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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

RIVERMIST

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR RIVERMIST

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR RIVERMIST is made this _____ day of _____, 2005, by Centex Homes, a Nevada General Partnership ("Declarant").

WITNESSETH

WHEREAS, Declarant is the owner of the "Property" described on Exhibit "A" attached hereto and incorporated herein by reference, and generally referred to as "Rivermist;" and

WHEREAS, Declarant deems it to be in the best interest of the Rivermist development, as it exists today and as may be added to it by Declarant in the future, to establish covenants, conditions, restrictions, and easements to promote efficiencies and to provide a flexible mechanism for the administration and maintenance of community facilities and services which are for the common use and benefit of the Rivermist property owners.

NOW THEREFORE, Declarant hereby declares that this Declaration and the covenants, restrictions and easements established herein are covenants to run with the land and that all the Property, and any additional property as may be added by subsequent amendment hereto, and in accordance with the terms and conditions hereof, is herewith subject and subordinate to the terms, provisions and conditions hereof. Said covenants and restrictions will inure to the benefit of and are binding upon each and every Owner and his or her respective heirs, representatives, successors, purchasers, lessees, grantees and mortgagees. By the recording or acceptance of the conveyance of a Unit or any interest therein, the person or entity to which the interest is conveyed is deemed to accept and agree to be bound by the provisions of this Declaration and the Bylaws of the Association.

ARTICLE I

DEFINITIONS.

1.1 Definitions.

When used in this Declaration, unless the context will prohibit or otherwise require, the following words, will have all the following meanings, and all definitions will be applicable to the singular and plural forms of such terms:

(a) "Additional Property" will mean and refer to any real property, and all improvements thereon, as may be added pursuant to Section 2.2 below.

(b) "Amenity" will mean and refer to such portions of the Common Areas constituting recreational facilities and improvements, such as pools, exercise rooms, meeting rooms and other improved facilities designated by the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, for recreational use. When used in a sentence alone and without additional reference to its status as a Common Area, the term "Amenity" will refer to such specifically improved property and not to its classification as a Common Area generally.

(c) "Amenity Use Charge" will mean and refer to any fee, rental, costs, and other charge established by the Board of Directors for the use of an Amenity or the goods and services that may be offered thereat, and which, pursuant to the provisions hereof, may be imposed upon any Owner, of an Owner's family, tenants, or guests.



(d) "ARC," which is an acronym for "architectural review committee," will mean and refer to the board or committee established pursuant to this Declaration to approve exterior and structural improvements, the siting thereof, and the additions, and changes within the Development, and its successor or the assign of the architectural review and approval authority of this Declaration. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized members, officers, agents, employees and contractors.

(e) "Articles of Incorporation" will mean and refer to the Articles of Incorporation of Rivermist Property Owners' Association, Inc. as amended from time to time, filed in the Office of the Secretary of State of the State of North Carolina in accordance with the North Carolina Nonprofit Corporation Act.

(f) "Assessment" will mean and refer to an Owner's share of the Common Expenses or other charges from time to time assessed against an Owner by the Association in the manner herein provided.

(g) "Association" will mean and refer to Rivermist Property Owners' Association, Inc., a North Carolina not-for-profit corporation, its successors and assigns. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized directors, officers, agents, employees and contractors.

(h) "Board of Directors" or "Board" will mean and refer to the Board of Directors of the Association, which is the governing body of the Association.

(i) "By-Laws of the Association" or "By-Laws" will mean and refer to those By-Laws of Rivermist Property Owners' Association, Inc. attached hereto as Exhibit "B", which govern the administration and operation of the Association, and as the same may be amended from time to time.

(j) "Common Areas" will mean and refer to any and all real and personal property now or hereafter deeded or leased to, or which is the subject of a use agreement with, the Association, and wherein the property therein described is specifically denominated to be a part of the Common Areas. The Common Areas may include the Association's, private roads, streets, road and street shoulders, walkways, sidewalks, teisure trails, bike paths, gazebos, gates, fountains, entry walls, entry areas and features, lighting, signage, and such maintenance and drainage areas and easements located outside of Units, as well as lagoons, and ponds located within the Property that public authority does not maintain. The designation of any land and/or improvements as a Common Area will not mean or imply that the public at large acquires any easement of use of enjoyment therein. All Common Areas are to be devoted to and intended for the common use and enjoyment of the Declarant, Owners, and their respective guests, and invitees. The term shall include a Neighborhood Common Area, as defined below.

(k) "Common Expenses" will mean and refer to all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation or maintenance of reserves, pursuant to the provisions of this Declaration for the maintenance, repair and management of the Common Areas, and for the maintenance, repair and management of other property, whether owned by the Association or not and set forth in this Declaration or incorporated herein by a Supplemental Declaration, for which the Association has responsibility.

(l) "Common Responsibility" will mean and refer to the Association's duties and responsibilities for insuring, maintaining, repairing, replacing and managing portions of the Property not otherwise designated a Common Area and over which it has an easement or which is the subject matter of a use or license agreement, or, which, pursuant to a Neighborhood Declaration, the Association is obligated to undertake such activities for the benefit of the Neighborhood Area's Owners, and the Units therein. The Association's duties and responsibilities for insuring, maintaining, repairing, replacing and managing a Neighborhood Common Area



shall constitute a Common Responsibility of the Association; and the Association's duties and responsibilities under the Dutchman Village Covenant to Share Costs, including its obligation to collect from each Owner the Owner's share of the Association's "Allocable Share" of "Common Maintenance Expenses," as defined and provided in the Dutchman Village Covenant to Share Costs, shall constitute a Common Responsibility of the Association.

(m) "CPI-U" will mean the Consumer Price Index for All Urban Consumers (1982-84=100), or, if such index is discontinued or revised, by reference to such other government index or computation with which it is replaced or which would produce substantially the same measure as would be obtained if such index had not been discontinued or revised.

(n) "Declarant" will mean and refer to Centex Homes, or any successor-in-title to the entire interest of such person with respect to the Property at the time of such transfer to said successor-in-title, or any party designated Of Record to succeed to the rights of Declarant hereunder as to the matters set forth in such writing. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized directors, officers, agents, employees and contractors.

(o) "Declarant Control Period" means the time period commencing on the date this Declaration is filed Of Record and ending on the earlier of:

1. The date December 31, 2015; or
2. The date which is three (3) months after the conveyance by the Declarant, in the ordinary course of business to persons other than a successor Declarant, of Units representing ninety-five percent (95%) of the Total Planned Units for the Development; or
3. The date which is three (3) months following the date the Declarant terminates the Declarant Control Period by an express, recorded amendment to this Declaration.

(p) "Declaration" will mean and refer to this Declaration of Covenants, Conditions, and Restrictions for Rivermist, as amended, from time to time, by any Supplemental Declaration filed Of Record.

(q) "Deficit Funding Period" will mean and refer to that period of time commencing with the date this Declaration is placed Of Record and ending upon the sooner to occur of the following: (i) the date upon which fifty percent (50%) of the Total Planned Units for the Development have been improved and have become certified for occupancy by the applicable Governmental Authorities, or (ii) the date that is four (4) years following the date that the first improved Unit for which a Certificate of Occupancy has been issued has been conveyed by the Declarant.

(r) "Development" will mean and refer to the Property and all improvements located or constructed thereon, and being a part of the overall plan, from time to time existing hereunder, for the real estate development known as "Rivermist."

(s) "Development Survey" will mean and refer to, collectively, those certain plats further described in Exhibit "A" hereto and made a part hereof by this reference, and all modifications, revisions and additions thereto. Further, "Development Survey" will mean and refer to any subdivision plat of the Property placed Of Record in furtherance of the development scheme for Rivermist, as it exists from time to time.

(t) "Dutchman Village Covenant to Share Costs" will mean and refer to the Declaration of Easements and Cost Sharing and Maintenance Covenants for Dutchman Village and River Mist at Dutchman Village dated April 1, 2005 and recorded in the Brunswick County Register of Deeds on April 6, 2005 in Book



2119, Page 755, and as the same may be amended pursuant to the terms, conditions and authorities therein provided.

(u) "Institutional Mortgage" will mean and refer to a Mortgage, which term is deemed to include a Deed of Trust, held by a bank, trust company, insurance company, or other recognized lending institution, or by an institutional or governmental insurer or purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation. Such term will also mean and refer to the insurer of any such Mortgage, as well as the holder of any Mortgage securing a loan made by the Declarant, its affiliates, successors, or assigns.

(v) "Limited Common Area" will mean and refer to those portions of the Common Area set aside for the exclusive use of some, but not all, Owners of Units.

(w) "Limited Common Expenses" will mean and refer to Common Expenses of the Association attributable to Limited Common Areas for the exclusive use and benefit of some but not all Owners of Units and incurred by the Association pursuant to the terms and conditions hereof. Limited Common Expenses attributable to a Limited Common Area will be payable prorata by the Owners with exclusive use and benefit thereof as a Specific Assessment.

(x) "Member" will mean and refer to an Owner with appurtenant membership in the Association as defined in Section 6.1.

