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BY ANDREA CRESWELL
ASSISTANT



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NEW HANOVER COUNTY, NC

MORGHAN GETTY COLLINS

REGISTER OF DEEDS

NC FEE \$134.00

This instrument was prepared by and to be returned to:
Moore & Alphin, PLLC (ch)
3733 National Drive, Suite 100
Raleigh, NC 27612

**COVENANTS, CONDITIONS, RESTRICTIONS,
EASEMENTS, CHARGES AND LIENS
FOR
AVENUE ONE**

**THIS DOCUMENT REGULATES OR PROHIBITS
THE DISPLAY OF POLITICAL SIGNS.**

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
AVENUE ONE**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR AVENUE ONE (this "Declaration") is made and entered into as of the date set forth in the notary acknowledgment below by **CLAYTON PROPERTIES GROUP, INC.**, a Tennessee corporation, as "Declarant" and **FOULGER-PRATT DEVELOPMENT, LLC**, a Maryland limited liability company, as "FPD".

PREAMBLE:

WHEREAS, Declarant is the owner of approximately 159 acres of land located in New Hanover County, North Carolina, described in deeds recorded with New Hanover County Register of Deeds in Book _____, Page _____, and being more particularly described in **Exhibit A** attached hereto and incorporated herein (the "Property" or the "Subdivision"); and

WHEREAS, Declarant is under contract to sell 146 single family townhome Lots to FPD with the intent for townhomes to be constructed on said Lots and being more particularly described in those separate contracts and agreements between Declarant and FPD; and

WHEREAS, Declarant and FPD desire to provide for the maintenance and upkeep of Common Area (hereinafter defined) within the Subdivision, and to provide for enforcement of covenants and restrictions applicable to the Subdivision, and, to that end, desires to subject the property within the Subdivision to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of such property and each owner thereof; and

WHEREAS, Declarant and FPD have deemed it advisable to create an organization to own, maintain and administer the Common Area, to administer and enforce covenants and restrictions exclusively applicable to the Subdivision, and to collect and disburse the assessments and charges hereinafter created, and Declarant has incorporated or will incorporate under North Carolina law as a nonprofit corporation, Avenue One Homeowners Association, Inc., for the purpose of exercising the aforesaid functions; and

WHEREAS, FPD and Declarant have entered into various purchase and construction agreements, pursuant to which Declarant is required to complete certain improvements on the FPD Property to establish a residential subdivision. FPD, recognizing the benefits to it and the FPD Property which will result from the orderly development of the Property pursuant to said agreements, joins in this Declaration: (i) for the purpose of consenting to the terms and provisions hereof; (ii) for the purpose of subjecting its fee simple interest in the Property to this Declaration and each of the terms and provisions hereof; and (iii) for the purposes of assigning, granting and otherwise transferring to Declarant all property rights and obligations with respect to management and development of the Property as may be set forth in this Declaration, including, without limitation, the right to declare, establish, grant and otherwise create the property rights set forth in

this Declaration, subject to the various option and constructions agreements between FPD and Declarant.

NOW, THEREFORE, Declarant and FPD hereby declare that the real property described in **EXHIBIT A** to this Declaration, and such additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, transferred, sold, conveyed, mortgaged, used and occupied subject to the covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration, which shall run with the real property and be binding on all parties owning any right, title or interest in said real property or any part thereof, their heirs, personal representatives, successors and assigns, and shall inure to the benefit of each owner thereof. Furthermore, FPD has and by these presents does hereby assign, grant and otherwise transfer to Declarant all property rights and obligations with respect to the management and development of the Property as may be set forth in this Declaration. The rights, powers, duties and authority which are granted to and placed with Declarant as developer of the Property as set forth in this Declaration are irrevocable and coupled with an interest and the exercise thereof by Declarant shall in all respects be binding upon FPD without any further or additional consent by FPD.

ARTICLE I DEFINITIONS

Any defined term used in this Declaration shall have the meaning set forth below or, if not specifically defined in this Article I, the meaning of such term as set forth in the Act or in any other provision of this Declaration.

Section 1. “Act” shall mean and refer to Chapter 47F of the North Carolina General Statutes, known as the North Carolina Planned Community Act, as the same may be amended from time to time.

Section 2. “Amenity” shall mean and refer to capital improvements made to or on Common Property.

Section 3. “Association” shall mean and refer to the **AVENUE ONE HOMEOWNERS ASSOCIATION, INC.** a North Carolina nonprofit corporation, its successors and assigns.

Section 4. “Board of Directors” and “Board” (the terms being used interchangeably) shall mean and refer to the Board of Directors of the Association elected or appointed to manage the affairs of the Association as provided in Article V of the Bylaws, and is the “Executive Board” as defined in the Act.

Section 5. “Builder” shall mean and refer to one or more Persons in the business of building and selling homes to individuals and selected by Declarant to purchase Lots and construct homes for sale in the Property.

Section 6. “Bylaws” shall mean and refer to the Bylaws of the Association, as amended from time to time; provided, the Bylaws shall not be amended to change voting or the number of directors without the consent of the director appointed by the Class C Member.

Section 7. “Code” shall mean and refer to the County of New Hanover, North Carolina, Code of Ordinances, as amended from time to time and includes all duly adopted regulations, rules, directives, and policies of the County pursuant to or in furtherance of the Code.

Section 8. “Common Area” or “Common Property” (such terms being used interchangeably) shall mean and refer to the real property, together with any improvements thereon, owned by the Declarant or by the Association, whether in fee or by easement, for the common benefit of the Owners of Lots within the Subdivision, and specifically including, without limitation, all private streets, curbs and sidewalks within the Subdivision, the area within any storm water easements and the facilities constructed therein which serve more than one Lot and are not maintained by any governmental authority, all centralized mail box units or kiosks installed for use by the U.S. Postal Service and Owners and water and sewer lines (and the easements associated therewith) which serve more than one Lot and are not located within a public utility easement or a public street right-of-way. The Common Area shall be maintained by the Association or its successors in interest unless dedicated to public use and accepted by a public agency, authority or utility.

Common Area may be owned or leased by the Association or it may be owned by another Person with the Association having a right or easement therein (for example, part or all of a private storm water drainage easement located on either a Lot or real property that is not part of the Properties and that serves more than one Lot in the Properties or a right of the Association to use of a portion of a public street right-of-way pursuant to an encroachment agreement with the Town). Without limiting the generality of the foregoing, Common Area, and the Association’s responsibility for maintenance, includes, without limitation, any Stormwater Control Measures and Stormwater Control Facilities (defined below) within and/or serving the Properties, recreational amenities that the Declarant may construct, street trees along the rights-of-way of public streets, and all islands and other landscaped areas within the public streets within the Properties.

Common Area shall be maintained by the Association or its successors in interest unless dedicated to public use and accepted by a public agency, authority or utility, or conveyed to another non-profit corporation organized for such purposes.

Common Area, if any, established by the Declarant or the Association for the benefit of fewer than all of the Owners and occupants of the Properties is “Limited Common Area”, and such Limited Common Area and the Owners and occupants of the applicable portion of the Properties for whose benefit the Limited Common Area exists are subject to the same provisions as those applicable to Common Area.

Section 9. “Common Area Easement” shall mean and refer to Common Area as to which the Association has only an easement interest, and not a fee simple interest.

Section 10. “Common Expense” shall mean and refer to all of the expenses incurred by the Association in furtherance of its rights and responsibilities under the Act, the Code, and the Governing Documents and including specifically, but without limitation, all of the following: (Expenses for the maintenance of Limited Common Area are “Limited Common Expenses”, which is a subcategory of Common Expense):

- a) Expenses of administration, inspection and maintenance of the Common Property, including, without limitation, Stormwater Control Measures;
- b) Expenses classified as Common Expenses under the Act, the Code, or under the provisions of this Declaration or other Governing Documents;
- c) 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;
- d) Premiums for property, liability or such other insurance premiums as this Declaration or other Governing Documents may require the Association to purchase;
- e) *Ad valorem* taxes and public assessments and charges lawfully levied against any Common Property owned in fee simple by the Association;
- f) Fees or charges for utilities used in connection with the Common Property;
- g) Costs of collection of assessments (dues) from the Members;
- h) Any unpaid Association assessment following the foreclosure of a first mortgage or first deed of trust or an assessment lien;
- i) Allocations to reserve funds;
- j) Payments to the County pursuant to any Stormwater Declaration;
- k) Fees for professional and other services engaged by the Association;
- l) Costs and expenses for which the Association is obligated under any encroachment agreement or other agreement with the County or other Governmental Entity;
- m) Financial obligations of the Association or financial obligations of Members with respect to which the Association has responsibility for collection and payment;
- n) Expenses incurred by the Association in performing its functions and providing services, including operating, management, enforcement and administrative expenses; and
- o) Expenses agreed by the Members to be Common Expenses of the Association.

Section 11. “County” shall mean and refer to New Hanover County, North Carolina, and its regulatory agencies as appropriate.

Section 12. “Declarant” shall mean and refer to **Clayton Properties Group, Inc.**, a Tennessee corporation. It shall also mean and refer to any person, firm or corporation to whom or

which Declarant may assign or delegate the rights and obligations of Declarant by an assignment of Declarant's rights recorded in the New Hanover County Registry. So long as FPD owns any portion of the Property, any assignment of Declarant's rights under this Declaration, except to the Association, shall require the prior written consent of FPD.

Section 13. "Declarant Control Period" shall mean and refer to the period of time during which the Declarant may appoint or remove the members of the Board of Directors of the Association. The Declarant Control Period shall terminate upon the earlier of the following to occur:

- a) December 31, 2046;
- b) the later of 120 days or the annual meeting after the date on which one hundred percent (100%) of the Lots in all phases of the Subdivision that may ultimately be subjected to this Declaration have been conveyed to a Class A Member; or
- c) Relinquishment or transfer of all Special Declarant Rights as provided in §47F-3-104(c) of the Act.

Section 14. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Avenue One, and all amendments thereto and supplements thereof.

Section 15. "Dwelling", "Dwelling Unit" and "Unit" shall mean and refer to any building or portion thereof within the Properties which is used or occupied, or intended for use or occupancy, as a residence by an individual or by one family unit, whether by the Owner thereof or by tenants or lessees of the Owner. A Dwelling shall be deemed to constitute a Dwelling upon issuance of a certificate of occupancy therefor.

Section 16. "Lot" shall mean and refer to any plot of land, with delineated boundary lines, shown on any recorded subdivision map of any portion of the Subdivision (regardless of whether the Lot has been subjected to this Declaration as provided in Article II hereof) and intended for the construction thereon of a Dwelling, with the exception of any Common Area owned in fee by the Association, and any street rights-of-way shown on such recorded map. In the event that any Lot is increased or decreased in size by recombination or re-subdivision through recordation of a new subdivision plat, any newly-platted lot shall thereafter constitute a Lot.

