents or such Owner, then an easement appurtenant to such Lot shall exist for the continuance and maintenance of such encroachment upon the Common Elements or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Elements shall encroach upon any Lot, then an easement shall exist for the continuance and maintenance of such encroachment of the Common Elements onto any such Lot for so long as such encroachment shall naturally exist.

9.5 Easement for Support. Every Lot which contributes to the lateral and/or vertical support of any adjoining Townhome(s) shall be burdened with an easement of support for the benefit of such adjoining Townhome(s).

9.6 Easement for Stormwater Drainage. An easement is hereby established over the Common Elements, limited Common Elements and every Lot to allow runoff from the built-upon areas of the Townhomes to drain into the stormwater system for the Development.

ARTICLE TEN

Insurance

10.1 Association's Insurance. The Board of Directors shall obtain casualty insurance for all insurable improvements located on the Common Areas, which the Association is obligated to maintain. This insurance shall provide, at a minimum, fire and extended coverage and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction of any insurable improvement in the event of damage or destruction from any such hazard.

The Board of Directors shall obtain a public liability policy with a combined single Limit of at least One Million and No/100 Dollars (\$1,000,000.00) applicable to the Common Areas covering the Association and its Members for all damage or injury caused by the negligence of the Association

or any of its Members or agents, and, if reasonably available, directors' and officers' liability insurance. Policies may contain a reasonable deductible as determined by the Board of Directors. In addition, the Board of Directors shall obtain worker's compensation insurance, if and to the extent necessary to satisfy the requirements of applicable laws, and a fidelity bond or bonds on all persons handling or responsible for the Association's funds, if reasonably available. Fidelity coverage shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation. All such insurance coverage shall be written in the name of the Association. An insurer that has issued an insurance policy under this Section shall issue certificates or a memorandum of insurance to the Association and, upon request, to any Owner, Mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Section may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each Mortgagee or beneficiary under deed of trust to whom certificates of insurance have been issued.

In the event that any improvements located on any Common Areas shall be damaged or destroyed on account of the occurrence of any casualty, the Board shall proceed with the filing and settlement of all claims arising under any policy of insurance maintained by the Association with respect to such improvements and shall obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed improvements. Any such damage or destruction shall be repaired or reconstructed unless it shall be decided, within ninety (90) days after the occurrence of casualty, by at least 67% of the Class A votes, and by Declarant during the Development Period, not to so repair or reconstruct such damage. In the event that it shall be so decided not to repair or reconstruct some damage or destruction, the proceeds of any insurance as may become payable to the Association as a result of such damage or destruction shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot. If the insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Class A Members, levy Special Assessments to cover the shortfall.

10.2 Owners to Obtain Townhome Casualty Insurance. Notwithstanding any terms and provisions in the Declaration and in any event in addition to the same, the following shall apply:

a. Each Owner of a Townhome shall obtain and maintain a casualty insurance policy or policies on its Townhome for the benefit of the Owner, the Association, and any Mortgagee(s) of such Townhome, as their interests may appear, and provisions shall be made for the issuance of certificates or Mortgagee endorsements to the Association upon request therefor by the Association. Each Townhome shall be insured in an amount equal to one hundred percent (100%) of its insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. In the event Owner fails to obtain and maintain insurance on its Townhome in accordance with this this Article X, the Board may obtain such insurance on behalf of such Owner and levy a special assessment against the Owner as provided in subparagraph (c) below.

b. The insurance coverage required by this Article V shall provide protection against:

(i) Loss or damage by fire and other hazards, including extended overage, vandalism and malicious mischief, and

(ii) such other risks as from time to time shall be reasonably required by the Association.

c. All insurance policies purchased by the Owner of a Townhome shall be for the benefit of the Owner and their Mortgagees, as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee hereunder. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein or stated in the Bylaws (if any) and for the benefit of the Owners and their Mortgagees in the following shares:

(i) If the insured casualty shall occur resulting in damage to a Townhome and townhome building, proceeds from insurance shall be held in undivided shares for the affected Owners of each Townhome in proportion to the cost of repairing the damage insured against in said policy.