(y) "Mortgage" will mean and refer to a mortgage, security deed, deed of trust, installment land sales contract, or other similar security instrument granting, creating, or conveying a lien upon, a security interest in, or a security title to a Unit.

(z) "Mortgagee" will mean and refer to the holder of a Mortgage, its successor and assign.

(aa) "Neighborhood Area" will mean and refer to any portion of the Property, separately developed and identified by Declarant on the Development Survey therefor or in a Supplemental Declaration as a residential area comprising one (1) or more housing types subject to this Declaration in which Owners of Units therein may have common interests other than those common to all Owners of the Development, such as common theme, entry feature, development name, and/or common areas and facilities that are not available for use by all Owners. For example, and by way of illustration and not limitation, an apartment complex, condominium complex, townhouse development, cluster home development, or single-family detached housing development may, upon Declarant filing a Neighborhood Declaration therefor, create a separate Neighborhood Area where common elements are either owned by the Owners in condominium ownership or by a Neighborhood Association composed of such Owners, or where Units therein are subject to additional covenants, conditions, restrictions and easements not otherwise applicable to Owners outside of such Neighborhood Area.

(bb) "Neighborhood Common Area" will mean and refer to any portion of the Common Area which, pursuant to a Neighborhood Declaration, the Association owns, leases, or otherwise holds possessory or use rights in for the exclusive use or primary benefit of one (1) or more, but less than all Owners within one or more Neighborhood Areas, as more particularly described in Section 2.2(a)(ii).

(cc) "Neighborhood Association" will mean and refer to a corporation or an unincorporated association whose shareholders or members are comprised entirely of Owners of Units within a Neighborhood Area.

(dd) "Neighborhood Committee" will mean and refer to a committee of not less than three members nor more than five committee members, as named by the Declarant during the Declarant Control Period,



and thereafter by a majority vote of those Members in the Neighborhood Area casting a vote by ballot mailed to each of them not less than 20 days prior to the date set for the Board of Directors or the Association's management company to tally the ballots cast. Such a Neighborhood Area ballot without a meeting shall be effective only when the number of votes cast by the ballot equals or exceed the quorum required to be present had the matter been considered at a meeting of Members of the Association and the quorum requirements of Section 3.4 of the Bylaws were applied solely to the applicable Neighborhood Area Owners. A Neighborhood Committee shall abide by the procedures and requirements applicable to the Board of Directors set forth in Article 6 of the Bylaws, however, the term "Director" or "Board" shall refer to the members of the Neighborhood Committee. A Neighborhood Committee will be established for a Neighborhood Area for which no separate Neighborhood Association is formed. Neighborhood Committee members shall be Owners in a Neighborhood Area, or an officer, director, employee or agent of an Owner, or an appointee of the Declarant during the Declarant Control Period.

(ee) "Neighborhood Declaration" will mean and refer to any instrument or document, and any amendments thereto, which is filed Of Record with respect to any Neighborhood Area and which creates a condominium or horizontal property regime for such Neighborhood Area, creates a homeowners' association for such Neighborhood Area, and/or imposes covenants, conditions, easements, and restrictions with respect to such Neighborhood Area. A declaration of condominium imposed upon any portion of the Property shall constitute a Neighborhood Declaration hereunder.

(ff) "Occupant" will mean and refer to any person, including, without limitation, any Owner, occupying or otherwise using a Unit within the Development, and their respective families, servants, agents, guests, and invitees.

(gg) "Of Record" will mean and refer to the place of filing a writing in the applicable public records, currently being the office of the Register of Deeds for Brunswick County ("ROD"), as will give legal notice to the world of the matters set forth in the writing so filed.

(hh) "Owner" will mean and refer to one or more persons, including Declarant, who or which owns fee simple title to any Unit, its respective heirs, executors, legal representatives, successors, and assigns, excluding, however, those persons having such an interest under a Mortgage. In the event that there is filed Of Record any installment land sales contract covering any Unit, the Owner thereof will be deemed to be the purchaser under the installment sales contract and not the fee simple titleholder. An installment land sales contract will be an instrument whereby the purchaser is required to make payment for such property for a period extending beyond nine (9) months from the date of the contract, and where the purchaser does not receive title to such property until all such payments are made, although the purchaser is given use thereof.

(ii) "Pond" will mean and refer to any portion of the Property shown on a Development Survey as a delineated parcel of real property that contains all or any portion of a pond, lagoon, retention or detention area, or similar body of water.

(jj) "Property" will mean and refer to those pieces, parcels and lots of land described on the Development Survey, together with all improvements thereon, as well as additions thereto pursuant to Section 2.2 below.

(kk) "Referendum" will mean and refer to the vote of Members by mailed ballots on certain actions submitted to the Members by the Board of Directors, as more particularly set forth herein and in the Bylaws.

(ll) "Storm Water Management System" means the system which is designed, constructed, and implemented for the Project to control discharges which are necessitated by rainfall events, incorporating



methods to collect, convey, store, absorb, inhibit, treat, use or reuse water to prevent or reduce flooding, over-drainage, environmental degradation and water pollution, or otherwise affect the quantity and quality of discharges from the system, as permitted or required pursuant to the applicable requirements of the applicable governmental authorities. Such system shall include the Ponds, drainage easements and storm water piping systems, drains, catch basins and other related apparatus and facilities intended to provide storm water management and control for the Project.

(mm) "Supplemental Declaration" will mean and refer to any amendment to this Declaration filed Of Record, which makes any changes hereto.

(nn) "Total Planned Units" will mean and refer to the total number of Units intended for development on all of the Property as set forth in a Supplemental Declaration executed and filed Of Record by the Declarant on or before December 31, 2015, which is currently estimated to be three hundred ninety-eight (398) Units.

(oo) "Unit" will mean and refer to a portion of the Property, whether improved or unimproved, which may be independently owned and conveyed as a single-family or multi-family residential property. The term will refer to the land and the improvements thereon which are a part of the Unit. The term will include by way of illustration and not limitation, a single family lot and any home constructed thereon, a patio or zero lot line lot and any home constructed thereon, a townhouse, duplex, triplex, quadruplex and any condominium unit. The term will not include Common Areas, common elements of any Neighborhood Association, or property that is dedicated to the public. When used herein to define or describe benefits and burdens applicable to Units constituting single-family lots, such as setbacks, easements, maintenance obligations of the Owner with respect to the unimproved portions thereof, and other such matters applicable to single-family, subdivided lots, "Unit" shall be read to apply solely to a single-family lot Unit and not to a Unit within a multi-family Neighborhood Association. A tract or parcel of land shall not be considered a single-family lot Unit until a Final Subdivision Plat therefor is filed Of Record; and will not be considered to contain multi-family Units intended therefor until a Certificate of Occupancy is issued therefor and, if applicable, a regime Declaration of Condominium is filed Of Record.

ARTICLE 2

THE GENERAL PLAN FOR RIVERMIST

2.1 Plan of Development of the Property.

Declarant's development plan is to create single-family and multi-family Units within the Property. One single-family dwelling may be constructed on each unimproved Unit constituting a single-family lot subject to this Declaration. The Property will also include Common Areas, including recreational facilities as may, but shall not be required to, be developed, and such private roads, utility systems, drainage systems, and other improvements serving the Property and as are, from time to time, denominated as such in this Declaration or by the Declarant on the Development Survey or in any deed, lease, use agreement, Supplemental Declaration or memorandum thereof filed Of Record, and which are installed and existing. All Units within the Development will be and are hereby restricted exclusively to residential use and will be subject to the standards and restrictions set forth in this Declaration. Without the consent of any person, the Declarant will have the right, but not the obligation, during the Declarant Control Period, to make improvements and changes to all Common Areas, including the any Amenity developed by the Declarant, and to all such properties owned by the Declarant, including, without limitation, (A) installation and maintenance of any improvements, (B) changes in the location of the boundaries of any such properties owned by the Declarant, and (C) installation and maintenance of any water, sewer, and other utility systems and facilities.

(a) Amenity Development.

A part of Declarant's development plan for the Property is the development and construction of at least one (1) Amenity area, which will be referred to generally as the "Residents' Club." The Declarant may, but shall not be required, to develop a portion of the Residents' Club as a pool and clubhouse facility to serve, and be for the benefit of all Unit Owners. The Declarant may also establish initial rules and regulations governing the use of and access to an Amenity along the lines discussed in Section 5.4(a)(i) below. The Amenity so developed and constructed shall be conveyed to the Association as Common Area pursuant to Section 2.4 below free and clear of all monetary liens and encumbrances.

2.2 Additions to Property.

Other property may become subject to this Declaration in the following manner:

(a) Additions by Declarant.

During the Declarant Control Period, the Declarant shall have the right, without further consent of the Association or any Owner to bring within the plan and operation of this Declaration, or to consent thereto, the whole or any portion of any property contiguous or nearly contiguous to the Property, whether or not owned by the Declarant. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions authorized under this subsection shall be made by filing Of Record a Supplemental Declaration and Development Survey with respect to the land to be added hereto and which shall extend the operation and effect of the covenants and restrictions of this Declaration thereto, and which, upon filing Of Record of a Supplemental Declaration, shall constitute a part of the Property.