Section 17. "Member" shall mean and refer to every person or entity who or which holds membership in the Association.

Section 18. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot or Development Parcel which is a part of the Properties, including contract sellers and owners of an equity of redemption, but excluding those having an interest in a Lot solely as security for the performance of an obligation.

Section 19. “Properties” shall mean and refer to the “Existing Property” described in Article II of this Declaration and any additional property annexed pursuant to said Article II.

Section 20. “Single-Family Lot Home” shall mean and refer to a detached single-family Dwelling.

Section 21. “Stormwater Declaration” shall mean and refer to that certain instrument between Declarant and the North Carolina Department of Environmental Quality (“NCDEQ”), entitled “Stormwater Operation & Maintenance Agreement” and to be recorded with the New Hanover County Register of Deeds.

Section 22. “Stormwater Facilities” shall mean and refer to the stormwater facilities that are the subject of the Stormwater Declaration.

Section 23. “Sub-Association” shall mean and refer to a North Carolina nonprofit corporation organized and existing under the Act for the purpose of owning, managing and/or maintaining that Sub-Association’s Common Property (including, with respect to a condominium, its common elements), if any. Any and all assessments imposed upon the Members of the Sub-Association by the documents establishing or governing such Sub-Association, if and to the extent created, shall be in addition to any and all assessment imposed by this Declaration.

Section 24. “Townhome” shall mean and refer to a Dwelling with at least one attached or “shared” wall with another Dwelling. A Lot owned by a Class A or Class B Member on which a Townhome is located shall be referred to as a “Townhome Lot” or a “Class A Townhome Lot”. A Lot owned by a Class C Member shall be referred to as a “Class C Townhome Lot”, unless subsequently converted to a Class A Lot as provided for hereinbelow.

Section 25. “Frontload Townhome” shall mean and refer to a Townhome with a driveway located in front of the Dwelling.

Section 26. “SF Dwelling” shall mean and refer to any Dwelling other than a Townhome. A Lot on which a non-Townhome is located shall be referred to as a “SF Lot” or a “Class A SF Lot”.

ARTICLE II
PROPERTY SUBJECT TO THIS DECLARATION
AND WITHIN THE JURISDICTION OF THE
AVENUE ONE HOMEOWNERS ASSOCIATION, INC.

Section 1. Existing Property. The real property which, at the time of recording of this Declaration, is and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, and which is within the jurisdiction of the Association, is described on **Exhibit A1 and A-2** attached hereto.

Section 2. Additions to Existing Property by Declarant. At any time during the Declarant Control Period, additional land may be annexed by the Declarant, without the consent of the Members and, therefore, become subject to this Declaration by the recording by Declarant of a supplementary declaration extending the operation and effect of this Declaration to the property to be annexed; provided, however, that such property must be contiguous to property already subjected to this Declaration (or separated from such property only by the right-of-way of a street or road) and further provided that such annexation must be approved, if required, by the Federal Housing Administration and/or Secretary of Veterans Affairs. The addition of such property pursuant to this Section may increase the cumulative number of Lots within the Properties and, therefore, may alter the relative maximum voting strength of the various types of Members.

Section 3. Conveyance of Common Area in Annexed Property. On or before the date which is 120 days after the conveyance of the last Lot within any newly annexed property to an Owner other than Declarant, the owner of the annexed property shall convey to the Association all Common Area located within the newly annexed property. Title to such Common Area shall be conveyed in the same manner as set forth in Section 3 of Article IV of this Declaration.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Declarant and every Owner of a Lot which is subject to assessment by the Association shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

Section 2. Voting Rights. The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be THREE (3) classes of membership with respect to voting rights:

- a) Class A Members. Class A Members shall be the Owners of all Lots except those owned by the Class B Members or Class C Member (as hereinafter defined). When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to their Lot shall be exercised as they, among themselves, determine; but fractional voting shall not be allowed, and in no event shall more than one vote be cast with respect to any Lot. Class A Members shall be entitled to one (1) vote for each Lot. Lots owned by Class A Members shall be "Class A Lots".

Class A Lots shall be further subdivided solely for purposes of assessments as further detailed in Article V below, which shall have no effect on this or any other provision of this Declaration.

- b) Class B Member. The sole Class B Member shall be the Declarant and any successor. Subject to the provisions of this subsection, Declarant shall be entitled to cast the greater of (i) ten (10) votes for each Lot that it owns (each such Lot being a "Class B Lot") or (ii) one more vote than the total votes of the Class A and Class C Member. Assessment of Class B Lots is governed by the provisions of Article V of this Declaration. Upon expiration of the Declarant Control Period, Declarant shall have one vote for each Lot that it owns; however, such Declarant-owned Lots shall continue to be treated as Class B Lots for assessment purposes.
- c) Class C Member. The Class C Member shall be FPD, and any successor of FPD to all of the Class C Lots. Subject to the provisions of this subsection, each Class C Member shall be entitled to one (1) vote for each Lot that it owns (each such Lot being a "Class C Lot"). Assessment of Class C Lots is governed by the provisions of Article V of this Declaration. In the event that FPD or its successor-in-interest to all of the Class C Lots elects to convey one or some Class C Lots, those Lots shall be converted to Class A Lots.

Section 3. Declarant's Right to Appoint Directors and Officers of the Association. Notwithstanding any other provision of this Declaration or the Bylaws, until the expiration of the Declarant Control Period, Declarant may, in its discretion, appoint and remove all of the directors and officers of the Association, provided however that the Class C Member may appoint one director. Declarant's intent to exercise or continue to exercise that right may be set forth in the notice of each annual meeting of the Members. See §47F-3-103(d) of the Act.

Section 4. Vacant/Leased Dwellings. Intentionally Deleted.

Section 5. Legal Actions Against Declarant and Owners. The affirmative vote or consent of the Owners that is equal to or greater than sixty-seven percent (67%) of the total number of votes in the Association first shall be required prior to the Association doing any or all of the following with respect to Class C Member, the Declarant, any successor Declarant, any Owner or any Member regardless of whether such Person is the Declarant or is an Owner or Member at the time the Association takes the action or obtains the necessary vote or consent required to take such action: (i) file a complaint, on account of any act or omission with any Governmental Entity which has regulatory or judicial authority over the Properties or any part thereof; or (ii) assert a claim against, sue or request legal or equitable relief against Declarant, Owner or Member in any court, before any Governmental Entity board, or otherwise, provided however, nothing contained in this section shall be construed to require said number of votes for any lien enforcement actions arising out of Article V.

ARTICLE IV PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment and Access. Except as limited by Section 2 of this Article IV and by rules and regulations adopted by the Members and/or the Board of Directors, every Owner shall have a right and easement of enjoyment in, use of and access to, from, and over the Common Area, which right and easement shall be appurtenant to and shall pass with title to every Lot, subject to:

- a) The right of the Association to charge reasonable admission and other fees for the use of any facilities situated or constructed on the Common Area and to limit the use of such facilities to Owners who occupy a residence on the Properties and to their families, tenants and guests, as provided in Section 2 of this Article IV.
- b) The right of the Association, after notice and an opportunity to be heard, to suspend the voting rights of an Owner and the right of an Owner to use the Common Area and facilities thereon for any period during which any assessment against his Lot remains unpaid for a period of thirty (30) days or longer, or for a period not to exceed sixty (60) days for any infraction of the published rules and regulations of the Association, provided, however that the Association may not suspend an Owner's right to use of any Common Area providing access or utilities to his Lot.
- c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed upon by the Members. No such dedication or transfer shall be effective unless Members entitled to at least eighty percent (80%) of the votes of the entire membership of the Association agree to such dedication, sale or transfer, *provided that* this subsection shall not preclude the Board of Directors of the Association from granting easements for the installation and maintenance of sewage, utility and drainage facilities upon, over, under and across the Common Area without the assent of the Members when such easements, in the opinion of the Board, are necessary for the convenient use and enjoyment of the Properties. Notwithstanding anything herein to the contrary, the Common Area shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to the County or other governmental entity or to a nonprofit entity organized for purposes similar to those of the Association.
- d) The right of the Association, with the assent of Members entitled to at least eighty percent (80%) of the votes of the entire membership of the Association to mortgage, pledge, deed in trust, or otherwise encumber any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of any such lender or

mortgagee shall be subordinate to the property rights of the Owners as set forth herein.

- e) The right of the Association to exchange all or part of the Common Area for other property and consideration of like value and utility, provided that such exchange is approved by a vote of the Members at a meeting of Members, one of the purposes of which is to vote on the exchange, and, if required, by the County.

Section 2. Delegation of Use.

- a) Family. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be exercised by members of the Owner's family who occupy the residence of the Owner within the Properties as their principal residence.
- b) Tenants. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be delegated by such Owner to his tenants or contract purchasers who occupy such Owner's Unit, or a portion thereof, as their principal residence.
- c) Guests. The right and easement of use and enjoyment granted to every Owner by Section 1 of this Article may be delegated to guests of such Owners, tenants or contract purchasers, subject to such rules and regulations as may be established by the Board of Directors.

Section 3. Conveyance of Title To The Association. Declarant covenants, for itself, its successors and assigns, that, on or before the date which is 120 days after the conveyance of the last Lot to an Owner, Declarant will convey to the Association title to those portions of the Common Area located in that phase which are to be owned by the Association. Declarant hereby reserves and grants (regardless of whether or not such reservation and grant is specifically set forth in such deed), for itself, any Builder and each of their respective successors and assigns, an easement over, under, across and through the Common Area so long as any of them own any Lot within the Properties, for the purpose of constructing any improvements on the Common Area and/or the Lots as it or they deem necessary or advisable; provided that, following construction of improvements, the Common Area shall be restored to its prior condition to the extent practicable. Except as otherwise stated herein, all conveyances by Declarant to the Association shall be free and clear of all encumbrances and liens (including statutory liens of laborers and materialmen pursuant to Article 2 of Chapter 44A of the North Carolina General Statutes) except this Declaration, restrictive covenants applicable to the Properties, utility, drainage, conservation, greenway and other easements of record or shown on the recorded plats of the Properties, and the lien of *ad valorem* taxes not yet due and payable. Any improvements placed on the Common Area by Declarant shall become the property of the Association upon completion of such improvements, except utilities owned and maintained by the County or other governmental entity, or a public or

private utility company. The Association shall accept transfer of ownership of any and all Common Property.

Section 4. Regulation and Maintenance of Common Area and Common Area Easements. It is the intent of Declarant that the Common Area (whether owned in fee or by easement) be preserved to the perpetual benefit of the Owners within the Subdivision. To that end, the Declarant, by recording any plat or map of any phase or section of the Subdivision, grants to the Association an easement over and across that portion of any Lot within such phase or section on which a Common Area Easement lies for the purpose of enabling the Association to take action permitted by subsections (b) and (c) of this Section 4.