(ii) In the event a mortgagee endorsement has been issued for a Townhome, the share payable towards the improvements to such Townhome shall be held in trust for the mortgagee as their interests may appear.

d. Proceeds of insurance policies for the benefit of Owners that are received by the Association as insurance trustee shall be distributed in the following manner: First, to all expenses of the insurance trustee shall be paid or provision made thereof; next to defray the cost of the covered repairs/improvements; and finally, if applicable, any proceeds remaining after defraying such costs shall be held in undivided shares for the affected Owners in proportion to the costs of repairing the damage or injuries suffered by each Owner, the cost of which shall be determined by the Association. If the insurance proceeds received by the Association (along with any reserves on hand) are insufficient to cover the cost of repair/replacements/damage to person and/or property, the Owner shall pay such additional cost. In the event Owner fails to pay such additional cost, the Board may levy a special assessment against the Owner affected to cover the deficiency, and in any event, the Owner shall pay their respective shortfall all so that the restoration/repairs may be completed.

e. Notwithstanding anything to the contrary herein, the Association may in its sole discretion obtain and maintain a casualty insurance policy or policies on any Townhome Building for the benefit of the Owners and any Mortgagee(s) of such Townhome Building, as their interests may appear. In the event the Association obtains such insurance, it may levy a specific assessment against the Townhomes benefitted by such insurance.

Section 3. Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall issue certificates or a memorandum of insurance to the Association and, upon request, to any Owner, Mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each Mortgagee or beneficiary under deed of trust to

whom certificates of insurance have been issued.

Section 4. Restoration After Casualty.

(a) The plans and specifications for any restoration shall be prepared by an architect licensed in the State of North Carolina. All plans and specifications required in connection with any restoration shall be subject to review and approval by the Architectural Control Committee and otherwise as required by this Declaration. Unless the Association and a majority of the voting interests of the Owners of the damaged Townhomes shall agree, plans and specifications for any restoration shall be consistent with the then existing building plans.

(b) If an Owner fails to cause the removal of debris and restoration of improvements to be timely accomplished to comply with this Declaration, the Association shall provide written notice of such deficiency to such Owner. If the problem has not been remedied within a reasonable time (as determined by the Board of Directors), the Association shall have authority to cause such restoration to be performed, and any expenses incurred by the Association in connection therewith shall be charged to such Owner and shall be a special individual assessment against such Owner's Lot.

(c) The rights granted to the Association in this Article in the event of any loss, damage or destruction of a Townhome constitute reasonable protections of property values and aesthetic appearance of the Townhomes, and each Owner agrees to comply with such terms, conditions and procedures as Association may impose.

(d) "Restoration Costs" means the cost of repairing, replacing, restoring or reconstructing all loss, damage or destruction to the applicable portion of the Lot and Townhome (including the deductible under any applicable insurance policies) or any part thereof, including all costs of adjusting the loss; inspections, investigations and reports as to the damage; permit and inspection fees, architectural and engineering fees; demolition, removal and disposal fees; costs of securing and protecting the portions of the Lot and Townhome to be restored; accounting fees and costs; and attorneys' fees and costs; construction costs, and the Association's fees and costs for reviewing the plans for the restoration and holding and disbursing the insurance proceeds and other funds.