(i) Complementary Covenants.

The Supplemental Declaration may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant to reflect the different character, if any, of the land added hereto, and as are not materially inconsistent with, this Declaration, but such modifications shall have no effect on the Property described in Section 2.1 above.

(ii) Additional Property as a Neighborhood Area.

In the event that Declarant submits the Additional Property or any portion or portions thereof to the terms of this Declaration as a Neighborhood Area, whether composed of Units constituting single-family lots, upon which a single-family dwelling is constructed or is intended to be constructed, or composed of Units constituting condominium, duplex, triplex or other form of multi-family residential dwellings, the Declarant may establish one or more Neighborhood Associations for the Neighborhood Areas in order to promote their health, safety, and social welfare, as well as to provide for the maintenance of common elements thereof, provided that such Owners will also be Members of the Association and such Units, and other improvements will be subject to the terms of this Declaration as are imposed by the Supplemental Declaration with respect thereto. Such Neighborhood Areas may be subject to Neighborhood Declarations which impose covenants and restrictions which are in addition to, but not in derogation or substitution of, those imposed hereby and applicable thereto, and such Neighborhood Associations may levy additional Assessments and make and enforce supplementary covenants, restrictions, rules, and regulations with respect to such Neighborhood Areas. In the event, the Neighborhood Area is submitted to the plan and operation of this declaration and no separate Neighborhood Association is formed, the Declarant will be deemed to have established a Neighborhood Committee therefor, even if the Declarant fails to so provide in the Supplemental Declaration.



(A) Neighborhood Area Committee Representative.

Each year the Neighborhood Committee for the designated Neighborhood Area shall, by majority vote, designate one of its members as a representative of the Neighborhood Area, who shall meet with the Board of Directors concerning the Association's Common Responsibilities undertaken for or in behalf of the Neighborhood Area and its Owners, to insure, maintain, replace and manage the Neighborhood Common Areas and the costs and expenses thereof to be assessed, as further provided in subparagraph (B) below. The Association shall not reduce the level of Neighborhood Common Area insurance, maintenance, repair, replacement and management, or the Common Responsibilities, to be undertaken pursuant to a Supplemental Declaration, except (A) upon the written approval of the Declarant during the Declarant Control Period, and (B) thereafter, upon the vote of seventy-five percent (75%) or more of the votes of the Members representing the Units in the Neighborhood Area, by a duly held Referendum or at a duly held meeting of such Members (which percentage will also constitute the quorum required for any such meeting).

(B) Limited Common Expenses for Neighborhood Common Areas and Common Responsibilities for the Neighborhood Area; Specific Assessment.

The Common Expenses of the Association incurred to insure, maintain, repair, and replace a Neighborhood Common Area and to undertake the Common Responsibilities for a Neighborhood Area, if and as so specified in a Supplemental Declaration, shall be Limited Common Expenses to be shared prorata solely by all Owners of Units in the designated Neighborhood Area, to be assessed against each of said Units and the Owners thereof as a Specific Assessment under Section 11.9 of this Declaration, and billed with such frequency as the Board of Directors shall determine.

(iii) Additions by Filing Supplemental Declaration.

The option reserved under this Section 2.2(a) may be exercised by the Declarant only by the execution of a Supplemental Declaration filed Of Record and the filing Of Record of a Development Survey showing the land being added or such portion or portions thereof as are being added to the Development by such amendment, as well as the Units and Common Areas therein. Any such Supplemental Declaration shall expressly submit the added land to all or specific provisions of this Declaration, as may be provided therein, and such other covenants, restrictions, conditions and easements as the Declarant, in its sole discretion, shall determine.

(b) Additions of Other Properties.

Upon approval by two-thirds (2/3) of the votes of the Members pursuant to a Referendum therefor or upon approval by two-thirds (2/3) of the votes of the Members present, in person or by proxy, at a duly held meeting at which a quorum is present, the owner of any property contiguous or nearly contiguous to the Property and who desires to add it to the plan of this Declaration and to subject it to the jurisdiction of the Association, may file Of Record a Supplemental Declaration with respect to the property to be added, which will extend the operation and effect of the covenants and restrictions of the Declaration to such property, thereafter constituting a part of the Property. Any such Member approval shall be reflected in consent to such Supplemental Declaration executed by the President of the Association. During the Declarant Control period, the addition of other properties in accordance with this Section 2.2(b) shall require the written consent of the Declarant, as well as the vote of the members provided herein.

(c) Additions by Merger.

Upon merger or consolidation of the Association with another association, following written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members (which percentage will also constitute the quorum required for



any such meeting), the Association's property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights, and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the existing property, together with the covenants and restrictions established upon any other properties, as one plan. No merger or consolidation will effect any revocation, change, or addition to the covenants established by this Declaration within the Property, including, without limitation, the maximum limits on Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association. Lands that become subject to this Declaration under the provisions of this Section 2.2(c) may in the future be referred to as a part of the Property. During the Declarant Control period, the addition of property by merger in accordance with this Section 2.2(c) shall require the written consent of the Declarant, as well as the vote of the members provided herein.

2.3 Withdrawal of Property by Declarant.

The Declarant reserves the right to amend this Declaration during the Declarant Control Period for the purpose of removing any portion of the Property from the coverage of this Declaration, provided the withdrawal is not contrary to the overall, uniform scheme of development for the Property, and provided further such withdrawal does not include any portion of an Amenity essential to its use and enjoyment. Such amendment will not require the consent of any person other than the Owner of the property to be withdrawn, if not the Declarant. If the property is Common Area, the Association will consent to the withdrawal.

2.4 Conveyances of Common Areas.

All parcels of land shown as Common Areas on the Development Survey or which are identified herein as Common Areas and require a conveyance to vest in the Association ownership and use thereof, will be deeded or an easement will be granted with respect thereto by the Declarant within two (2) years after the Declarant has completed improvements thereon. Upon any such conveyance or grant of easement, if such is required, or upon completion of any improvements thereon or thereto by the Declarant, if earlier, the Association will immediately become responsible for all maintenance, repair and replacements therefor, the operation thereof and such additional construction of improvements as may be authorized by the Board of Directors. For purposes of measuring the foregoing two (2) -year period, any improvements will be deemed completed the later of the date all required certificates or permits of occupancy or use are issued therefor, or the date such improvements may be used in the manner and for the purposes for which they are constructed. It is the purpose of this provision to provide that the Association will be responsible for all maintenance of Common Areas when improvements thereto have been completed, notwithstanding the fact that the Declarant is not obligated to deed or grant an easement for such properties until two (2) years after improvements have been completed thereon. Any such conveyance by the Declarant will be conveyed subject to all restrictive covenants filed Of Record at the time of conveyance:

- (a) The right of access of the Declarant, its successors and assigns, over and across such property; and
- (b) The right of both the Declarant, during the Declarant Control Period, or the Association, after expiration of the Declarant Control Period, and the ARC to approve all structures, construction, repairs, changes in elevation and topography and the location of any object (including vegetation) within the Common Areas prior to the commencement of such activities or location of any object therein;
- (c) All utilities and drainage easements; and
- (d) All of the Declarant's reserved rights set forth in this Declaration.



Notwithstanding anything in the foregoing to the contrary, the Declarant will not be required to so convey the Common Areas where such conveyance would be prohibited under agreements to which the Declarant is a party on the date of establishment of such Common Areas, but, in such case, the Declarant will be allowed to postpone such conveyance, without a penalty, until such time as said prohibition terminates, is released or is nullified.

In consideration of the benefits accruing to the Association and to the Members under this Declaration and in consideration of the covenants and agreements of the Declarant hereunder, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration. Upon the due recording of a deed, easement, lease or other instrument or memorandum of conveyance Of Record to the Association, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed or approval of any person, including the grantor, lessor and/or Association.

Anything contained herein to the contrary notwithstanding, the Declarant may, but shall not be obligated, to delay the conveyance, lease, or use or license agreement with respect to any of the Common Area until, but not later than, the expiration of the Declarant Control Period, if the Declarant determines that the Association will achieve economies of scale with respect to the costs and expenses of maintaining and operating the said Common Area, including the insuring thereof, by the Declarant continuing to carry ownership thereof on its books and back charging the Association for such costs and expenses commencing the date upon which the improvements necessary for use for the Common Area's intended purpose shall be completed.

2.5 Owner's Interest Subject to Plan of Development.

Every purchaser of a Unit will purchase such property, and every Mortgagee and lienholder of an interest therein will take title, or hold such security interest with respect thereto, subject to the plan of development for Rivermist and this Declaration.

ARTICLE 3

ARCHITECTURE GUIDELINES: APPROVAL

3.i Purpose.