- a) Rights and Responsibilities of the Lot Owners. Each Owner of a Lot upon which a Common Area Easement lies shall pay all property taxes and other assessments levied against his Lot, including that portion of such tax or assessment as is attributable to such Common Area Easement. Notwithstanding any other provision of this Declaration, no Owner or other person shall, without the prior written consent of the Association: (1) remove any trees or vegetation from Common Area; (2) erect gates, fences, buildings or other structures on any Common Area; (3) place any garbage receptacles on or in any Common Area; (4) fill or excavate any Common Area or any part thereof; or (5) plant vegetation on or otherwise restrict or interfere with the use, maintenance, and preservation of any Common Area.

It is the intent of the Declarant that a Common Area Easement shall be maintained in the same state as when the Lot upon which such easement lies was conveyed to an Owner (other than the Declarant), except for changes authorized or approved in writing by the Declarant or the Association. If an Owner of a Lot on which a Common Area Easement lies fails to maintain the easement area as provided herein, whether by act or omission, the Association shall have the right to enter upon such Owner's Lot for the purpose of maintaining same and shall have the right to charge such Owner with the costs of such maintenance, which costs, if not paid within thirty (30) days after demand for payment is made by the Association, shall be collected in the same manner and shall incur the same late charges, interest and costs of collection as set forth in Section 7 of Article V of this Declaration. *Provided however*, that the Association shall have the obligation to maintain, repair, replace and inspect any cluster unit mail boxes or kiosks in good, safe, clean and sanitary condition and to keep the immediately surrounding area free of debris or other hazards regardless of the location of said cluster unit mail box or kiosk.

- b) Rights and Responsibilities of the Association. The Association shall have the right and obligation to ensure that the Common Area (including

Common Area Easements) is preserved to the perpetual benefit of the Owners and, to that end, shall: (i) maintain the Common Area in its natural or improved state, as appropriate, and keep it free of impediments to its free use by the Owners, subject, however, to easements of record and any limitations on such use provided in this Declaration or rules and regulations adopted by the Association as provided herein or in the Bylaws; (ii) procure and maintain adequate liability insurance covering the Association and its Members against any loss or damage suffered by any person, including the Owner of the Lot upon which a Common Area Easement lies, resulting from use of the Common Area; and (iii) pay all property taxes and other assessments levied against all Common Area owned in fee by the Association.

- c) Association's Right of Entry for Maintenance of Common Area Easements. The Association and its employees, agents, contractors and subcontractors shall have a nonexclusive right and easement at all times to enter upon any portion of a Lot reserved or designated as a Common Area Easement, and any other portion of the Lot to the extent necessary to gain access and maintain improvements and facilities within the Common Area Easement, and no such entry shall be deemed a trespass. To the extent practicable, the Association shall give reasonable oral notice to the Owner or occupant of such Lot.
- d) Stormwater Facilities. The stormwater retention facilities and other elements of the stormwater drainage system are a part of the Common Area, and, therefore, the maintenance of these items and the costs thereof, as well as the ongoing compliance with the stormwater permit shall be the Association's responsibility and shall be included in the Association's annual budget.

Section 5. Declarant's Right to Change Development Plans. With the approval of the County and of the Class C Member, Declarant shall have the right, without consent or approval of the Owners, to create Lots and dwelling units, add Common Area, change unit types and relocate units within the Property, and release or withdraw real property from the development. In addition, Declarant, subject to approval of the Class C Member, shall have the right to change Common Area and Lot designations, the boundary lines of Common Area and Lots and the location of easements shown on any map by recording a new map showing such change, which map shall be executed by the Declarant and the Owner of the Common Area or Lot so modified. To the fullest extent permitted by North Carolina law, each Class A Owner covenants by acceptance of the deed or instruments by which its Lot is conveyed not to protest, challenge or otherwise object to (i) changes in uses or density of the Property, or (ii) modifications to the boundary lines of the Common Area and Lots and/or the location of easements shown on any maps created pursuant to this Declaration, or (iii) changes in the site plan and other development documents filed with the County in connection with the Property.

ARTICLE V
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner, by execution of this Declaration or by acceptance of a deed or other instrument conveying title to a Lot, whether or not it shall be so expressed therein, is deemed to consent and agree to pay to the Association (or to any Person who may be designated by the Association to collect such monies) all assessments and other charges required by this Declaration, including the following: (1) annual assessments; (2) working capital assessments; (3) special assessments; (4) fines for violations of the provisions of this Declaration or other Governing Documents or assessments levied against Owners for misuse and damage to the Common Areas by the Owners or their family members, tenants, agents, contractors and guests; (5) individual assessments for any expense under the Code or this Declaration which the Association becomes obligated to pay and pays on behalf of an Owner; (6) late payment charges, interest on unpaid assessments, costs of collection, including without limitation, court costs, service charges, and attorney's fees as provided in the Act, and charges for dishonored checks; all as established by the Board from time to time; and (7) all other assessments and charges imposed or allowed to be imposed by this Declaration.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Subdivision and, in particular, for: (i) acquisition, improvement, and maintenance of properties, services and facilities related to the use and enjoyment of the Common Area; (ii) maintenance, repair and reconstruction of the Common Area and improvements thereon, including, without limitation, storm water drainage facilities, and, including, without limitation, the cost of repair, replacement and additions thereto and the cost of labor, equipment, materials, management and supervision thereof; (iii) payment of taxes and public assessments levied against Common Area owned by the Association in fee; (iv) procurement of insurance; (v) employment of attorneys, accountants and other persons or firms for Association business; (vi) payment of principal and interest on funds borrowed for Association purposes; (vii) payment of any and all Common Expenses, including, a subcategory for maintenance, repair and reconstruction of exterior elements of each Dwelling on a Class A Townhome Lots, which shall be considered a Limited Common Expense, and (viii) such other needs as may arise (collectively, the "Annual Expenses").

Section 3. Amount of Assessments. The Board of Directors shall adopt, as soon as practicable, a budget for the Association for the period that lasts from the creation of the Association until December 31, 2026, and from such budget the Board of Directors will establish the annual assessment for the period of time that lasts from the creation of the Association until December 31, 2026. Beginning on January 1, 2027, and thereafter, the annual assessments shall be based on a budget approved under the provisions set forth in Section 4 below.

Annual Assessments (defined hereinbelow) shall be fixed at a uniform rate for all Lots in each Class and sub-Class, however the designation of sub-class shall have no effect on any other provision of this Declaration.

The Annual Assessment for all Class B Lots and Development Parcels owned by the Class B Member shall be *zero*; provided, however, that any Class B Lot occupied as a residence shall be assessed at the Class A rate.

The Annual Assessment for all Class C Townhome Lots shall be the same as the Class A SF Lots, provided however in the event a Class C Townhome Lot is converted into a Class A Townhome Lot as provided Article III, Section 2, its annual assessment shall be the same as Class A Townhome Lots provided for hereinbelow.

The Annual Assessment for the Class A 20' Townhome Lots shall be the same as the Class A SF Lots plus Limited Common Expenses for the maintenance of the exterior of each Dwelling on a Class A 20' Townhome Lot. The Annual Assessment for the Class A 28' Townhome Lots shall be the same as the Class A SF Lots plus Limited Common Expenses for the maintenance of the exterior of each Dwelling on a Class A 28' Townhome Lot.

Annual Assessments may be collected on a yearly, semiannually, quarterly, or monthly basis, as determined by the Board of Directors. Any monies paid at any time by the Declarant for Common Expenses or otherwise for or on behalf of the Association shall be credited against past or future assessments due from the Declarant, if any.

The provisions of this subsection shall not apply to, nor shall they be a limitation upon, any change in the Annual Assessment incident to a merger or consolidation as provided in §47F-2-121 of the Act.

Section 4. Date of Commencement of Annual Assessments; Creation and Ratification of Budgets; Certificate of Assessment.

- a) Date of Commencement. Unless a different commencement date is set by the Board of Directors, the Annual Assessments provided for herein shall commence as to a Lot on the first day of the month after the Lot is subjected to this Declaration, except: (i) Annual Assessments for Class C Townhome Lots shall commence on the date such Lot receives a certificate of occupancy. It shall be the Owner's obligation to inform the Association of the issuance of a certificate of occupancy.
- b) Creation and Ratification of Budgets. Prior to the commencement of each fiscal year of the Association or at any time it deems best, the Board of Directors shall estimate the total amount of the Annual Expenses which are anticipated to be incurred by the Association during such fiscal year and shall determine the amount which will be deposited during such fiscal year into reserve funds maintained by the Association. The Board of Directors shall thereupon adopt a budget for the Associations' expenditures and reserves based upon such estimate and providing for the total annual assessment to be levied against the Class A Lots for such fiscal year (the total assessments which shall be so determined and levied for any fiscal year is herein referred

to as the "Annual Assessment"). Within thirty (30) days after the adoption of the proposed budget, the Board of Directors shall send a copy of the proposed budget to the Members and shall give written notice to the Members of a meeting of the Members to consider ratification of the budget, such meeting to be held not sooner than ten (10) days nor more than sixty (60) days after the mailing of such notice. Such meeting may, but need not be, combined with the annual meeting of the Members. There shall be no requirement that a quorum be present to vote on ratification of the budget (although a quorum must be present to vote on other matters). The budget shall be deemed ratified unless at that meeting Members having at least eighty percent (80%) of the votes of the entire membership vote to reject the budget. If any proposed budget is rejected by the Members, the budget last ratified by the Members shall be continued until such time as the Members ratify a subsequent budget proposed by the Board.

- c) Certificate of Assessment. The Association shall, upon demand and for such reasonable charge as the Board may determine, furnish a certificate signed by an officer of the Association, or the management company employed by the Association, setting forth whether the assessments (annual, special, and limited special assessments) for a specific Lot have been paid. If such certificate states that an assessment has been paid, such certificate shall be conclusive evidence of payment.

Section 5. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, special assessments for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, for repayment of indebtedness and interest thereon, or for any other non-recurring expenses. The Board of Directions may adopt a special assessment for the Association and within thirty (30) days after the adoption of the proposed special assessment, the Board of Directions shall send a copy of the proposed special assessment to the Members and shall give written notice to the Members of a meeting of the Members to consider ratification of the special amendment, such meeting to be held not sooner than ten (10) days nor more than sixty (60) days after the mailing of such notice. Such meeting may, but need not be, combined with the annual meeting of the Members. There shall be no requirement that a quorum be present to vote on ratification of the special assessment (although a quorum must be present to vote on other matters). The special assessment shall be deemed ratified unless at that meeting Members having at least eighty percent (80%) of the votes of the entire membership vote to reject the special assessment. Provided that the special assessment for a Class B Lot and a Class A Lot or Class C Lot on which no Dwelling exists shall always be zero. Special assessments shall be fixed at a uniform rate for all Lots and may be collected on a yearly, semiannually, quarterly, or monthly basis, as determined by the Board of Directors.

Section 6.