ARTICLE ELEVEN

Development Rights and Special Declarant Rights

11.1 Reservation of Development Rights. In addition to each and every right of Declarant as set forth in this Declaration, Declarant, its successors and assigns, specifically reserves:

- a. All development rights as that term is defined in the Act;
- b. The right, but not the obligation to create additional Common Elements and Limited Common Elements on the Property;
- c. The right to construct utility lines, pipes, wires, ducts, conduits and other facilities

across the Property, including the Common and Limited Common Elements that are not occupied by improvements and/or Townhomes for the purpose of furnishing utility and other services to the future phases and the improvements thereon. The Declarant also reserves the right to withdraw and grant easements and construct other utility improvements within those easement areas anywhere in the Development not occupied by buildings for the above-described purposes.

d. Withdraw and grant easements for utility services, drainage, pedestrian and vehicular traffic, or otherwise, across, under or through the Common Elements as may be considered by Declarant to be desirable to provide utility service, drainage, pedestrian and vehicle access to the Future Development Property and the improvements thereon.

11.2 Reservation of Special Declarant Rights. The Declarant reserves the following Special Declarant Rights:

a. All Special Declarant Rights, as that term is defined in the Act, and any other Special Declarant Rights as are set forth in this Declaration;

b. The right to use any portion of the Property for the purpose of aiding in the sale or rental of a Lot, including the right to use portions of the Property for parking of prospective purchasers. The foregoing right shall include the right to display and erect any signs, billboards and placards upon the Common Elements.

c. The right to use easements through the Common Elements for utility services, drainage, pedestrian and vehicular traffic, or otherwise, across, under or through the Common Elements as may be considered by the Declarant desirable for the purpose of making improvements within the Property or to be added to the Development.

d. The right to complete improvements indicated on the Plat.

e. The right to exercise any and/or all of the Development Rights of Declarant.

11.3 Phasing of Development Rights. Declarant reserves the right to exercise any of Declarant's Development Rights with respect to the Property at different times and in different phases.

11.4 Interference with Special Declarant Rights. Neither the Association nor any Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right or Development Right without the prior written consent of the Declarant. In relation to the Declarant's exercise of any Special Declarant Right or Development Right, the provisions of the Declaration which prohibit or require approval by the Association or Owners or additions, alterations or any improvements shall not be applicable.

11.5 Assignment of Declarant's Rights and Duties. Any and all of the rights, powers and reservations of the Declarant herein contained may be assigned by Declarant to any person which will

assume any and/or all of the duties of the Declarant hereunder, and upon any such person evidencing its consent in writing to accept such assignment, said assignee shall, to the extent of such assignment, assume Declarant's duties hereunder, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by the Declarant herein. Upon such assignment, and to the extent thereof, Declarant shall be relieved from all liabilities, obligations, and duties hereunder. Declarant may limit and restrict the rights and powers which are assigned to any person in the instrument which assigns such rights. The term "Declarant" as used herein includes all such assignees and their successors and assigns, subject to such restrictions or limitations as may be imposed in the instrument assigning such rights.

ARTICLE TWELVE
Rights of Institutional Lenders

12.1. Rights Reserved to Institutional Lenders. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Administration, Federal National Mortgage Association and other reputable mortgage lenders and guarantors and insurers of first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Lot, or shall be the Owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

a. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.

b. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

c. To be given notice of default in the payment of assessments by any Owner of a Lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place for which it or they may designate in writing to the Association.

d. To inspect the books and records of the Association and the Declaration, Bylaws and any Rules and Regulations during normal business hours, and to obtain copies thereof.

e. To be given notice by the Association of any substantial damage to any part of the Common Elements.

f. To be given notice by the Association if any portion of the Common Elements, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

Whenever any Institutional Lender, guarantor or insurer desires the benefits of the provisions of this section requiring notice to be given or to be furnished a financial statement, such Lender shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, or to the address of the Property, identifying the Lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE THIRTEEN
Stormwater Management

13.1 The following covenants are intended to ensure compliance with the State Stormwater Management Permit Number 8241218, as issued by the Division of Energy, Mineral and Land Resources under the Stormwater Management Regulations:

- (a) The State of North Carolina is made a beneficiary of these covenants to the extent necessary to maintain compliance with the Stormwater Management Project.
- (b) These covenants are to run with the land and be binding on all persons and parties claiming under them.
- (c) The covenants pertaining to stormwater regulations may not be altered or rescinded without the express written consent of the State of North Carolina, Division of Energy, Mineral and Land Resources.
- (d) Alteration of the drainage as shown on the approved plan may not take place without the concurrence of the Division of Energy, Mineral and Land Resources.
- (e) All runoff from the built-upon areas of the Lot must drain into the permitted system. This may be accomplished through providing roof drain gutters, which drain to the pond or street, grading the lot to drain toward the street or directly into the pond, or grading perimeter swales and directing them into the pond or street.
- (f) Built-upon area in excess of the permitted amount will require a permit modification.
- (g) Any individual or entity found to be in noncompliance with the provisions of a stormwater management permit or the requirements of the Stormwater Rules is subject to enforcement procedures as set forth in N.C.G.S. Chapter 143, Article 21.

13.2 Transfer to the Association. All obligations of the Declarant contained in this Article Thirteen shall be transferred to the Association at such time as the Declarant, in its sole discretion, determines to be appropriate. The Association shall be obligated to accept all responsibilities and

obligations required to be performed in order to ensure compliance with State Stormwater Management Permit Number _____, as issued by the Division of Energy, Mineral and Land Resources as set forth in this Article Thirteen and within the permit itself.

ARTICLE FOURTEEN
General Provisions

14.1. Enforcement. Enforcement of these covenants and restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Association or any Owner to enforce any covenant or restriction herein contained shall in on event be deemed a waiver of the right to do so thereafter.

In addition to all other remedies, and to the maximum extent allowed by law, a fine or fines may be imposed upon an Owner for failure of an Owner, his family, guests, lessees, invitees or employees to comply with any covenant or restriction herein contained or rule of the Association.

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

14.3 Duration of Declaration. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years.

14.4 Amendment of Declaration by Lot Owners. This Declaration may be amended by the affirmative vote or written consent or any combination thereof, of Owners of sixty-seven percent (67%) of the Class A Membership and the written consent of the Declarant, so long as the Declarant owns any property which is subject to the Declaration or which may be subject to the Declaration by the Declarant. No amendment shall be effective until reduced to writing and recorded at the Carteret County Registry. No amendment shall change, modify or alter the rights reserved to Declarant without Declarant's written consent which consent shall be attached to and recorded with any such amendment.

14.5 Amendments Permitted Without Membership Approval. The following amendments may be effected by the Declarant, or the Board, as the case may be, without consent of the Members:

- a. Amendments to exercise of any Development Right as set forth in Article Eleven,

including, not limited to, amendments to qualify the Association or the Property, or any portion thereof, for tax exempt status, or to reflect any plat change to the Property as permitted herein.

b. Amendments to correct any obvious error or inconsistency in drafting, typing or reproduction.

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

d. Amendments, during the Declarant Control Period that would allow the Declarant to change any provision of the Declaration or the Bylaws, which, in the sole judgment of the Declarant, tends to impair the development or marketing rights of the Declarant under the Declaration or the Bylaws, or interferes with the development of or construction on any portion of the Property provided such amendment does not materially adversely affect the substantive rights of any Owners hereunder nor adversely affect title to any Lot without the consent of the affected Owner.

14.6 FHA/VA Approval. As long as there is a Class "B" membership, and if Declarant determines to qualify this Property for Federal Housing Administration or Veterans Administration approval the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional property, dedication of Common Elements, and amendment of this Declaration of Covenants, Conditions and Restrictions.

14.7 Conflicts. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provision of Chapter 47F of the North Carolina General Statutes, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The provisions of this Declaration control over any inconsistent provisions of any other governing documents except as to matters of compliance with the North Carolina Nonprofit Corporation Act, in which event this Article shall control.