In order to preserve the natural setting and beauty of the Development, to establish and preserve a harmonious and aesthetically pleasing design for the Development, and to protect and promote the value of the Development, the Units and all improvements located therein or thereon, including, but not limited to, landscaping, grading, excavation, or filling of any nature whatsoever, outside lighting, driveways, mail boxes, decks, patios, courtyards, swimming pools, playhouses, awnings, walls, fences, garages, guest or servants' quarters, or other outbuildings will be subject to the prior review and approval of the ARC and in accordance with design and development guidelines, as well as the form of application and review procedures therefor (the "Design Guidelines") for such improvements or construction or development work which is published, from time to time, by the ARC, and no such improvements of any nature whatsoever will be altered or added to, or maintained upon any part of the Development, except in accordance with such guidelines and approval of the ARC. No site work will be undertaken upon a Unit (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) nor any structures placed, erected, or installed upon any Unit or adjacent to any Unit where the purpose of the structure is to service the Unit, except in accordance with this Article 3 and upon approval as herein provided unless specifically exempted from the application and approval requirements hereof by specific terms and conditions hereof pursuant to this Declaration or pursuant to a writing signed by the Declarant in recordable form.



3.2 Architectural Review Committee.

The Architectural Review Committee ("ARC") shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Development consistent with this Declaration to administer the architectural and aesthetic approval process for the Development; however, an Owner satisfying the architectural guidelines of the ARC functions assigned by the Declarant to a Neighborhood Association or to another committee or board established by the Declarant pursuant to a Neighborhood Declaration will be deemed to have satisfied the architectural guidelines and review procedures hereunder. Until such time as Declarant no longer owns any Property held for development into additional Units, and no longer holds a Unit for sale by it in the ordinary course of its business, and no longer has the right to add any Additional Property, or upon the earlier written relinquishment by the Declarant, the Declarant shall constitute the ARC, and may approve plans and submissions or take other actions on behalf of the ARC in the Declarant's own name or in the name of the ARC. After the termination of the Declarant's right to function alone as the ARC, the ARC under this Declaration will consist of not more than five (5) nor less than three (3) members, who need not be Unit Owners, appointed by the Board. The terms of office for each member and other matters of governance to be applicable to the ARC, will be established by the Board prior to the time any review and approval process hereunder would otherwise have to take place by the ARC to be established by the Board. Notwithstanding the foregoing to the contrary, any member appointed to the ARC by the Board following assignment of the whole or any portion of ARC functions pursuant to Section 5.2(a) below is subject to the prior approval of the Declarant until the Declarant no longer owns or has an option or contract right to acquire any of the Property, or the earlier written relinquishment by the Declarant of its authority and power to do so. The ARC is responsible for administering the Design Guidelines, adopted and amended from time to time as hereinafter provided, and for the review and approval process conducted in accordance with the Design Guidelines. The ARC is authorized to retain the services of consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the ARC in performing its functions set forth herein. The ARC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the committees in having any application reviewed by architects, engineers or other professionals.

(a) Right to Assign ARC Functions.

The Declarant reserves the right to assign to the Association, to a Neighborhood Association, or to a committee or board established by the Declarant pursuant to a Neighborhood Declaration, at its sole discretion at any time during the Declarant Control Period, the whole or any portion of its rights reserved in this Declaration which are exercisable by it sitting as the ARC. The Declarant may establish ARC subcommittees for the purpose of acting on behalf of the ARC with respect to similar circumstances, situations, or types of improvements, such as a swimming pool subcommittee or a subcommittee which would deal with modifications of existing improvements or additional new improvements ancillary to an existing Unit, in contrast to the construction of initial improvements upon a previously unimproved Unit. All rights and powers of the ARC may be delegated to such subcommittee with regard to the subject matter of the subcommittee. The rights and powers of the ARC may be assigned to a management company, an architect, design professional or other entity, or any portion of such rights and powers applicable to a particular subcommittee or area of similar circumstance. The Association, each Neighborhood Association and each such committee or board established by the Declarant under a Neighborhood Declaration does hereby agree to accept any such assignment of rights without the necessity of any further action by it. Upon the expiration of three (3) years following the termination of the Declarant Control Period or the earlier written relinquishment by the Declarant of its rights hereunder, any then remaining rights are deemed assigned to the Association, which will succeed to all the rights of the Declarant over the ARC then remaining unassigned without further action on the part of either the Declarant or the Association.



(b) Liability of ARC Members.

No member of the ARC, or any assignee of rights hereunder, will be liable to any Unit Owner for any decision, action or omission made or performed by the ARC member in the course of his duties unless the member acted in bad faith or in reckless disregard of the rights of any person or of the terms of this Declaration.

(c) Indemnification.

Until all the ARC functions are assigned, the Declarant will, to the full extent permitted by law, indemnify all persons designated from time to time by the Declarant to serve as members of the ARC exercising unassigned rights hereunder from and against any liability, including attorney fees, as may be incurred by the members contrary to the provisions of this Section 3.2(c). Following any such assignment by the Declarant, members of the ARC or successor board exercising rights so assigned are indemnified by the Association or Neighborhood Association to which the exercised right was assigned.

3.3 Design Guidelines.

The Declarant will prepare the Design Guidelines, which will apply to all development and construction activities within the Development, except those development and construction activities of the Declarant and the Declarant's contractors and sub-contractors which shall not be subject to ARC review or the Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Development, as well as specific provisions which may vary according to Neighborhood, location therein, unique characteristics, and intended use. During the Declarant Control Period, the Declarant may amend, modify, supplement and add to the Design Guidelines; and after the Declarant Control Period, such changes may be made solely by the Board of Directors, with the advice of the ARC.

(a) Interior Improvements.

Generally speaking, the Design Guidelines will not cover interior improvements, which will, generally, not be subject to review and approval by the ARC, unless the review and approval may otherwise be required because the interior improvements are made within an area plainly within view of adjacent properties.

(b) Drainage.

The Design Guidelines may provide that, in connection with the ARC's approval and to prevent excessive drainage or surface water runoff, the ARC may have the right to establish a maximum percentage of property which may be covered by buildings, structures, or other improvements, which guidelines may be promulgated on the basis of topography, percolation rates of the soil, soil types and conditions, vegetation cover, and other environmental factors, or to impose guidelines for the installation of storm water management facilities deemed appropriate to limit or control runoff.

(c) Other Guidelines.

The Development's Design Guidelines may, in the sole discretion of the Declarant, and, following the Declarant Control Period, the ARC may also provide applicable guidelines (i) prohibiting or restricting the erection and use of temporary structures; (ii) setting permissible times of construction and requirements concerning construction debris; (iii) covering the allowance of and, where allowed, the content, size, style and placement location for, signage; (iv) requiring or encouraging visually screened service yards; (v) establishing exterior lighting design and location criteria; (vi) prohibiting or limiting installation and use of wells; (vii) and setting conditions for property subdivision or consolidation, and for subjecting Development property to further covenants, conditions, restrictions and easements; provided, however, the Declarant's activities may be excepted or exempted from any and all such guidelines. The within listing of possible guidelines is not an exhaustive listing and is intended merely to provide an example of the diversity of guidelines as may be



incorporated in the Design Guidelines, and will not act as a limitation upon guidelines and guidelines as may or may not be implemented.

(d) Guidance; Final Authority of ARC.

The Design Guidelines are intended to provide guidance, and will not be the exclusive basis for decisions of the ARC, and compliance with the Design Guidelines may not guarantee approval of any application. The ARC will have the sole discretion to determine whether plans and specifications submitted for approvals are acceptable to it, and the refusal of approval of any plans and specifications may be based by the ARC upon any ground which is consistent with the objects and purposes of this Declaration, as may be supplemented by the Design Guidelines, including purely aesthetic considerations, so long as such grounds are not arbitrary or capricious. Any Owner that is not satisfied with the determination of the ARC shall have the right to appeal the ARC's determination to the Board of Directors, provided a notice of such appeal is given by the Owner to the ARC and the Board of Director's within twenty (20) days following the ARC's determination. The appeal procedure shall be in accordance with such as shall be provided by the Board of Directors or as shall be stipulated in the Design Guidelines.

(e) Inspections and Permit and Certificate Issuance.

The Design Guidelines may also provide procedures for ARC inspection of work, for the issuance of a permit to commence work and for the issuance of a certificate following completion thereof, in addition to any such permits and certificates as may be issued by governmental authority with jurisdiction thereof, which may constitute conditions precedent to use or occupancy.

(f) Fees and Charges.

In addition to application fees and charges, the Design Guidelines may provide a schedule of fees, charges, required damage or other deposits, fines for noncompliance, and other amounts due and payable by an Owner as part of the application, review and approval processes, which schedule the ARC may increase, modify and amend at any time. All fees, charges and fines provided herein will constitute Specific Assessments and a lien upon the Unit to which the fees and charges relate.

3.4 ARC Landscaping Approval.

To preserve the architectural and aesthetic appearance of the Development, no landscaping, grading, excavation, or filling of any nature whatsoever, and no construction of improvements of any nature whatsoever, will be commenced or maintained by the Association or any Owner, other than the Declarant, on any portion of the Development, including, without limitation, the construction or installation of sidewalks, driveways, parking lots, decks, patios, courtyards, amenities and recreational facilities, walls, fences, or exterior lights, nor will any building construction, exterior addition, change or alteration, be made (including, without limitation, painting or staining of any exterior surface), unless and until application is made to the ARC pursuant to the Design Guidelines and the plans and specifications therefor are approved by the ARC.