Written notice of any meeting called for the purpose of voting on a special assessment shall be sent to all Members not less than fifteen (15) days nor more than thirty (30) days prior to the meeting. At such meeting, the presence of the Declarant, Class C Member and Members or of proxies entitled to cast sixty percent (60%) of the votes of the Class A Members shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called subject to the same notice requirement, and if the meeting is called for a date not later than sixty (60) days after the date of the first meeting, the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting.

Section 7. Limited Special Assessments. The Board of Directors, without vote of the Members, may levy a limited special assessment against any Lot, applicable only to that Lot, for expenses incurred by the Association with regard to such Lot including, without limitation, expenses incurred under Article VI and Article VII hereof. Any fine imposed against an Owner pursuant to Section 3 of Article VII of the Bylaws shall also constitute a limited special assessment against such Owner's Lot. Special assessments and limited special assessments shall constitute a lien to the same extent as other annual assessments against the Lot.

Section 8. Effect of Nonpayment of Assessments; Remedies. No Owner shall be exempt from liability for any assessment provided for herein for reason of non-use of the Common Area or such Owner's Lot, or abandonment or leasing of such Owner's Lot, or unavailability of the use or enjoyment of the Common Area.

All assessments and other charges shall be established and collected as provided in this Declaration. All assessments and other charges remaining unpaid for thirty days (30) days or longer, together with late charges, interest, and the costs of collection thereof, including attorney's fees, shall be charge on the Owner's Lot as provided in §47F-3-116 of the Act and, upon filing of a claim of lien in the office of the clerk of superior court of the county in which the Lot is located in the manner provided in §47F-3-116(g), shall be a continuing lien upon the Lot against which such assessment is made until paid in full. The lien may be foreclosed by the Association in any manner permitted under the Act or by law. When the holder of a first mortgage or first deed of trust of record or other purchaser of a Lot obtains title to the Lot as a result of a foreclosure of a first mortgage or first deed of trust, such purchaser and its heirs, successors, and assigns shall not be liable for the assessments and other charges against such Lot which became due prior to the acquisition of title to such Lot by such purchaser. All assessments and other charges due hereunder, together with late charges, interest, the costs of collection thereof, including attorney's fees, shall also be the personal obligation or corporate obligation of each Person who was Owner of the Lot at the time when the assessment or other charge first became due and payable and may be collected by appropriate action at law. If more than one Person held an ownership interest in the Lot at the time the assessment or other charge first became due, then each Person shall be both jointly and severally liable. An Owner's personal obligation for payment of such assessments and other charges shall not become the personal obligation of a subsequent Owner unless expressly assumed by the subsequent Owner, although the lien shall continue against the Lot until the amounts due are paid.

Section 9. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Lot. Sale or transfer of any Lot shall not affect any assessment lien; however, the sale or transfer of a Lot pursuant to foreclosure of a first mortgage or deed of trust, or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of any assessments which became due prior to the date of conveyance pursuant to such foreclosure. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

Section 10. Exempt Property. All Common Area owned in fee by the Association, all property dedicated to and accepted by a public authority, and all property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. Notwithstanding the foregoing, no Lot devoted to residential use shall be exempt from said assessments.

Section 11. Working Capital Fund. At the time of closing of the initial sale of each Dwelling constructed on a Class A Lot, a working capital contribution in an amount as determined by the Board from time to time shall be collected from the purchaser at the closing of such sale for the benefit of the Association (or if not collected at the closing, shall be paid immediately on demand by the Association). As of the date of this Declaration, the working capital contribution for each Class Lot is \$1,000.00. At the time of the issuance of a certificate of occupancy by the County on a Class C Lot or upon initial sale of property by Declarant to the Class C Member, a one-time working capital contribution in any amount as determined by the Declarant and FPD shall be collected from the Class C Member (or if not collected at the issuance of a certificate of occupancy, shall be paid immediately on demand by the Association). The purpose of the working capital fund is to ensure that the Association will have adequate cash available to meet its initial operating expenses or to acquire additional equipment or services deemed by the Board to be necessary or desirable. Amounts paid to the Association pursuant to this Section shall not be considered as an advance payment of any regular assessment. The working capital contribution may be established, increased or decreased in the sole and exclusive discretion of the Board, except as to the Class C Lots.

Section 12. Assessment Loan. It is anticipated that until Declarant has sold a certain number of Lots (which number has not yet been determined, and which number is referred to herein as the "Break-even Number"), the annual assessments collected by the Association will not be sufficient to pay all Common Expenses on a current basis, but that the anticipated annual assessments collected after the Break-even Number of Lots has been sold will exceed Common Expenses. To fund this shortfall, Declarant reserves the right, but is not obligated, to make a loan (the "Assessment Loan") to the Association, as provided below, until cash flow from the annual assessments is sufficient to pay Common Expenses. If Declarant elects to make the Assessment Loan, then Declarant shall advance to the Association the amount by which the Common Expenses exceed the annual assessments collected for such year. The Association shall have the affirmative obligation to repay the Assessment Loan to the Declarant in accordance with the terms hereof, with no interest thereon except as otherwise provided in this section. The Association shall use proceeds advanced to the Association only to pay the above described shortfall in Common

Expenses. The Association shall repay the Assessment Loan to Declarant in monthly installments or as otherwise determined by Declarant commencing at such time as sales of Lots reach the Break-even Number, until the balance of the Assessment Loan has been repaid to Declarant in accordance with its terms; provided, however, an Assessment Loan shall in no event be repaid to Declarant later than December 31, 2030, unless earlier accelerated due to a default by the Association. After maturity, whether by acceleration or otherwise, if the Assessment Loan remains unpaid, the outstanding balance shall bear interest at the rate of eight percent (8%) per annum compounded monthly. Each Owner of a Lot, by acceptance of a deed or other conveyance therefore, whether or not it shall be so expressed in any such deed or other conveyance, is hereby deemed to covenant and agree (and such covenant further shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot), that such an Assessment Loan is reasonable and was made by Declarant and accepted by the Association in good faith and at arm's length.

ARTICLE VI STORMWATER DRAINAGE AND PERMITTING

Section 1. Stormwater Permits. Declarant may cause certain stormwater management systems to be installed on portions of the Property (the "Stormwater Systems"). The portions of the Property on which the Stormwater Systems have been installed (the "Stormwater Property") may be conveyed, assigned, and transferred by the Declarant in the Declarant's sole discretion, to the Association, without notice or consent of the Association, and the Association shall be deemed to have accepted such conveyances. In that regard, the permits which relate to such Stormwater Systems (the "Stormwater Permits") may be conveyed, assigned and transferred by the Declarant, in the Declarant's sole discretion, to the Association, without notice or consent of the Association, and the Association shall be deemed to have accepted such conveyances. Should Declarant convey Stormwater Property and Stormwater Permits to the Association, the Association shall thereby become the permittee pursuant to such Stormwater Permit(s) and shall be perpetually obligated to maintain the Stormwater Systems pursuant to the Stormwater Permit(s).

Section 2. No Reduction in Obligations and Association's Obligations. Nothing in this Declaration or any Amendment hereto may reduce the Association's or Lot Owners' obligations with regard to the Facilities. Such additional covenants may increase the obligations or provide for additional enforcement options. The stormwater retention facilities and other elements of the stormwater drainage system are a part of the Common Area, and, therefore, the maintenance of these items and the costs thereof, as well as the ongoing compliance with the stormwater permit shall be the Association's responsibility and shall be included in the Association's annual budget.

Section 3. Storm Drainage. The Property and the use thereof is subject to the conditions set forth herein and must be maintained in accordance with County Requirements and NCDEQ Requirements and the following covenants are intended to ensure ongoing compliance with Stormwater Management Permit Number STMW-24-0006, as issued by New Hanover County and Stormwater Management Permit Number SW8 231111, as issued by the Division of Energy, Mineral and Land Resources (the "Division") under 15A NCAC 02H.1000, effective January 1, 2017. The State of North Carolina is made a beneficiary of these covenants to the extent necessary to maintain compliance with the Stormwater Management Permit. The covenants

pertaining to stormwater may not be altered or rescinded without the express written consent of the Division.

- a) Alteration of the drainage as shown on the approved plans may not take place without the concurrence of the Division.
- b) The maximum built-upon area (BUA) per Lot is as shown in **Attachment B**. This allotted amount includes any BUA constructed within the lot property boundaries, and that portion of the right-of-way between the front lot line and the edge of the pavement not shown on the approved plans. BUA has the same meaning as G.S. 143-214.7, as amended.
- c) The maximum allowable BUA shall not be exceeded on any lot until the permit is modified to ensure compliance with the stormwater rules, permit and the approved plans and specifications.
- d) All runoff from the BUA on the lot must drain into the permitted system. This may be accomplished via grading, a stormwater collection system and/or a vegetated conveyance.
- e) Within the low density area, filling in, piping or altering any vegetated conveyances (ditches, swales, etc.) associated with the development, except for average driveway crossings, is prohibited by any persons.
- f) A 50-foot wide vegetated setback (previously referred to as a buffer) must be provided and maintained adjacent to all surface waters in accordance with 15A NCAC 02H.1003(4) and the approved plans.
- g) Within the low density area, all roof drains shall be released no closer than at the edge of the 50-foot wide vegetated setback and allowed to flow through the setback as dispersed flow. At no time shall stormwater runoff be piped into or through the setback.
- h) 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 NCGS 143, Article 21.

ARTICLE VII MAINTENANCE OF LOTS AND UNITS

Section 1. Association's Responsibility for SF Lots and Class C Townhome Lots. The Association shall repair and maintain the Common Area and any improvements, utilities and facilities located on the Common Area. The Association shall also be responsible for maintenance and repair of all retaining walls constructed by the Declarant or the Association within the Properties, that lie within or on more than one Lot or a Lot and Common Area. Retaining walls lying entirely within one Lot shall be maintained by the Owner. In the event that the need for maintenance, repair and/or replacement is caused through the willful or negligent act of an Owner or such Owner's tenants, subtenants, family members, or guest or invitees of any of them, the cost of such maintenance, repair and/or replacement shall be the responsibility of the Owner.

Section 2. Owner's Responsibility for SF Lots and Class C Townhome Lots; Remedy for Owner's Failure to Maintain SF Lots and Class C Townhome Lots. Any maintenance on a Lot that is not the responsibility of the Association, whether by the terms of this Declaration or by written acceptance of same, shall be the responsibility of the Owner of such Lot. Each Owner shall maintain all landscaping, driveway, structures and improvements of any nature located on their Lot and that portion of the right-of-way containing grass, trees and/or landscaping immediately adjacent to their Lot. Each Owner's maintenance of their Lot and adjoining right of way shall include but not be limited to:

- a) Keeping the area free and clear of all litter, trash and waste;
- b) Mowing all grass areas on a regular basis;
- c) Pruning trees and shrubs;
- d) Watering lawns;
- e) Keeping exterior lighting and mechanical facilities in working order;
- f) Keeping lawn and planted areas alive;
- g) Removing and replacing any dead plant material;
- h) Keeping parking areas and driveways in good repair;
- i) Complying with all governmental health and police requirements;
- j) Repair of exterior damage to all structures;
- k) Repainting of all structures as needed;
- l) Maintaining all slopes for erosion and sediment loss;
- m) Regular exterior cleaning of structures;
- n) Repair and maintenance of all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to the Owner's Lot which are not publicly maintained.