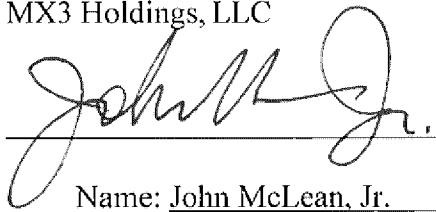
14.8 Variances. Notwithstanding anything to the contrary contained herein, the Declarant or the Board of Directors shall be authorized to grant individual variances from any of the provisions of this Declaration, the Bylaws and any rule, regulation or use restriction promulgated pursuant thereto, if it determines that waiver of application or enforcement of the provision in a particular case is warranted and would not be inconsistent with the overall scheme of development for the Property.

14.9 Headings. The headings or titles herein are for convenience of reference only and shall not affect the meaning or interpretation of the contents of this Declaration.

14.10 Gender. Whenever used in this Declaration, the words of any gender shall include the other gender.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed by authorized agent as of the day and year first above written.

MX3 Holdings, LLC

By: 

Name: John McLean, Jr.

Title: Member/Manager

STATE OF NORTH CAROLINA

COUNTY OF ONSLOW

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: John McLean, Jr. as Member/Manager of MX3 Holdings, LLC.

Date: Mar 12 2025


Notary Public

Maggie K. Jeffords
Notary Public (Printed Name)

My Commission Expires: June 11 2026

(Official Seal)

MAGGIE K. JEFFORDS
Notary Public, North Carolina
Onslow County
My Commission Expires
6/11/26

EXHIBIT A
[Property]

All of the property as described in that deed recorded in File # 1800382

BEING located in the Town of Cape Carteret and beginning at an iron pipe in the northern margin of N.C.S.R. 1259 (Taylor Notion Road), which point can be found by proceeding from NCGS monument "Island", South 30 25 33 East 1,939.26 feet. From this point of beginning running along the northern right of way of Taylor Notion Road, North 29 28 58 West 560.42 feet to an iron pipe; thence running North 60 31 02 East 200 feet to an iron pipe; thence running South 29 28 58 East 128.90 feet to an iron pipe in the edge of a lake; thence following the edge of a lake the following courses and distances: South 32 11 21 West 7.62 feet; South 12 24 03 East 22.28 feet; South 73 10 19 East 76.29 feet; South 15 51 45 East 88.57 feet; South 31 52 10 West 73.77 feet; South 19 14 44 East 22.53 feet; South 70 38 42 East 25.72 feet; South 26 05 41 East 57.78 feet; South 09 50 28 West 80.60 feet; South 17 20 49 East 47.06 feet; and South 06 34 29 West 27.20 feet to a point; thence leaving the edge of said lake and running South 60 31 02 West 86.92 feet to an iron pipe, being the point and place of beginning. This tract contains 2.30 acres, more or less; and reference is made to Deed Book 424, Page 347 for title history.

EXHIBIT B
Bylaws

**BYLAWS
OF
THE LAKES AT STAR HILL OWNER'S ASSOCIATION, INC.**

Article I

Name, Principal Office, and Definitions

1.1. **Name.** The name of the corporation is The Lakes at Star Hill Owner's Association, Inc. (the "Association").

1.2. **Principal Office.** The Principal office of the Association shall be located in Carteret County, North Carolina. The Association may have such other offices, either within or outside the State of North Carolina, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. **Definitions.** The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions and Restrictions for The Lakes at Star Hill filed in the Register of Deeds of Carteret County, North Carolina, as it may be amended (the "Declaration"), unless the context indicates otherwise.

Article II

Association: Membership, Meetings, Quorum, Voting, Proxies

2.1. **Membership.** The Association shall have two classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference.

2.2. **Place of Meetings.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Property or as convenient as possible and practical.

2.3. **Annual Meetings.** The first meeting of the Association, whether a regular or special meeting, shall be held within one year from the date of incorporation of the Association. Subsequent regular annual meetings shall be set by the Board so as to occur during the first quarter of the Association's fiscal year on a date and at a time set by the Board.