3.5 Approval Not a Guarantee.

No approval of plans and specifications and no publication of Design Guidelines and architectural guidelines thereunder will be construed as representing or implying that the plans, specifications, or guidelines will, if followed, result in properly designed improvements. Such approvals and guidelines will in no event be construed as representing or guaranteeing that any dwelling or other improvement built in accordance therewith will be built in a good and workmanlike manner. Neither the Declarant, nor the Association, nor the ARC is responsible or liable for any defects in any plans or specifications submitted, revised, or approved pursuant to the terms of this Article 3, or any defects in construction undertaken pursuant to the plans and specifications.

3.6 Enforcement.

There is specifically reserved unto the ARC the right of entry and inspection upon any Unit or other portion of the Property for the purpose of determining whether there exists any unapproved improvement or whether any improvement violates the terms of any approval by the ARC or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the ARC hereunder should be made only upon reasonable notice given to the Owner at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the ARC, is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any improvement, or to remove any unapproved improvements, the prevailing party in such litigation shall be entitled to recover all legal fees and costs incurred in connection therewith.

ARTICLE 4

USE RESTRICTIONS

4.1 Stormwater Management.

This Declaration is intended to, and shall, also ensure ongoing compliance with the Stormwater Management Permit issued by the Division of Water Quality of the State of North Carolina (the "Stormwater Management Permit"). In furtherance thereof, the following covenants shall apply to the Units that are lots, and shall run with the land:

- (a) The maximum allowable built-upon area ("BUA") of a Unit that is a lot is 3,800 square feet. The allotted amount includes any BUA constructed within the lot boundaries, and that portion of the right-of-way between the front lot line and the edge of the pavement. BUA includes asphalt, gravel, concrete, brick, stone, slate or similar material, but do not include wood decking or the water surface of swimming pools.
- (b) Filling in or piping any vegetative conveyances (ditches, swales, etc.) associated with the Development, except for average driveway crossings, is strictly prohibited by any person.
- (c) BUA in excess of the permitted 3,800 square feet shall require a modification of the Stormwater Management Permit by the State of North Carolina prior to commencing any construction.
- (d) Any alteration of the drainage shown on the approved plan for which the Stormwater Management Permit is issued shall not take place without the prior written approval of the Division of Water Quality of the State of North Carolina.
- (e) Each single-family lot Unit will maintain a thirty foot (30') wide vegetated buffer between all impervious areas and surface waters.
- (f) All roof drains shall terminate at least thirty feet (30') from the mean high water mark of surface waters.
- (g) Filling in, piping or altering any designated 5:1 curb outlet swale associated with the development is strictly prohibited by any person.

The Development proposes a curb outlet system. Each designated curb outlet swale shown on the approved plan must be maintained at a minimum of one hundred feet (100') long with 5:1 (H:V) side slopes or



flatter, have longitudinal slope no steeper than 5%, carry the flow from a 10-year storm in a non-erosive manner, and maintain a dense vegetated cover.

THE STATE OF NORTH CAROLINA IS A BENEFICIARY OF THESE COVENANTS TO THE EXTENT NECESSARY TO MAINTAIN COMPLIANCE WITH THE STORMWATER MANAGEMENT PERMIT. ANYTHING CONTAINED IN THIS DECLARATION TO THE CONTRARY NOTWITHSTANDING, THIS SECTION 4.1 AND THE COVENANTS HEREIN PROVIDED SHALL NOT BE CANCELLED, AMENDED, OR MODIFIED WITHOUT THE PRIOR WRITTEN CONSENT OF THE STATE OF NORTH CAROLINA, DIVISION OF WATER QUALITY.

4.2 Building Restrictions.

Except as may be otherwise set forth in this Declaration, in the Design Guidelines adopted hereunder, in the Development Survey, in any Supplemental Declaration, in any agreement with the Declarant, or by specific deed restriction, the following building restrictions will apply with respect to the properties subject to this Declaration:

(a) Number of Buildings on Lots.

No structure will be constructed upon an unimproved Unit constituting a single-family lot other than one (1) detached, single-family dwelling and one (1) accessory building, which may include a detached private garage, servant's quarters, guest house or pool house, provided a single structure may incorporate all of said uses and provided such dwelling or accessory building does not overcrowd the Unit and is not used for any activity normally conducted as a business. Such accessory building may not be constructed prior to the construction of the main building. A guest suite or like facility may be included as part of the main dwelling or accessory building, but said suite may not be rented or leased except as part of the entire premises including the main dwelling

(b) Completion of Improvements.

The exterior of all dwellings and other structures constructed upon any unimproved Unit constituting a single-family lot must be completed within eighteen (18) months after the construction of same shall have commenced, or such shorter period of time as shall be determined by the ARC to be suitable given the scope and complexity of the work to be performed; provided, however, a longer period of time may be granted, in the ARC's sole discretion, where completion is impossible or would result in great hardship to the Owner or builder thereof due to strikes, fires, national emergencies or natural calamities. No dwelling under initial construction shall be occupied until construction is completed and all necessary approvals of any governmental authorities have been obtained.

(c) Other Requirement of Residences.

In addition, all residential structures constructed on an unimproved Unit will be designed and constructed in compliance with the requirements of such political subdivision with jurisdiction thereof.

4.3 Trees.

No Owner, other than the Declarant, shall be entitled to cut, remove, or mutilate any trees, shrubs, bushes, or other vegetation having a trunk diameter of six (6) inches or more at a point of four and one-half (4-1/2') feet above the ground level, or other significant vegetation as designated, from time to time, by the ARC, without obtaining the prior approval of the ARC, provided that dead or diseased trees which are inspected and certified as dead or diseased by the ARC or its representatives, as well as other dead or diseased shrubs, bushes, or



other vegetation, shall be cut and removed promptly from any property by the Owner thereof. Nothing herein shall be construed so as to limit any applicable law or ordinance.

4.4 Alteration of Setback Lines in the Best Interest of Development.

Where because of size, natural terrain, or any other reason in the opinion of the Declarant, it should be in the best interest of the Development that the setback lines of any Unit should be altered or changed, then the Declarant reserves unto itself, its successors or assigns, and no other, the right to change said setback lines to meet such conditions. The Declarant specifically reserves the right to transfer and assign this right of approval to the ARC hereinafter established.

4.5 Use of Units.

Except as permitted by Section 4.22, each Unit will be used for residential purposes only, and no trade or business of any kind may be carried on therein. The use of a portion of a Unit's dwelling as an office by an Owner or Occupant will not be considered to be a violation of this covenant if such use does not create regular customer, client, or employee traffic; provided that in no event will any Unit be used as the office of or storage area for any building contractor, real estate developer or real estate broker, except as may be on a temporary basis, with the express written approval of the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, and in accordance with reasonable rules and regulations promulgated therefor. Nothing contained herein shall be construed so as to prohibit the construction of houses to be sold on an unimproved Unit constituting a single-family lot, or the showing thereof for sale; and nothing herein shall be construed to prevent the Declarant or its permittees from erecting, placing or maintaining signs, structures and offices as it may deem necessary for its operation and sales in the Development. Lease or rental of a Unit for residential purposes will also not be considered to be a violation of this covenant so long as the lease (A) is for not less than the entire Unit and all the improvements thereon, and (B) is otherwise in compliance with rules and regulations as may be promulgated and published from time to time by the Declarant and the Board of Directors. All leases or rental agreements will be in writing and will be for a duration of two (2) nights or more. Upon request, the Owner will provide the Declarant and Board of Directors with copies of such lease or rental agreement. Any Occupant will in all respects be subject to the terms and conditions of this Declaration and the rules and regulations adopted hereunder.

(b) Time Sharing and Vacation Multiple Ownership Plans.

No part of the Property subject to this Declaration, including any improvements thereon or to be built thereon, will be used for or subject to any type of Time Share Program or Time Share Project as defined by the North Carolina Time Share Act, N.C. Gen. Stat. 93A-41 (1983), or any subsequent laws of this State dealing with that or similar type of ownership by a Unit Owner, or which is used for, in conjunction with and/or as an advertised part of any time share exchange program which makes available as accommodations the Unit and which is not otherwise registered as a Time Share Program or Time Share Project or which utilizes the Unit as accommodations for time share sale prospects of any Person, without the prior written consent of the Declarant, which it may grant or deny in whole, or may grant to some and deny to others, in its sole discretion. Any Unit designated in any Supplemental Declaration by the Declarant as being subject to a Time Share Program or a Time Share Project shall be deemed to have received the written consent of the Declarant, as aforesaid, without the necessity of any additional consent or writing.

4.6 Antennas.

No television antenna, radio receiver, or other similar device will be attached to or installed on any portion of the Development, except as required by the Telecommunications Act of 1996 and implementing rules therefor issued by the Federal Communications Commission and by the Association in conformity with rules or guidelines of the Federal Communications Commission; provided, however, the Declarant and the Association



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will not be prohibited from installing equipment necessary for master antenna, security, cable television, mobile radio, or other similar systems within the Development.