If an Owner does not perform any required maintenance of his Lot or Dwelling, the Association shall have the right (but not the obligation), through its agents and employees, by the affirmative vote of not less than two-thirds (2/3) of the Board of Directors, to enter upon such Lot and to repair, maintain and restore the Lot or exterior of the Dwelling erected thereon, and the cost of such maintenance, plus a surcharge of 20% for administration, shall be assessed in accordance with Section 3 of this Article. Prior to such entry, the Association shall give written notice to the Owner stating: (i) the specific items needing maintenance; (ii) the corrective action to be taken; (iii) a time, not less than 15 calendar days from the date of the notice, in which the Owner is to perform the necessary maintenance; and (iv) a statement that, if the Owner fails to perform the maintenance within such time period, the Association will exercise its right to perform the maintenance and that the Owner will be assessed with the costs thereof as provided in this Article V.

Section 3. Association's Responsibility for Class A Townhome Lots. The Association shall also be responsible for maintenance and repair of all retaining walls constructed by the Declarant or the Association within the Properties, that lie within or on more than one Lot or a Lot and Common Area. Retaining walls lying entirely within one Class A Townhome Lot shall be maintained by the Association, the maintenance of which shall be a Limited Common Expense specifically for the benefit of said Lot. In the event that the need for maintenance, repair and/or replacement is caused through the willful or negligent act of an Owner or such Owner's tenants, subtenants, family members, or guest or invitees of any of them, the cost of such maintenance, repair and/or replacement shall be the responsibility of the Owner.

The Association shall be responsible for maintaining the grass, plants, shrubs, trees, and landscaping located on each Class A Townhome Lot (hereinafter the "Yard Improvements") and installed by the Declarant or the Association, provided, however, that: (i) the Association shall not be responsible for maintaining any fence installed on any Class A Townhome Lot or any Yard Improvements inside of such fenced or enclosed privacy area; (ii) the Association's obligation to maintain shall not include the obligation to replace any plant, shrub or tree for any reason nor shall it include irrigation or watering; and (iii) the Association shall not be responsible for repair or replacement of any Yard Improvements when such repair or replacement is necessitated by work done by or at the request of any Owner or any utility company or governmental entity.

The Association shall provide scheduled maintenance and repairs to portions of the exterior of each Dwelling on a Class A Townhome Lot which shall be considered a Limited Common Area for the benefit of each Class A Townhome Lot, including repair, replacement and scheduled care of roofs, siding, gutters, downspouts, painting and cleaning of exterior walls, doors and shutters, but specifically excluding glass surfaces, windows, decks and screen doors (including casings and sills). In the event that the need for maintenance, repair and/or replacement is caused through the willful or negligent act of an Owner or such Owner's tenants, subtenants, family members, or guest or invitees of any of them, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircrafts, vehicles, and smoke, as the foregoing are defined and explained in the North Carolina Standard Fire and Extended Coverage Insurance Policies, the cost of such maintenance, repair and/or replacement shall be the responsibility of the Owner.

The Association shall provide termite service and termite bonds for each Dwelling on a Class A Townhome Lot as a Limited Common Expense.

The Association shall maintain and install any "street trees" required by the County.

For the avoidance of doubt the use of the term Limited Common Area on any/each Class A Townhome Lot in this Section shall not create general property rights in the real property within the Class A Townhome in any other Owner of any other Property in the Subdivision, except to the Association to fulfill the terms of its obligations hereunder.

Section 4. Owner's Responsibility for Class A Townhome Lots; Remedy for Owner's Failure to Maintain Class A Townhome Lots. Any maintenance on a Class A Townhome Lot that is not the responsibility of the Association, whether by the terms of this Declaration or by written acceptance of same, shall be the responsibility of the Owner of such Class A Townhome Lot. Each Owner's maintenance of their Class A Townhome Lot and adjoining right of way shall include but not be limited to:

- a) Keeping the area free and clear of all litter, trash and waste;
- b) Watering lawns;
- c) Keeping exterior lighting and mechanical facilities in working order;
- d) Keeping lawn and planted areas alive;
- e) Removing and replacing any dead plant material;
- f) Keeping parking areas and driveways in good repair;
- g) Complying with all governmental health and police requirements;
- h) Repair and maintenance of all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to the Owner's Class A Townhome Lot which are not publicly maintained.

Section 5. Revisions to Maintenance Obligations. The Board of Directors of the Association or the Members, by the affirmative vote of a majority of the Members of each Class, shall have the right (but not the obligation) to accept certain items, areas or improvements on a Lot for maintenance by the Association. Such acceptance shall be in writing and may be subject to such terms and conditions, including, but not limited to, a special assessment or increased annual assessment for that Lot (which, being consensual, need not be approved as provided in Article V hereof), as the Association might establish in such written acceptance. The Declarant is responsible for construction of streets and roads within the Property. The Association shall undertake the management, operation, maintenance, repair, servicing, replacement and renewal of all private streets and private utilities constituting Sub-Association Common Areas and all improvements thereon. Declarant shall also be responsible for and maintain all public streets and roads within the Property until such roads are accepted for maintenance by the applicable Governmental Authority or until such streets and roads are accepted for maintenance by the Association. Following any irrevocable acceptance of the streets and roads for maintenance as public rights of way by applicable governmental entities, the Association shall maintain such streets and roads to the extent such activities are not performed by the applicable governmental entities.

The determination of the need, quality, extent and cost of such maintenance and repairs shall be made by the Board of the Association, which determination shall be reasonable and made upon consistent and non-arbitrary principles adopted by the Board.

Section 6. Assessment of Cost. In the event that the Association performs maintenance on any Lot as provided in Section 2 of this Article, the cost of any such maintenance, replacement or repairs (including the administration fee) shall be a limited special assessment against the Lot upon which such maintenance is done and shall be added to and become part of the assessments to which such Lot is subject under Article V hereof, enforceable under the terms thereof.

Section 7. Access at Reasonable Hours. As provided in Section 5 of Article IX of this Declaration, the Association, through its duly authorized agents or employees, shall have the right, without notice to the Owner, to enter upon any Lot at reasonable hours on any day to perform any maintenance and repairs to be performed by the Association.

ARTICLE VIII RIGHTS OF LENDERS

Section 1. Books and Records. Any holder of a first deed of trust on any Lot, or its agent(s), shall have the right, during normal business hours, to examine copies of this Declaration, the Articles of Incorporation, the Bylaws, and the books and records of the Association and, upon written request to the Association, to receive a copy of the financial statement for the immediately preceding fiscal year, except that the Association shall not be required to provide the financial statement for the preceding fiscal year if said fiscal year expired less than 75 days prior to the date of the request. (See §47-3-118 of the Act).

Section 2. Notice to Lenders. Upon written request to the Association, the holder of a first deed of trust on any Lot shall be entitled to timely written notice of:

- a) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of the Lot securing its loan.
- b) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.
- c) Any proposed action that requires the consent of a specified percentage of owners or holders of first mortgages on the Lots.
- d) Any condemnation or casualty loss that affects either a material portion of the project or the Lot securing its mortgage.

Section 3. Approval of Holders of First Deeds of Trust. Unless at least holders of deeds of trust on seventy-five percent (75%) of the Lots located within the Properties have given their prior written approval, the Association shall not:

- a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association, unless said conveyance of real property is *de minimis* and for the sole purpose of correcting an error in title of a Lot. Neither the granting of easements for utilities or other purposes as provided in Section 1(c) of Article IV hereof, nor the exchange of real property as provided in Section 1(d) of said Article IV hereof shall be deemed a transfer within the meaning of this subsection (a). Notwithstanding anything herein to the contrary, the property owned by the Association, whether in fee, by easement, or otherwise, shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to the County or another governmental entity or to a nonprofit entity organized for purposes similar to those of the Association.
- b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot.
- c) Fail to maintain hazard insurance on insurable improvements on the Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value.
- d) Use the proceeds of any hazard insurance policy covering losses to any part of the Common Area for other than the repair, replacement, or reconstruction of the damaged improvements or, as provided in §47F-3-113 of the Act, for distribution to the Owners, provided, however, that, except as provided in §47F-2-118 of the Act, any distribution to Owners shall be in the form of a credit toward current or future assessments due from the Owners to the Association.

Provided, however, that in the event that any such holder of a first deed of trust fails to provide the approval required by this Section 3 within sixty (60) days after the Association has sent a written request for such approval, approval will not be required, and this Section will be deemed to have been fully complied with.

Section 4. Payment of Taxes and Insurance Premiums. The holders of deeds of trust on Lots, jointly or singly, may pay taxes or other charges which are in default and which have or may become a charge or lien against any of the Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy covering property owned by the Association. The persons, firms or corporations making such payments shall be owed immediate reimbursement therefor by the Association.

Section 5. Collection of Assessments. No mortgagee shall have any obligation to collect any assessment under the Declaration.

ARTICLE IX EASEMENTS

In addition to all other easements granted or reserved elsewhere in this Declaration, Declarant hereby grants and/or reserves the following easements.

Section 1. Access and Utility Easements. Easements for the installation and maintenance of driveway, walkway, water line, sewer lines, natural gas lines, telephone, cable television, electric power transmission lines, storm water drainage facilities, and other public or quasi-public utility installations are reserved as shown on the recorded plats of the Properties. The Association may reserve and grant easements over the Common Area as provided in Article IV, Section 1(c), of this Declaration. Within any such easement herein provided, no structure, planting, fence or other material shall be placed or permitted to remain which may interfere with the installation or maintenance of the utilities installed thereon, or which may change the direction of flow or drainage of water through drainage pipes or channels constructed in such easements. For a period of ten (10) years from the date hereof, Declarant grants to and reserves for itself, the Association, and their successors and assigns, an easement and right of ingress, egress and regress on, over and under the Properties to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action that it deems reasonably necessary or appropriate.

After such action has been completed, the person or entity taking such action shall grade and seed the affected property and restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. The person or entity taking such action shall give reasonable notice of its intent to take such action to all affected Owners.

Section 2. Easement for Support. Every Lot and Unit which contributes to the lateral and/or vertical support of any adjoining Unit(s) shall be burdened with an easement of support for the benefit of such adjoining Unit(s).