2.4. **Special Meetings.** The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by at least 20% of the total Class "A" votes in the Association.

2.5. **Notice of Meetings.** Unless otherwise required by the Declaration or by the

Articles of Incorporation, written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) days or more than 60 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at its address as it appears on the records of the Association, with postage prepaid.

2.6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or the Member's proxy shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member or proxy specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a majority of the votes represented at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the time the original meeting was called except as otherwise provided in the Declaration or in the Articles of Incorporation. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members represented at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8. Voting. The voting rights of the Members shall be set forth in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies. At all meetings of Members, each Member may vote in person (if a corporation, partnership or trust, through any officer, director, partner or trustee duly authorized to act on behalf of the Member) or by proxy, subject to the limitations of North Carolina law.

Each proxy shall be in writing, shall duly specify the Lot for which it is given, and shall be signed by the Member or its duly authorized attorney-in-fact, dated and filed with the Secretary of the Association prior to any meeting for which it is to be effective. A proxy that fails to specify the Lot for which it is given shall be presumed to cover all votes which the Member giving such proxy is entitled to cast. In the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Lot or dwelling unit for which it was given, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a Member who is a natural person, or of written revocation, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority. The term "majority" shall mean the votes of Owners, Members or other group as the context may indicate, totaling more than 50% of the total eligible number.

2.11. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, or in the Articles of Incorporation, the presence, in person or by proxy, of Members representing one-third (1/3rd) of the Members of the Association in good standing and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of any business. The withdrawal of any Member after the commencement of a meeting shall have no effect on the existence of a quorum after a quorum has been established at such meeting.

2.12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote, if written consent specifically authorizing the proposed action is signed by all Members entitled to vote on such matter. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting.

Article III

Board of Directors: Number, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body: Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members. Should a Lot have more than one owner, only one director is allowed to serve per Lot on the Board. In the case of a Member which is not a natural person, any officer, director, partner, employee or trust officer of such Member shall be eligible to serve as a director, unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such

representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors. The Board shall consist of three directors. The Board of Directors shall be appointed by the Declarant until such time as the period of Declarant control of the Association has terminated pursuant to the provisions of the Declaration.

At the first meeting of the membership of the Association following the termination of the period of Declarant control of the Association, the members of the Board of Directors shall be elected by the membership of the Association and those persons who receive the highest number of votes at a meeting at which a quorum is present shall be elected. Each member of the Board of Directors shall hold office until his/her death, disability, resignation or removal, or until the expiration of his/her term and the election of his/her successor.

3.3. Nominations and Election Procedures.

(a) **Nomination of Directors.** Nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members or representatives of Members. The Nominating Committee shall be appointed by the Board of Directors not less than 30 days prior to each election to serve a term of one year or until their successors are appointed, and such appointment shall be announced at each such election. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled as. Nominations shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and solicit votes.

(b) **Election Procedures.** Elections shall be held at the Association's annual meeting, unless the Board determines that such elections shall be held by mail. If elections are held by mail, the Board or an election committee appointed by the Board shall open and count the ballots on the election date.

Each Owner may cast the entire vote assigned to his Lot for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.4. Election and Term of Office. (c) Each director shall hold office until the annual meeting of the Members next succeeding his election and until his successor is elected and qualified, or until his prior death, resignation or removal.

3.5. **Removal of Directors and Vacancies.** Any director elected by the Members may be removed, with or without cause, by Members holding a majority of the votes entitled to be cast for his or her election. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of director, a successor shall be elected by the Members to fill the vacancy for the remainder of the term of such director.

In the event of the death, disability, or resignation of a director elected by the Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members shall elect a successor for the remainder of the term.

B. Meetings.

3.6. **Organizational Meetings.** The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place as the Board shall fix.