4.7 Water Wells.

Subject to the terms of Section 5.17, no private water well may be drilled, installed or maintained on any of the Development for irrigation. The ARC may, however, authorize shallow wells for closed-end, geothermal residential systems. Furthermore, except for the Declarant and the Association, no Owner shall draw water from any Pond for any purpose whatsoever.

4.8 Clotheslines.

No clotheslines or drying yards shall be located upon the premises so as to be visible from any Common Area or from any adjoining property or Unit.

4.9 Propane Gas Tanks.

Any propane gas tanks shall be buried underground on a Unit and the lid shielded from the view from any road by plantings or other means approved by the ARC.

4.10 Firearms and Fireworks.

No firearms or fireworks of any variety shall be discharged upon or within any Unit or upon any Common Area. The term "firearms" shall include, without limitation, guns, "B-B" guns and pellet guns. Notwithstanding the foregoing, the Board of Directors may, if allowed by law, contract for a professionally conducted fireworks display.

4.11 Exclusion of Above Ground Utilities.

All electrical service and telephone lines shall be placed underground and no outside electrical lines shall be placed overhead. Provided, however, that the normal service pedestals, etc., used in conjunction with such underground utilities shall be permitted within the Development. Overhead utilities shall be permitted during the construction period and until utility companies can place them underground.

4.12 Signs.

Except as may be required by law or by legal proceedings, no signs or advertising posters of any kind, including, but not limited to, "For Rent," "For Sale," and other similar signs, shall be erected by an Owner, the Association, or any agent, broker, contractor or subcontractor thereof, nor shall any sign or poster be maintained or permitted on any window or on the exterior of any improvements or on any unimproved portion of property located within the Development, without the express written permission of the ARC. The approval of any signs and posters, including, without limitation, name and address signs, shall be upon such conditions as may be from time to time determined by the ARC and may be arbitrarily withheld. Notwithstanding the foregoing, the restrictions of this Section 4.12 shall not apply to the Declarant or to any person having the prior written approval of the Declarant. In addition, the Association shall have the right to erect reasonable and appropriate signs on any portion of the Common Areas in accordance with architectural design standards adopted therefor by the ARC and approved by governmental authority with jurisdiction thereof.

4.13 Animals and Pets.

No animals of any kind will be raised, bred or kept on any part of the Development, except that dogs, cats or other normal household pets may be kept by the Owners inside their respective Units. In connection with the foregoing, the Board of Directors shall have the following authorities and powers:



(a) The Board of Directors may prohibit the keeping of any dog with a prior history of causing bodily injury established through insurance claims records, or through the records of local public safety, law enforcement or other similar regulatory agency.

(b) The Board of Directors may, in its sole discretion, establish by rule that dogs of other breed are potential hazards to the Development and its occupants, and may not be kept upon the Property.

(c) The Board of Directors may establish reasonable rules and regulations to insure that all permitted pets are properly licensed and inoculated for rabies and such other disease for which inoculation is customary for that breed of pet.

(d) The Board of Directors may require that an Owner execute a written indemnification and hold harmless agreement in favor of the Association and the Association's management company, in form and content satisfactory to counsel for the Board, prior to bringing the Owner's pet upon the Property;

(e) The Board of Directors may, in the exercise of its reasonable business judgment, prohibit the keeping of any pet it believes creates a health hazard, is a nuisance or otherwise unreasonably disturbs the peaceful possession and quiet enjoyment of any other portion of the Development by other Owners and lessees of Owners, their families, invitees and guests.

(f) The Board may establish reasonable rules to limit the number of allowed pets. Pets shall be kept on a leash and under personal control at all times when outside of a Unit, on the Common Areas, patios, balconies, etc; and the Owner shall clean up after his or her pet.

(g) The Board shall have the right at any time and in its sole and absolute discretion to require the Owner of a particular pet to remove such pet from the Development if such pet is determined by the Board to be in violation of these restrictions.

(h) The Board shall have the power to levy fines for violation of these pet restrictions or of any additional rule or regulation adopted by the Board therefor, and any such fine or the cost of the Association to repair any damages to Common Areas caused by a pet shall be assessed against the Owner and Unit as a Specific Assessment..

(i) If, for any reason whatsoever, the Association needs to detain, incarcerate, capture, or tranquilize any animal or animals which may roam free, and it is found that said animals are the property of an Owner, then all fees necessary to cover such detainment, incarceration, capture, or tranquilization shall be levied against the Owner of said animal.

Notwithstanding the use of the word, "Owner" hereunder, the terms and provisions hereof shall extend to an Owner's family members, guests, tenants, lessees, and the Owner shall be fully responsible hereunder for the pets thereof on the same basis as the Owner would be for its owned pets.

4.14 Drainage.

No Owner shall channel or direct drainage water onto a neighboring Unit or Common Area except in accordance with a drainage plan approved by the Declarant. No Owner shall make any change to or modification of the originally established grades, swales and slopes of his or her lot in any way that changes or impedes the originally established flow of storm water drainage.



4.15 Artificial Vegetation, Exterior Sculpture and Similar Items.

No artificial vegetation shall be permitted on the exterior of any portion of the Subdivision. Exterior sculpture, fountains, flags, and similar items are subject to the Declarant's or the ARC's prior approval; provided, however, that nothing contained herein shall prohibit the appropriate display of the American flag.

4.16 Open Fires. No open fire pits shall be maintained upon any Unit. Nothing herein shall be deemed to restrict the use of any customary barbecue unit for the cooking of food.

4.17 Nuisances.

No rubbish or debris of any kind will be dumped, placed, or permitted to accumulate upon any portion of the Development, nor will any nuisance or odors be permitted to exist or operate upon or arise from the Development, so as to render any portion thereof unsanitary, unsightly, offensive, or detrimental to persons using or occupying any other portions of the Development. Noxious or offensive activities will not be carried on in any part of the Development, and the Association and each Owner and Occupant will refrain from any act or use which could cause disorderly, unsightly, or unkempt conditions, or which could cause embarrassment, discomfort, annoyance, or nuisance to the Occupants of other portions of the Development or which could result in a cancellation of any insurance for any portion of the Development, or which would be in violation of any law or governmental code or regulation. Without limiting the generality of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices, except security and fire alarm devices used exclusively for such purposes, will be located, used, or placed within the Development, except as may be permitted pursuant to terms, conditions, rules and regulations adopted therefor by the Board of Directors. Any Owner or Occupant who dumps or places any trash or debris upon any portion of the Development will be liable to the Association for the actual costs of removal thereof plus an administrative fee of \$100.00, or such other sum set therefor by the Board as a recoupment of administrative costs in administering the cleanup and notices to the Owner and Occupant, and such sum will be added to and become a part of that portion of any Assessment next becoming due to which such Owner and his property is subject. The Board of Directors shall, in the exercise of its reasonable business judgment, determine whether any activity or condition, including, but not limited to, matters herein described, constitutes a nuisance which shall be abated upon reasonable notice by the Board or the Association's property manager.

4.18 Motor Vehicles, Trailers, Boats, Etc.

Each Owner will provide for parking of automobiles off the streets and roads within the Development. There will be no outside storage or parking upon any portion of the Development of any disabled vehicle (with flat tires, on jacks, without a current license tag, etc) or any vehicle with signage or lettering advertising a business, mobile home, trailer (either with or without wheels), motor home, tractor, truck (other than pick-up trucks without signage or lettering advertising a business), or commercial vehicles of any type, except in a Unit's garage. Motorcycles will be permitted in the Project if garaged while not being driven. Any permitted parking of a mobile or motor home within a garage will not be construed as to permit any person to occupy such mobile or motor home, which is strictly prohibited. Furthermore, although not expressly prohibited hereby, the Board of Directors may at any time prohibit or write specific restrictions with respect to the operating of mobile homes, motor homes, campers, trailers of any kind, motorcycles, motorized bicycles, motorized go-carts, all terrain vehicles (ATVs), and other vehicles, or any of them, upon any portion of the Development if in the opinion of the Board of Directors such prohibition or restriction will be in the best interests of the Development. Such policies may change from time to time with changing technology. The storage of any such vehicles within a garage will be permitted, even if operating the same is prohibited. No Owners or other Occupants of any portion of the Development will repair or restore any vehicle of any kind upon or within a property subject to this Declaration except (A) within enclosed garages, or (B) for emergency repairs, and then only to the extent necessary to enable the movement thereof to a proper repair facility.



4.19 Mining and Drilling.

No derrick or other structure designed for use in boring for oil or natural gas shall be erected, placed or permitted upon any part of the Development, nor shall any oil, natural gas, petroleum, asphalt or hydrocarbon products or minerals of any kind be produced or extracted from the premises.

4.20 Garbage Disposal.

Each Unit Owner shall provide garbage receptacles or similar facilities in accordance with reasonable standards established by the Declarant, or a roll-out garbage rack of the type approved by the Declarant, which shall be visible from the streets on garbage pickup days only. No garbage or trash incinerator shall be permitted upon the premises. No burning, burying or other disposal of garbage on any Unit or within the Development shall be permitted (except licensed contractors may burn construction debris if, and only if, permitted to do so by the ARC, but only during the period of construction of improvements on the Unit); provided, however, the Declarant shall be permitted to modify the requirements of this Section 4.20 where necessary to comply with orders of governmental bodies. When not visibly located awaiting garbage pick-up, as aforesaid, Garbage receptacles shall be kept in the garage or screened from view in a manner approved by the ARC.