Section 3. Easement For Encroachments. In the event that any structure, appliance or fence erected on a Lot by the Declarant encroaches upon any other Lot or the Common Area, and such encroachment was not caused by the purposeful act or omission of the Owner of such Lot, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Area or other Lot for so long as such encroachment shall naturally exist. In the event that any structure erected principally on the Common Area by the Declarant or Association encroaches upon any Lot, then an easement shall exist for the continuance of such encroachment of such structure onto such Lot for so long as such encroachment shall naturally exist. The foregoing shall not be construed so as to allow any extension or enlargement of any existing encroachment or to permit the rebuilding of the encroaching structure, if destroyed, in a manner so as to continue such encroachment, except such encroachment as was in existence as of the date of conveyance of the Lot to an Owner other than the Declarant.

Section 4. Easement Over Common Area. A perpetual, nonexclusive easement over, under and through the Common Area is hereby granted to each Lot and its Owners, family members and tenants of such Owners, the occupants of such Lot, and guests and invitees of such Owners, tenants or occupants, for the purpose of providing reasonable access, ingress and egress to, from and over and the use of the Common Area and for utilities serving such Lot. Any conveyance or encumbrance of such Common Area is subject to the easements granted herein.

Section 5. Association's Easement Upon Lots. The Association shall have a right, license and easement to go upon any Lot for the purpose of fulfilling its obligations under this Declaration and any other laws, ordinances, rules and regulations, public or private, which the Association is obligated or permitted to enforce. Such easement shall include, without limitation, the right to go on any Lot to correct, repair or alleviate any condition which, in the opinion of the Board of Directors of the Association or of the manager employed by the Association, creates or may create an imminent danger to the Common Area or improvements thereon.

Section 6. Fence Easement. Each Owner shall have a perpetual access easement over the adjoining Lot and Common Area to the extent reasonably necessary to tie a fence on the Owner's Lot with a neighboring fence. Installation of fences and corresponding easements however, require prior approvals by the Declarant or Architectural Review Committee and the adjoining Lot Owner or Association, as applicable, pursuant to the terms of Article X of this Declaration. Additionally this Fence Easement shall be null and void to the extent that the installation of the fence by Owner does not comply with the previously obtained approvals as noted hereinabove. This Fence Easement is subordinate to other easements authorized by this Declaration or by the Declarant, including but not limited to utility, stormwater easements, thus fences may be removed as necessary by the holders of said easements for maintenance and repairs.

ARTICLE X ARCHITECTURAL CONTROL

After issuance of the a certificate of occupancy or other certificate issued by the appropriate governmental entity, no building, fence, sign (including unit identification signs), wall or other structure (including, without limitation, play or sports equipment, patios, decks, tree houses, parking pads, and sidewalks) shall be commenced, constructed, erected or maintained upon a Lot, nor shall any exterior addition to or change or alteration thereof be made, nor shall a building permit for such improvement or change be applied for or obtained, nor shall any major landscaping or re-landscaping be commenced or made (such construction, alteration and landscaping are hereinafter referred to as the "Improvements") until plans and specifications showing the nature, kind, shape, heights, materials, color and location of same shall have been submitted to and approved in writing by the Declarant. If the Declarant fails to approve or disapprove such proposed Improvements within thirty (30) days after the plans and specifications have been received by it, approval will not be required, and this Article shall be deemed to have been complied with. Declarant or Association shall have the right to charge a reasonable fee, not to exceed \$150.00, for receiving and processing each application and the right (but not the

obligation), at the expense of the Owner seeking approval of the Improvements, to employ and engineer or other professional to review the plans for the Improvements. Declarant with the consent of the Class C Member shall have the right (but not the obligation) to promulgate and from time to time amend written architectural standards and construction specifications (hereinafter the "Architectural Guidelines") which may establish, define and expressly limit the standards and specifications which will be approved, including, but not limited to, architectural style, exterior color finish, roofing material, siding material, driveway material, landscape design and construction technique; and the Architectural Guidelines shall not be modified without the consent of the Class C Member. Declarant shall not approve any Improvements which it determines, in its sole discretion, not to be in harmony of external design, construction and/or location in relation to the surrounding structures, topography or the general plan of development of the Community.

Declarant may, at any time, delegate, in part or in whole, the review and approval authority contained in this Article to the Board of Directors of the Association, which, in turn, may delegate such authority to an Architectural Review Committee composed of three or more persons appointed by the Board. Declarant shall delegate such authority no later than the end of the Declarant Control Period. Except as provided in the next paragraph, any use of the term "Declarant" in this Article shall be deemed to apply to Declarant and, when appropriate, to the Board of Directors or the Architectural Review Committee. Nothing herein shall be construed to permit interference with the development of the Lots or the construction thereon by the Declarant.

Notwithstanding any other provision of this Declaration, including, without limitation, the provisions of the immediately preceding paragraph, Declarant shall have and shall exercise the rights set forth herein as to a Lot at all times prior to issuance of a certificate of occupancy or other certificate issued by the County or appropriate governmental entity for the Dwelling constructed on a Lot. Neither the Board of Directors nor any Architectural Review Committee of the Board shall have the right to overturn any decision of Declarant without the prior written consent of Declarant, unless the Declarant no longer exists as a legal entity, in which event the foregoing proscription shall not apply. Provided, however, in the event Declarant wholly delegates review and approval authority contained in this Article to the Board of Directors of the Association, then the Board of Directors shall retain the right to promulgate or change Architectural Guidelines.

In the event any structure is commenced or constructed in violation of the provisions of this Article, in addition to any other remedy available for such breach including, without limitation, monetary fines for such violation, either Declarant or the Association may seek and obtain injunctive or other equitable relief to prevent construction and/or removal of such unapproved structure. The party prevailing in any action to enforce the provisions of this Article shall be entitled to recover from the non-prevailing party the costs of such action including, without limitation, court costs and attorneys' fees actually and reasonably incurred by the prevailing party.

Notwithstanding the foregoing, as to any Builder, Declarant may provide blanket approval of site plans, general housing styles and finishes which may then be constructed on any Lot without the need for additional written approvals of, or the submission of, specifications, exterior color and finish, landscape plan, site development or any other matter included within the definition of "Plans." Once granted, such blanket approval shall be irrevocable and binding on the Board and Architectural Review Committee as to any Lots owned by Builder or subject to any contract to

purchase or option to purchase of Builder. Once blanket approval is granted, a Builder shall not be obligated to obtain any other approvals from the Declarant, Board or Committee.

Any language contained in this Article granting the power to consent to the Class C Members is hereby revised to include that if the Class C Members fails to provide such consent within sixty (60) days of the written request for such consent, the request, change or modification being put forth and requested shall be deemed approved.

ARTICLE XI USE RESTRICTIONS

Section 1. Use of Lots and Common Area. It is the intent of the Declarant that all Lots shall be used for residential purposes only. Except as permitted by the Code, no trade, business, profession or other type of commercial activity shall be carried on upon any Lot, except that (i) the Declarant, real estate brokers, Owners and their agents may show Lots for sale or lease and (ii) any Owner may lease a Lot to residential tenants for profit (such lease to provide that the terms of the lease shall be subject in all respects to this Declaration). Notwithstanding the foregoing, the Declarant, Class C Member and any Builder shall have the right to: (i) use Lots it owns and improvements erected thereon for sales offices, field construction offices, storage facilities, and its own general business offices; (ii) maintain spot-lighted model homes which may be open to the public for inspection seven days per week for such hours as the Declarant deems appropriate or necessary; (iii) conduct any other activities on Lots it owns to benefit sales and construction efforts; and (iv) use the parking facilities on the Common Area for parking for its employees and invitees.

Section 2. Use of Accessory Structures. No building, other than a Dwelling, and its attached garage shall be erected on a Lot without approvals as provided in Article X. Any outbuildings incidental to residential use require approval provided in Article X, and any such structure shall substantially correspond to the design of the dwelling. No structure of a temporary nature may be used temporarily or permanently as a residence. Notwithstanding the foregoing, the Declarant and any Builder may use temporary buildings, offices or facilities in connection with the marketing, sale and construction of Units.

Section 3. Nuisances. No noxious or offensive trade or activity shall be carried on upon any Lot or the Common Area, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No vehicle repairs or maintenance shall be conducted within the Properties other than in a garage and concealed from public view. Outside clothes hanging devices are not permitted.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept on any Lot, except that a reasonable number of cats, dogs, and other household pets may be kept provided they are not kept, bred, or maintained for any commercial purpose and that they do not become a nuisance to the neighborhood. The Board of Directors has the right to determine whether or not a particular animal is a nuisance and to require removal. No person owning or having custody of a permitted animal shall allow the animal to stray or go upon another Owner's Lot without the consent of such other Owner. No animals shall be permitted on or in the Common Area at any

time except as permitted by the rules and regulations of the Association or by applicable law. All animals shall be on a leash when outside the Owner's Dwelling. The owner of a permitted animal shall be responsible for removing and cleaning up any excrement deposited by such animal on any Lot or the Common Area.

Section 5. Parking. No Owner or a member of his family, lessee or sub-lessee or guest of an Owner shall: (i) park or keep on any Lot, Common Area or street within or adjoining the Subdivision any abandoned, partly dismantled or inoperative vehicle or vehicle not having current registration and inspection stickers displayed; or (ii) park or keep on any Lot, Common Area, or any street within or adjoining the Subdivision any boat or boat trailer, utility or other trailer, recreational vehicle, motor home, camper, bus, truck in excess of one ton weight, commercial vehicle, truck or van, or anything else other than a vehicle normally intended for use as a private passenger vehicle. For purposes of the preceding sentence, the term "keep" shall mean the occasional presence for a period of not more than three (3) consecutive days.

The Board of Directors shall have the right and authority to make, implement and enforce such additional parking rules and regulations as it might determine from time to time necessary or appropriate, and shall have the right and authority to enforce same, including, but not limited to, the right to levy fines for violations thereof. Furthermore, the Association shall have the right and authority to have towed any vehicle parked or maintained in violation of these or subsequently-adopted parking rules and regulations, and the cost of towing and storage shall be the responsibility of the Owner of the Lot to which such vehicle is registered or the Owner of the vehicle, as appropriate.

Notwithstanding the foregoing, no vehicle of any type or size which transports inflammatory or explosive cargo or which stores or transports materials or substances defined as hazardous or toxic by any applicable legal requirements shall be kept or stored or allowed to remain in or on the Properties at any time, except as may be required to effectuate transportation or removal of such prohibited materials and substances through or from the Properties, or, with respect to explosive materials, as may be reasonably required in connection with the construction or installation of streets and utilities in the Properties, or as may be allowed by Declarant, during the Declarant Control Period, and thereafter, the Board, when reasonably required for the construction of other improvements within the Properties.

The foregoing restrictions shall not apply to sales trailers, construction trailers, or other vehicles which may be used by Declarant or a Builder and their agents and contractors in the conduct of their business prior to the completion of sales.