3.7. **Regular Meetings.** Regular Meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter. Notice of the time and place of a regular meeting shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.8. **Special Meetings.** Special meetings of the Board of Directors shall be held when called by written notice signed by the President or Vice President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, computer, fiberoptics or such other communication device. All such notices shall be given at the director's telephone number, fax number, electronic mail number, or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board shall be posted in a prominent place within the Properties. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

3.9. **Waiver of Notice.** The transactions of any meeting of the Board however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting

without protesting before or at its commencement about the lack of adequate notice.

3.10. **Telephone Participation in Meetings.** Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

3.11 **Quorum of Board of Directors.** At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.12. **Compensation.** Directors shall not receive any compensation from the Association for acting as such. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

3.13 **Conduct of Meetings.** The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14. **Action Without a Formal Meeting.** Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effects as a unanimous vote.

C. **Powers and Duties.**

3.15. **Powers.** The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration and Articles of Incorporation and as provided by law. The Board may do or cause to be done all acts and things as are not by

the Declaration, Articles, these Bylaws, or North Carolina law directed to be done and exercised exclusively by the membership generally. Further, the Board of Directors shall have the right to exercise any and all powers, rights and privileges, whether implicit or explicit, provided: (1) to owners' associations under Chapter 47F of the North Carolina General Statutes, (2) to a corporation organized under the Non-Profit Corporation Law of the State of North Carolina existing now or as may hereafter be provided and (3) to the Corporation under the Declaration;

3.16. **Duties and Powers.** The duties and powers of the Board shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Limited Common Area expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Common Areas and Townhouses as provided in the Declaration;
- (d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) power to adopt rules and regulations governing the use of the common properties and amenities, the personal conduct of the members and their guests thereon use restrictions and rules in accordance with the Declaration;
- (g) the power to suspend the voting rights and right of use of the recreational facilities of a Member, during any period in which such Member shall be in default in the payment of any assessment levied by the Corporation; and to suspend such rights, after notice and hearing, for infraction of published rules and regulations for a period no longer than forty-five (45) days;
- (h) declaring the office of a member of the Board of Directors to be vacant in the event such member of the Board shall be absent from three (3) consecutive regular meetings of the Board;
- (i) the power to impose and receive any payments, fees, or charges for the

maintenance, use, or operation of the common properties and amenities on the members;

- (j) opening of bank accounts on behalf of the Association and designating the signatories required;
- (k) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Areas in accordance with the Declaration and these Bylaws;
- (l) enforcing by legal means the provisions of the Declaration and Articles of Incorporation and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Board shall not be obligated to take action to enforce any covenant, restriction or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action;
- (m) obtaining and carrying property and liability insurance, (including directors and officers insurance), as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (n) paying the cost of all services rendered to the Association;
- (o) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (p) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Declaration and Articles of Incorporation and all other books records, and financial statements of the Association;
- (q) permitting utility suppliers to use portions of the Common Areas reasonably necessary to the ongoing development or operation of the Properties;
- (r) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required under North Carolina law, the Articles of Incorporation or the Declaration; provided, however, that no indemnification shall be paid for a financial obligation of a Member of the Association.
- (s) contracting with a professional property management firm to perform any and all of the above-referenced duties.

3.17. **Management.** The Board of Directors may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board of Directors may delegate such powers as are necessary to perform the manager's duties.

The Board of Directors may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board. All management contracts shall contain a provision which allows the Association, after ninety days written notice, to terminate such contracts.

3.18. **Borrowing.** The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain approval of the majority of Members if the proposed borrowing is for the purpose of making capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 25% of the budgeted gross expenses of the Association for that fiscal year.