4.21 Owner's Landscape Maintenance between Lot Line and Adjacent Paving.

Each Owner will be responsible for maintaining on a regular basis the landscaping, if any, and ground cover along the right-of-way roadside or sidewalk, as applicable, bordering an Owner's Unit constituting a single-family lot, whether or not such area is a part of the Owner's Unit. Each Owner will perform such maintenance within the unpaved area of right-of-way immediately adjacent to a Unit's lot line, and will be of such quality of maintenance as is required to maintain a Development consistency in appearance and cleanliness. An Owner's responsibility under this Section 4.21 to provide regular maintenance will be fulfilled regardless of whether or not an Owner has constructed improvements upon his unimproved Unit or whether or not the Owner permanently resides in the Development.

4.22 Development, Sales and Construction Activities.

Notwithstanding any provisions or restrictions contained in this Declaration to the contrary, the Declarant and its agents, employees, successors, and assigns, including any spec builder to which the Declarant assigns the rights hereunder and as may be further restricted by the Declarant under any such assignment, are permitted to maintain and carry on such facilities and activities as may be reasonably required, convenient, or incidental to the development, completion, improvement, and sale of the whole or any portion of the Property, including, without limitation, the installation and operation of development, sales and construction trailers and offices, signs and models, provided that the location of any such trailers of any assignees of Declarant's rights under this Section 4.22 are subject to the Declarant's prior written approval. The rights under this Section 4.22 to maintain and carry on such facilities and activities will include specifically the right to use a Unit's dwelling as a model and as offices for the sale or lease of Units and for related activities.

4.23 Use of Trademark.

Each Owner and Occupant, by acceptance of a deed to any lands, tenements or hereditaments within the Development hereby acknowledges that "Rivermist" is a service mark and trademark. Each Owner and Occupant agrees to refrain from misappropriating or infringing these service marks or trademarks.

4.24 Owner Recording Additional Restrictions on Property.

No Owner may impose additional restrictive covenants on any lands within the Property beyond those contained in this Declaration without approval of the Declarant during the Declarant Control Period, and



thereafter without consent of the Board of Directors. The Declarant may impose additional restrictive covenants on property then owned by the Declarant without the consent of any other Owner or the Association.

4.25 Owner's Re-subdivision.

No Common Area or Unit will be subdivided, or its boundary lines changed, nor will application for the same be made to any political subdivision with jurisdiction thereof, except with the prior written approval of the Declarant, during the Declarant Control Period, and thereafter except with the prior written approval of the Board of Directors. However, the Declarant reserves the right to so subdivide, and to take such other steps as are reasonably necessary to make the re-platted property suitable and fit as a building site, including, but not limited to, the relocation of easements, walkways, rights-of-way, private roads, bridges, parks, and Common Areas.

(a) Consolidation of Single-family Lots.

The provisions of this Section 4.25 will not prohibit the combining of two (2) or more contiguous Units constituting single-family lots into one (1) larger lot. Following the combining of two (2) or more Units into one (1) larger Unit, as aforesaid, only the exterior boundary lines of the resulting larger Unit will be considered in the interpretation of this Declaration. Consolidation of Units, as described herein, must be approved by the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, said approval to be granted in its respective sole discretion upon the terms and conditions established by it from time to time, including specific provisions for the payment of Assessments.

4.26 Assignment of Declarant's Rights to the Association.

The Declarant reserves the right to assign to the Association, at its sole discretion, its rights reserved in this Declaration, including all rights set forth in this Section 4.26. The Association hereby agrees to accept any and all assignments of rights hereunder, and no further action will be required by it.

4.27 Declarant's Improvements.

Anything contained herein to the contrary notwithstanding, neither the improvements constructed and used by the Declarant in the conduct of its business or its activities are or will be subject to the restrictions set forth in this Section 4.27.

4.28 Other Rights and Reservations.

THE OMISSION OF ANY RIGHT OR RESERVATION IN THIS ARTICLE WILL NOT LIMIT ANY OTHER RIGHT OR RESERVATION BY THE DECLARANT WHICH IS EXPRESSLY STATED IN OR IMPLIED FROM ANY OTHER PROVISIONS IN THIS DECLARATION, OR RESERVED TO THE DECLARANT UNDER THE DUTCHMAN VILLAGE COVENANT TO SHARE COSTS.

ARTICLE 5

PROPERTY RIGHTS

5.1 General Rights of Owners.

Each Unit will for all purposes constitute real property which will be owned in fee simple and which, subject to the provisions of this Declaration, may be conveyed, transferred, and encumbered the same as any other real property. Each Owner will be entitled to the exclusive ownership and possession of his said property, subject to the provisions of this Declaration, including without limitation, the provisions of this Article 5. If any chutes, flues, ducts, conduits, wires, pipes, plumbing, or any other apparatus or facilities for the furnishing of utilities or other services or for the provision of support to any Unit lie partially within and partially



outside of the designated boundaries of the Unit, any portions thereof which serve only such property will be deemed to be a part thereof, and any portions thereof which serve more than one such Unit or any portion of the Common Areas will be deemed to be a part of the Common Areas, and may be described in a Supplemental Declaration as a Limited Common Area. The ownership of each property subject to this Declaration will include, and there will pass with each property as an appurtenance thereto, whether or not separately described, all of the right and interest in and to the Common Areas as established hereunder, and the limitations applicable, which will include, but not be limited to, membership in the Association. Each Owner will automatically become a Member of the Association and will remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association will automatically pass to his successor-in-title to his or its property.

5.2 Owner's Easement of Enjoyment.

Subject to the provisions of this Declaration and the rules, regulations, fees, and charges from time to time established by the Board of Directors in accordance with the By-Laws and the terms hereof, every Owner and Occupant will have a nonexclusive right, privilege, and easement of use and enjoyment in and to the Common Areas, including, but not limited to, easements of access, ingress and egress over and across all private roadways, to the extent so entitled hereunder, such easement to be appurtenant to and to pass and run with title, subject to the rights, restrictions, reservations, covenants, easements and obligations reserved, granted or alienable in accordance with this Declaration, including, but not limited to:

(a) Right of Association to Borrow Money.

The right of the Board of Directors of the Association to borrow money (i) for the purpose of improving the Development, or any portion thereof, (ii) for acquiring additional Common Areas, (iii) for constructing, repairing, maintaining or improving any facilities located or to be located within the Development, or (iv) for providing the services authorized herein, and, subject to the provisions of Section 10.2, to give as security for the payment of any such loan a mortgage or other security instrument conveying all or any portion of the Common Areas; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interest, options, licenses, easements, and privileges herein reserved or established for the benefit of the Declarant, any Owner, or the holder of any Mortgage, irrespective of when such Mortgage is executed or given. The right of the Association to borrow money under this Section 5.2(a) is subject to the written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

(b) Declarant's Reserved Rights and Easements.

The rights and easements specifically reserved to the Declarant in this Declaration.

(c) Association's Rights to Grant and Accept Easements.

The right of the Board of Directors of the Association to grant and accept easements as provided in Section 5.9 and to dedicate or transfer fee simple title to all or any portion of the Common Areas to any public agency or authority, public service district, public or private utility, or other person, provided that any such dedication or transfer of the simple title must be approved by the Declarant during the Declarant Control Period and thereafter for so long as the Declarant owns any of the Property primarily for the purpose of development or sale.

(d) Association's Rights and Easements.

The rights and easements specifically reserved in this Declaration for the benefit of the Association, its directors, officers, agents, and employees.



(e) Declarant's Easements for Additional Property.

The Declarant's right to add Additional Property to this Declaration pursuant to Section 2.2(a) and the rights and easements reserved in Section 5.7(a) hereof for the benefit of the Additional Property so added to this Declaration.

5.3 Use and Enjoyment of the Ponds.

Use and Enjoyment of any Pond within the Development shall be subject to the terms and conditions of this Declaration, the terms and conditions of any Supplemental Declaration, and rules and regulations from time to time established by the Board of Directors.

(a) Docks.

No dock, bullhead or other improvement shall be made to the boundary of a Pond or extended into the Pond.

(b) Fishing and Swimming; Wild Life and Marine Life.

Unless allowed by the Declarant pursuant to a Supplemental Declaration, or by a rule or regulation established therefor by the Board of Directors, no fishing, swimming, snorkeling, scuba diving, and related activities shall be allowed in a Pond. Except for the Declarant and the Association, no Owner shall introduce any waterfowl or marine life into a Pond.

(c) Boating Activities.

Unless allowed by the Declarant pursuant to a Supplemental Declaration, or by a rule or regulation established therefor by the Board of Directors, and with respect to a designated Pond covered thereby, no boating, sailing, canoeing, wind surfing, and related activities shall take place on a Pond..

(d) Owner's Landscape Maintenance between Lot Line and Adjacent Pond.