Section 6. Antennae and Roof Structures. No television, radio or other electrical towers, aerials, antennae, satellite dishes, or other devices of any type for the reception or transmission of radio or television broadcasts or other means of communication shall be erected, constructed, placed or permitted to remain on any Lot or upon any improvements thereon, except that this prohibition shall not apply to those antennae specifically covered by 37 C.F.R. Part 1, Subpart S, Section 1.4000 (or any successor provision) promulgated under the Telecommunications Act of 1996, as amended from time to time. The Association shall be

empowered to adopt rules governing the types of antennae that are permissible hereunder and establishing reasonable, non-discriminatory restrictions relating to safety, location and maintenance of antennae.

To the extent that the reception of an acceptable signal would not be impaired, an antenna permissible pursuant to rules adopted by the Association may be installed only if it: (i) is located in the rear or side yard of the Lot; (ii) is not visible from any street (whether by location or screening); and (iii) is integrated with the Dwelling and surrounding landscape.

Section 7. Garbage; Unsightly Storage. All trash and rubbish shall be kept in trash and/or garbage roll carts which shall be stored in such a manner as to be not visible from any street, except as otherwise provided herein. No trash, rubbish, stored materials, wrecked or inoperable vehicles, or any other unsightly items shall be allowed to remain on any Lot; provided, however, that the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish, and other debris for collection by governmental or other similar garbage and trash removal units. In the event of curbside trash and/or garbage pickup, trash and/or garbage roll carts may be moved to the street on the night before the scheduled pickup, but all garbage roll carts must be returned before the night of the scheduled pickup.

Section 8. Fences. Any fence or wall installed within the Subdivision must meet all requirements of any applicable zoning ordinance and must be approved as provided in the Declaration. Chain-link fences will not be permitted. All fences must be white vinyl material and six feet in height. Nothing in this paragraph shall be deemed to apply to or regulate retaining walls made necessary by the slope or grade of any Lot nor to any fence installed by the Declarant at any entrance to or along any street within the Subdivision.

Section 9. Fines. The Board of Directors, in accordance with the Bylaws, shall have the right and authority to levy fines or penalties for the violation of any provision of this Declaration and/or the rules and regulations hereafter promulgated by the Board pursuant thereto. Any monetary fine or penalty shall be deemed a limited special assessment against the Lot of the Owner against whom such fine or penalty is assessed.

Section 10. Rental of Units. Any lease or sublease must be for at least twelve (12) months, in writing and contain the following provision:

“Tenant shall obey, adhere to and be bound by all provisions of the Declaration of Covenants, Conditions, Restrictions, Easements, Charges And Liens For Avenue One, recorded in the New Hanover County Registry. Tenant acknowledges that he has received a copy of such Declaration and the rules and regulations of the Association and is familiar with the provisions of same.”

If an Owner fails to include said provision in any lease or sublease, it shall be conclusively deemed to be included and part of said lease or sublease.

With the exception of Lots owned by FPD, no more than two (2) Class A Townhome Lots or four (4) Class A SF Lots shall be leased by any single builder, investor, owner or operator.

Section 11. Mailboxes. Pursuant to the requirements of the U.S. Postal Service (“USPS”), Declarant will construct within the Subdivision one or more centralized or cluster mail box structures or kiosks, and the USPS will deliver mail only to such centralized mail boxes. No mailbox shall be placed or maintained on any Lot, unless Owner is expressly required to do so by the USPS or the County.

Section 12. Signs. Except as otherwise required by the Code, no sign of any kind shall be displayed to the public view on any Lot without prior written approval from Declarant or the Architectural Review Committee. Provided, however, no prior approval shall be required for placement of (i) not more than one (1) sign of not more than six (6) square feet advertising the sale of Lot and Dwelling; and (ii) no more than two (2) signs of not more than two (2) square feet expressing support of or opposition to political candidates or other issues which will appear on the ballot of a primary, general or special election, for a period of not earlier than forty-five (45) days before such election and shall be removed within two (2) days after such election. No sign of any kind shall be displayed on the Common Area without the prior written consent of the Association. Notwithstanding the foregoing, Class C Members, after receiving approval of its written submission of sign design and location plans to the Association and Declarant, and Declarant shall each have the right to erect and maintain signs of any type and size on any Lot which it owns and on the Common Area in connection with the development, sale and leasing of the Properties during the Declaration Control Period and thereafter Class C Members shall be held to the last Declarant-approved signage and locations, unless the majority of the Board of the Association consents to another location.

Section 13. Swimming Pools. No above-ground swimming pools are permitted within the Properties, except that small, inflatable wading pools shall be permitted in the back yard of a Dwelling.

Section 14. Miscellaneous. No window placed air conditioning unit or evaporative cooler shall be allowed. No sports equipment, including but not limited to, basketball goals shall be placed in any street within the Subdivision.

ARTICLE XII GENERAL PROVISIONS

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

The Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board reasonably 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 actions, or any case in which the Board reasonably determines that the cost of enforcement outweighs the benefit to be gained by enforcement. Any such determination shall not be construed as a waiver of the right to enforce such provisions under other circumstances or to estop the Association from enforcing any other covenant, restriction or rule.

Section 2. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated or altered by a vote of the Owners as set forth below. During the Declarant Control Period, the Declarant may amend this Declaration, without the consent or joinder of the Members or the Association, for any purpose. This Declaration may also be amended during the first twenty-five year period by an instrument signed by the Owners of not less than eighty percent (80%) of the Lots, and thereafter by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots. Notwithstanding the foregoing or anything to the contrary herein, that any amendment or modification to this Declaration must be consented to by Declarant and Class C Member for long as Declarant or any Class C Member is the Owner of any Lot or other portion of the Property, which consent Declarant or any Class C Member may grant or withhold in its sole discretion. No amendment shall be effective unless it has been recorded in the office of the Register of Deeds of New Hanover County.

Section 3. Subdivision of Lots. No Lot within the Subdivision may be subdivided by sale or otherwise so as to reduce the total Lot area shown on a recorded plat of the Subdivision, except with the consent of the Declarant during the Declarant Control Period, and thereafter by the Association, and, if required, by the County. Subdivision or recombination of any Lot(s) may, as appropriate, increase or decrease the number of votes in the Association.

Section 4. Rules and Regulations. The Board of Directors shall have the authority to adopt additional rules and regulations governing the use of the Common Area and the Lots and shall furnish a written copy of said rules and regulations to the Owner(s) of each Lot at least fifteen (15) days before such rules and regulations become effective.

In addition to any other rights and remedies that the Association may have under this Declaration, the Association may impose sanctions for violations of this Declaration, the Bylaws of the Association, the rules and regulations adopted by the Association, or the restrictive covenants and other use restrictions applicable to the Properties, in accordance with procedures set forth in the Bylaws, which sanctions may include, but are not limited to, reasonable monetary fines, which fines shall be deemed a limited special assessment and a lien upon the Lot of the violator, and suspension of the right to vote and the right to use any recreational facilities within the Common Area; provided, however, that the Association may not suspend such Owner's right of access to or any utilities servicing his Lot.

In addition, pursuant to procedures provided in the Bylaws, the Association may exercise self-help to cure violations (specifically including, but not limited to, the towing of Owner and tenant vehicles that are in violation of parking rules) and may suspend the right of an Owner to use any Common Area if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association, provided, however, that the Association may not suspend such Owner's right of access to or any utilities servicing his Lot.

The Association shall have the right and easement to go upon any Lot for the purposes of exercising its rights hereunder, including, but not limited to, enforcement of the architectural guidelines applicable to the Properties. Any entry onto any Lot for purposes of exercising this power of self-help shall not be deemed as trespass. All remedies set forth in this Declaration and the Bylaws shall be cumulative of any remedies available at law or in equity. In any action to enforce its rights and remedies, the party prevailing in such action shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

Section 5. Condemnation/Casualty. If all or any part of the Common Area and improvements thereon is taken by power of eminent domain or is damaged or destroyed by fire or other casualty, the proceeds of the condemnation award or any insurance policies covering such improvements shall be payable to the Association. The Board of Directors shall propose to the Members, at an annual or special meeting held within sixty (60) days after the date of the condemnation or casualty, whether or not to reconstruct the improvements. The insurance proceeds shall be used to reconstruct the improvements except as provided in §47F-3-113(g) of the Act, in which event the proceeds shall be retained by the Association for operation expenses or reserves, as determined by the Board or the Members. Nothing in this Section shall prevent the Board from proposing and the Members from approving the use of such proceeds for construction of different improvements, e.g., playground on Common Area in lieu of a destroyed club house.

Section 6. Association Contracts and Leases During Declarant Control Period. All Association contracts and leases made during the Declarant Control Period which extend beyond the Declarant Control Period must: (i) be for a term of two years or less; (ii) be terminable without penalty by the Association upon no more than ninety (90) days written notice; and (iii) be commercially reasonable and made with an entity not affiliated with the Declarant.

Section 7. Evidence of Member Approval. In the event that any action requires evidence of consent of the Members or a specified percentage of the Members, such approval shall be conclusively presumed if supported by a Certification signed by the President or Secretary of the Association in substantially the following form:

CERTIFICATE OF AVENUE ONE HOMEOWNERS ASSOCIATION, INC.

This is to certify that, upon proper notice given a [the] Special [Annual] Meeting of the Members of the AVENUE ONE HOMEOWNERS ASSOCIATION, INC., was held on [Date and

Year] at [Time]. The purpose [One of the purposes] of the meeting, as set forth in the Notice of Meeting, was to: [State action for which Member approval is required.]

At such meeting, at which a quorum was present, in person or by proxy, a total of _____ votes were cast: _____ votes were cast in favor of such action, and _____ votes were cast against such action. Accordingly, the motion to approve [described the action approved] was approved by at least ____% of the Members as required by the Declaration and Bylaws of the Association.

[President/Secretary]

Section 8. Number and Gender. Whenever the context requires, the singular shall include the plural, and *vice versa*, and one gender shall include all.

Section 9. Captions. Captions are for the purpose of reference only and shall not be deemed to be in any manner interpretive of any provision of this Declaration.

Section 10. Severability. If any provision of this Declaration is held by a court of competent jurisdiction to be invalid or void, such provision shall be deemed severable from the remaining provisions of the Declaration and shall not be deemed to nullify or affect and other provision hereof. If any such provision is deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

If any item, term or provision contained in this Declaration is in conflict with any applicable federal, state or local laws, this Declaration shall be affected only as to its application to such item, term or provision, and shall in all other respects remain in full force and effect.

Section 11. Conflicts. In the event of a conflict between this Declaration and the Article of Incorporation of the Association, the Articles of Incorporation shall control. In the event of a conflict between this Declaration and the Bylaws, this Declaration shall control. Specific provisions shall control general provisions. Notwithstanding the foregoing, a construction consistent with the Act, the North Carolina Nonprofit Corporation Act (N.C.G.S. Chapter 55A), and the Code shall in all cases control over any construction inconsistent therewith. The provisions of the Act and the Nonprofit Corporation Act shall in all cases control any conflicting provisions of the Code.