3.19. **Enforcement.** Prior to exercising certain enforcement rights set forth in the Declaration and taking other actions specified in the Declaration, the Association shall comply with the following notice and hearing procedures:

- (a) **Notice.** Prior to imposition of certain sanctions specified in the Governing Documents, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) date, time and place of hearing on the alleged violation; and (iii) possible sanction if it is determined that the violation did occur.
- (b) **Hearing.** At the hearing the alleged violator shall be afforded an opportunity to be heard and to present evidence regarding the alleged violation. Prior to the effectiveness of any sanction hereunder, proof of proper notice 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 or its representative 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.
- (c) **Decision.** The alleged violator shall be given written notice of the decision. If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation occurs. Such fines shall be assessments secured by liens under N.C.G.S. § 47F-3-116. If it is decided 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. In the event the hearing is held before an Adjudicatory Panel the decision may be appealed to the full Board by delivering written notice of appeal to the Board within 15 days after the date of the decision. The Board may affirm, vacate, or modify the prior decision of the adjudicatory body.

- (d) **Additional Enforcement Rights.** Notwithstanding anything to the contrary in this Section, the Board may elect to enforce any provision of the Governing Documents by certain sanctions set forth in the Declaration, including by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

Article IV **Officers**

4.1. Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board; other officers may but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office. The Board shall elect the officers of the Association at the first meeting of the Board following each annual meeting of the Members, to serve until their successors are elected.

4.3. Removal and Vacancies. The Board may remove any officer whenever in its judgment the best interests of the Association will be served and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date

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

4.6. **Agreements, Contracts, Deeds, Leases, Checks, Etc.** All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. **Compensation.** Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.13.

Article V **Committees**

5.1. **General.** The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. **Adjudicatory Panel.** In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint an Adjudicatory Panel consisting of at least three and no more than seven Members who are not officers of the Association or members of the Board. Acting in accordance with the provisions of the Governing Documents and resolutions the Board may adopt, the Adjudicatory Panel, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.24 of the Bylaws.

Article VI **Miscellaneous**

6.1. **Fiscal Year.** The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. **Parliamentary Rules.** Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with North Carolina law, the Articles of Incorporation, the Declaration, or these Bylaws.

6.3. **Conflicts.** If there are conflicts between the provisions of North Carolina law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of North Carolina law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

6.4. **Books and Records.**

- (a) **Inspection by Members and Mortgagees.** The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, Bylaws, and Articles of Incorporation, any amendments to the foregoing, the rules of the Association, the minutes of meetings of the Members, the Board, and committees and such other records as required by Chapters 47F and 55A of the North Carolina General Statutes to be subject to inspection by the Members. The Board shall provide for such inspection to take place at the office of the Association or at such other place within as the Board shall designate.
- (b) **Rules for Inspection.** The Board shall establish reasonable rules with respect to:
- (i) notice to be given to the custodian of records;
 - (ii) hours and days of the week when such an inspection may be made; and
 - (iii) payment of the cost of reproducing copies of documents requested.
- (c) **Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

6.5. **Notices.** Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

- (a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the dwelling of such Member; or
- (b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, or at such other address shall be designated by notice in writing to the Members pursuant to this Section.

6.6. **Amendment.**

- (a) **By Class "B" Member.** Until termination of the Class "B" Membership and subject to the approval requirements of the Declaration, the Class "B" Member may unilaterally amend these Bylaws if such amendment is necessary (i) to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance

company to issue title insurance coverage on the dwellings; (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans to make, purchase, insure or guarantee mortgage loans on the Lots; or (iv) to exercise any development right. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these Bylaws for any other purpose, provided the amendment has no material adverse effect upon any substantive right of any Member.

- (b) **By Members Generally.** Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of 67% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists; In addition, the approval requirements set forth in the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.
- (c) **Validity and Effective Date of Amendments.** Amendments to these Bylaws shall become effective upon enactment, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its enactment or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these Bylaws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

If a Member consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Member has the authority so to consent and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment.

- (d) **FHA/VA Approval.** As long as there is a Class "B" membership, and if Declarant determines to qualify this Property for Federal Housing Administration or Veterans Administration approval the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional property, dedication of Common Areas, and amendment of this Declaration of Covenants, Conditions and Restrictions.