Section 12. Rule Against Perpetuities. As provided in §47F-2-103(b) of the Act, the rule against perpetuities may not be applied to defeat any provision of the Declaration, Bylaws, or rules and regulations adopted pursuant to thereto and §47F-3-102(1) of the Act. In the absence of the protection provided in §47F-2-103(b) of the Act, if any provision of this Declaration violates any applicable rule against perpetuities, such provision shall be deemed amended to be and remain in effect for the maximum period of time that such provision could be in effect without violating the applicable rule against perpetuities.

Section 13. Security Measures. Neither the Declarant, the Association nor the Board shall have any responsibility for establishing or maintaining any security measures within the Property, such measures being the sole responsibility of each Owner, as to his Lot and property, and to the appropriate public officials including, without limitation, the County Police Department.

ARTICLE XIII INSURANCE

Section 1. Association Insurance. The Association shall obtain and maintain commercial general liability insurance of at least One Million and 00/100 Dollars (\$1,000,000.00) and, if reasonably available, director and officer liability insurance. Policies may contain a reasonable deductible as determined by the Board of Directors. The Board of Directors may obtain workers' compensation if and to the extent necessary to satisfy the requirements of applicable law and a fidelity bond or bonds on all persons handling or responsible for the Association's funds if such bond or bonds are reasonably available. Any fidelity coverage selected shall be in an amount equal to or greater than three months total assessments plus any reserves on hand. 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. The Association shall maintain commercial property insurance on insurable improvements on the Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value.

Section 2. Townhome Insurance. The Association shall not maintain a commercial property insurance policy covering SF Dwelling. The Association may maintain a commercial property insurance policy, and/or a wind and hail insurance policy and/or a general liability insurance policy covering Class A Townhome Lots, Class A Townhomes and improvements. The Association shall not be required to maintain insurance covering betterments or improvements added by Owners to their respective Townhome. The Association shall require Owners of a Townhome Lot to maintain liability coverage and each Owner, covenants and agrees with the Association and all other Owners of Townhome Lots that each Owner of a Townhome Lot will carry at all time all -risk casualty insurance on the Townhome, all structures constructed thereon as well as a liability policy covering damage or injury under an all-risk policy, if reasonably available, and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard.

Section 3. Deductibles. Deductibles on policies owned by the Association shall be a Common Expense. In the event the cause of damage of any portion of the Property originated through or in a Common Element or apparatus located thereon, the Association may assess the amount of deductible necessitated by an intentional act or omission or by negligence, abuse, misuse of an Owner or guest or member of Owner's household or Owner's tenant against such Owner. In the event damage to any portion of the Property originated in or through a Unit or any component thereof, then the Owner of that Unit shall pay the deductible without regard to

negligence. The Association may pay a deductible for which an Owner is obligated and, in that event, charge the cost thereof as an assessment against that Owner's Unit.

Section 4. Section 4. Distribution of Insurance Proceeds. Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board of Directors and proceeds payable to the Association, provided however, that no Mortgagee having an interest in any such loss may be prohibited from participating in settlement claim negotiations. The Association is irrevocably appointed as agent and attorney-in-fact for each Owner of a Townhome Lot to adjust all claims and to execute and deliver releases upon payment of claims.

Section 5. Reconstruction or Repair.

- a) Insured Loss. The Association shall cause prompt reconstruction or repair from insurance proceeds paid as a result of damage to Property by perils covered by Association insurance.
- b) Uninsured Loss. If insurance proceeds are insufficient to repair damage by fire or other casualty, or the damage is caused by is due to an uncovered casualty or insurance proceeds are not available for repair by reason of application of deductible clauses then repair or reconstruction of damaged improvements within the Common Area shall be promptly completed by the Association and the expense shall be an expense of the Association.

Section 6. Additional Insurance Requirements. Any policy of insurance obtained by the Association shall include the following provisions:

- a) Waiver of insurer's rights of subrogation of any claims against Board of Directors, officers of the Association or its employees and agents, Owners, occupants and household members;
- b) An agreed value endorsement and an inflation guard endorsement;
- c) No act or omission by any Owner will preclude recovery;
- d) The Association policy shall be primary coverage in the event insurance in the name of an Owner is in place and covers the same risk;
- e) Until the expiration of thirty (30) days after insurer gives notice in writing to the Mortgagee of any Unit, the Mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the Owner of such Unit, any other Owner, the Board of Directors or any of its agents or employees, or any household member, nor be canceled for nonpayment of premiums;

- f) May not be canceled, substantially modified, or subjected to nonrenewal without at least thirty (30) days advance notice in writing to the Board of Directors and all Mortgagees of the Units.

All policies of insurance procured by the Association shall be written with a company licensed to do business in the State of North Carolina and rated A or better in Best's Insurance Guide.

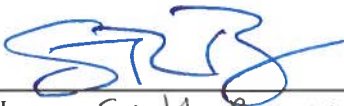
The Association shall obtain insurance coverage as may be necessary to satisfy requirements of Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Veteran's Administration or Department of Housing and Urban Development. The Association shall maintain flood insurance on any Townhome located in a special flood hazard area as designated on a Flood Insurance Rate Map published by Federal Emergency Management Association.

Nothing contained herein requires the Association to assert any claim upon the occurrence of an insured event. The Association may exercise its reasonable business judgment in all matters affecting insurance.

[signatures pages below]

IN WITNESS WHEREOF, the Declarant and FPD have caused this instrument to be executed in its name by its duly authorized officer, as of the date set forth in the notary acknowledgment below.

DECLARANT:
CLAYTON PROPERTIES GROUP, INC.
a Tennessee corporation

By:  (SEAL)
Name: Scott Bowser
Title: Asst. Sec

STATE OF North Carolina - COUNTY OF New Hanover :

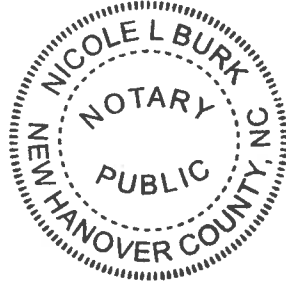
I certify that the following person personally appeared before me this day and acknowledged to me that he/she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:

Scott Bowser
(print name of signer above)

Date: 4/21/2026
(Official Stamp or Seal)


Nicole L Burk
Notary Public
Print Name: Nicole L Burk

My commission expires: 3/24/2026



IN WITNESS WHEREOF, the Declarant and FPD have caused this instrument to be executed in its name by its duly authorized officer, as of the date set forth in the notary acknowledgment below.


FPD:
FOULGER-PRATT DEVELOPMENT, LLC
a Maryland limited liability company

By:  (SEAL)
Name: Cameron Pratt
Title: Authorized Signatory

STATE OF Maryland - COUNTY OF Frederick :

I certify that the following person personally appeared before me this day and acknowledged to me that he/she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Cameron Pratt
(print name of signer above)

Date: April 20, 2026
(Official Stamp or Seal)


Notary Public
Print Name: _____

My commission expires:

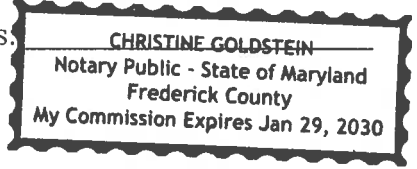


EXHIBIT A

Lying in Cape Fear Township, New Hanover County, North Carolina, and being more particularly described as follows:

Being all of Tract "A", containing 159.41 acres, more or less, as depicted on a plat entitled "Newton Place Tract "A"", dated December 28, 2021, prepared by Michael N. Underwood, Professional Surveyor, and recorded in Map Book 70, Page 372 of the New Hanover County Register of Deeds, to which plat reference is hereby made for a more particular description.

Attachment B - BUA Lot Allocations

Avenue One

Permit No. SW8 231111

Phase 1 Roadway Entry Townhomes: Prefix "1-"		
Starting Lot No.	Ending Lot No.	BUA (sf)
1	26	2,600
27	36	2,800
37	47	2,600
48	52	2,900
53	57	2,700
58	91	2,600
92	101	2,700
102	106	2,900
107	111	2,800
112	116	2,700
117	126	2,600

Phase 1 Residential Lots: Prefix "3-"		
Starting Lot No.	Ending Lot No.	BUA (sf)
1	12	5,000
13	29	4,000

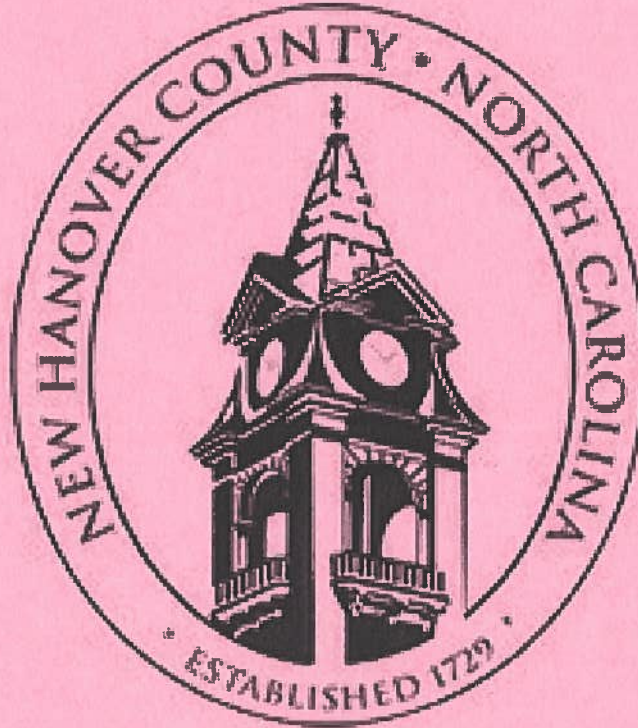
Phase 1 Alleyway-Entry Townhome Units: Prefix "2-"		
Starting Lot No.	Ending Lot No.	BUA (sf)
1	118	1,400
119	122	1,600
123	140	1,500
141	210	1,400

Phase 2 Residential Lots: Prefix "4-"		
Starting Lot No.	Ending Lot No.	BUA (sf)
1	2	4,000
3	6	5,000
7	34	4,000
35	163	4,000
164	173	5,000
174	309	4,000
310	335	4,000
336	345	5,000
346	369	5,000

MORGHAN GETTY
COLLINS
Register of Deeds

New Hanover County Register of Deeds

320 CHESTNUT ST SUITE 102 • WILMINGTON, NORTH CAROLINA 28401
Telephone 910-798-4530 • Fax 910-798-7716



State of North Carolina, County of NEW HANOVER
Filed For Registration: 05/05/2026 03:41:36 PM
Book: RB 6846 Page: 2611-2653
43 PGS \$134.00
Real Property \$134.00
Recorder: ANDREA CRESWELL
Document No: 2026012117

DO NOT REMOVE!

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