Each Owner of a Unit adjacent to or whose property line extends into a Pond will be responsible for maintaining on a regular basis the waterfront area in a neat and clean condition and in such manner as to prevent erosion of the embankment or any condition or problem that disrupts or interferes with the proper functioning of the Development's Storm Water Management Systems and facilities that are a part of such Pond. An Owner's responsibility under this Section 5.3(d) to provide regular maintenance will be fulfilled regardless of whether or not an Owner has constructed improvements upon his unimproved Unit or whether or not the Owner permanently resides in the Development.

5.4 Amenities.

(a) Access and Use of Amenities.

Subject to the terms and provisions of this Declaration and the rules, regulations, and Amenity Use Charges from time to time established by the Board of Directors, every Owner of a Unit, as well as the Owner's family members and accompanied guests shall have a non-exclusive right, privilege, and easement of access to and the use and enjoyment of such Amenities as shall be developed by the Declarant. Notwithstanding the foregoing to the contrary, Owners of Units within Neighborhood Areas specified by the Declarant by Supplemental Declaration or Amendment hereto may be restricted to access and use of one or more particular designated Neighborhood Common Areas developed as Amenities, and prohibited from access and use of all Amenities. Furthermore, but subject to Section 5.4(a)(i) below, a Unit Owner, his or her spouse and children under the age of 25 years living at home, attending school on a full-time basis or serving in the military (hereinafter, "Dependent Children"), shall have access and use of their designated Amenities without the



imposition of any Amenity Use Charge imposed solely for access and use, which access and use shall be covered under the Unit's Annual Assessments. An Amenity Use Charge may be imposed upon Owners, their spouses and children for purchased goods and services. Furthermore, an Amenity Use Charge may be imposed for access and use of a designated Amenity by an Owner's non-Dependent Children, guests and tenants, and upon co-Owners who have not been designated pursuant to Section 5.4(a)(i) below, if by Supplemental Declaration, rule or regulation access and use by a Unit tenant is not otherwise prohibited. Notwithstanding the foregoing to the contrary, the Board of Directors shall be entitled, but not obligated, to promulgate rules and regulations from time to time whereby grandchildren of an Owner and non-Dependent Children of an Owner may have access to and the use a designated Amenity on the same basis as Dependent Children of an Owner. The Board of Directors may also establish rules and regulations limiting the number of times in a year the same guest may accompany an Owner or an Owner's family member, and may further adopt rules and regulations limiting the use of an Amenity by a lessee or tenant of a Unit with a lease term of less than six (6) months.

(i) Access and Use by Multiple Owners.

In the event of any ownership of a Unit by more than one Owner (a spouse holding title in joint tenancy shall not be deemed a co-Owner) or by a corporation, partnership, limited liability company or trust, the shareholders, partners, members and beneficiaries of which shall be deemed co-Owners, only the Owner of such Unit designated in writing to the Board of Directors by all co-Owners, shall be entitled to the access and use of a designated Amenity pursuant to the terms and condition above stated. The Declarant, in a Supplemental Declaration, or the Board of Directors, in a rule or regulation, may prohibit, limit or restrict access and use by non-designated co-Owners, and may also require payment of an Amenity Use Charge for any such permitted access and use, and subject to such additional terms and conditions as may be established therefor. Any required designation made pursuant to this Section 5.4(a)(i) shall not be permitted to be changed within six (6) months after such designation is so made. For purposes of this Section 5.4(a)(i), a designated co-Owner shall be a natural person, and privileges of access and use shall extend to his or her spouse and Dependent Children and other as above provided.

(ii) Declarant's Access and Use.

In addition to the rights of Owners with respect to the access to and use and enjoyment of Amenities, Declarant reserves the right, during the Declarant Control period, to from time to time designate individuals to have access to and use of Amenities on a basis which is equal and equivalent to that which is enjoyed by Owners. Declarant shall designate the Amenities and such individuals by written notice to the Board of Directors, and all such designated individuals shall either be officers, directors, or employees of Declarant or any of its affiliates, or real estate brokers and sales agents who are selling and/or listing Units within the Development. Spouses and Dependent Children of such designated individuals shall have access to and use of the designated Amenities on an equal and equivalent basis as Owners' spouses and Dependent Children, and such designated individuals' guests and non-Dependent Children shall have access to and use of the designated Amenities in accordance with such rules, regulations, and Amenity Use Charges as are from time to time established by the Board of Directors with respect to an Owner's guest and non-Dependent Children.

(iii) Guests and Children Accompanied By Owner.

Unless allowed by specific, written rule adopted by the Board of Directors, and subject to the terms thereof, all children under the age of 14 and guests of Owners and of individuals designated by Declarant pursuant to this Section 5.3 shall be accompanied by an Owner or the Owner's spouses, or by individuals designated by Declarant in accordance herewith or their spouses, provided that a waiver of such requirement may be made at any time in accordance with rules and regulations promulgated by the Board of Directors.



5.5 Access, Ingress and Egress; Private Roadways.

All Owners, by accepting title to property conveyed subject to this Declaration, waive all rights of uncontrolled and unlimited access, ingress, and egress to and from such property and acknowledge and agree that such access, ingress, and egress will be limited to roads, sidewalks, walkways, and paths located within the Development from time to time, provided that pedestrian and vehicular access to and from all such property will be provided at all times. Subject to the right of the Declarant to dedicate any roadways within the Development pursuant to Section 5.5(b) below, there is reserved unto the Declarant, the Association, and their respective successors and assigns the right and privilege, but not the obligation, to maintain guarded or electronically-monitored gates controlling vehicular access to and from the Development, provided that access to the Property may be granted to any person who gives reasonable evidence satisfactory to entry guards, if there are any, that entry is with the specific permission of the Owner, or his duly authorized agent. Neither the Declarant nor the Association will be responsible, in the exercise of its reasonable judgment, for the granting or denial of access to the Property in accordance with the foregoing.

NEITHER THE DECLARANT NOR THE ASSOCIATION SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF ANY GATE OR CONTROLLED ACCESS TO THE PROPERTY OR SAFETY MEASURES UNDERTAKEN WITH RESPECT THERETO BY EITHER OR BOTH OF THEM, NOR SHALL EITHER OR BOTH BE LIABLE FOR ANY LOSS OR DAMAGE RESULTING FROM ANY FAILURE TO PROVIDE CONTROLLED ACCESS OR SAFETY MEASURES, OR FROM LEAVING ANY GATE OPEN, AS PERMITTED UNDER SECTION 5.5(c) BELOW, OR FROM A FAILURE OR INEFFECTIVENESS OF ANY SUCH CONTROLLED ACCESS OR SAFETY MEASURES UNDERTAKEN BY EITHER OR BOTH OF THEM. NO REPRESENTATION, WARRANTY OR COVENANT IS GIVEN TO ANY OWNER OR OCCUPANT BY EITHER OR BOTH OF THE DECLARANT AND THE ASSOCIATION THAT ANY CONTROLLED ACCESS OR SAFETY MEASURES INSTALLED OR UNDERTAKEN CANNOT BE BYPASSED OR COMPROMISED, OR THAT THEY WOULD, IN FACT, AVERT DAMAGE OR LOSS RESULTING FROM THAT WHICH THEY ARE DESIGNED TO PREVENT, AND EACH OWNER BY ACCEPTANCE OF A DEED TO A UNIT AND EACH OCCUPANT THEREOF SHALL INDEMNIFY AND HOLD THE DECLARANT AND THE ASSOCIATION HARMLESS FROM ANY DAMAGE AND COSTS AND EXPENSES, INCLUDING ATTORNEY FEES, INCURRED BY EITHER OR BOTH OF THEM AS A RESULT OF ANY SUCH ASSERTION OR DETERMINATION.

(a) Post Sign; Towing.

The Declarant, or the Association after title to any private streets and roadways has passed to it from the Declarant, may post "no parking" signs along such private streets and roadways within the Development where it, in its sole discretion, determines it to be appropriate to do so. Violators of said "no parking" signs are subject to having their vehicles towed away and will be required to pay the cost of such towing and storage before their vehicle may be recovered. The act of towing said vehicles will not be deemed a trespass or a violation of the Owners' property rights, because the Owner will be deemed to have consented to such action by accepting the right to use the private roads and streets within the Development.

(b) Dedication as Public Roadways.

During the Declarant Control Period, the Declarant, and thereafter, the Association, shall have the right to dedicate any portion of the roadways within the Development to the State of North Carolina or any political subdivision thereof for the purpose of granting public access thereto and over said roadway and for the purpose of having said political subdivision assume responsibility for maintenance of such roadways.



Furthermore, during the Declarant Control Period, the Declarant, and thereafter, the Association, shall have the right to impose upon the Association the requirement of maintaining any such dedicated roadway until such time as the roadway is brought up to standards acceptable to such public body and maintenance thereof is assumed by such public body; provided, however, the Declarant may, in its sole discretion, reserve an easement over any such public roadway to be primarily maintained by such public body for the purpose of doing additional maintenance to said public streets and roads and to maintain landscaping along the unpaved rights-of-way thereof, and thereafter denominate in a Development Survey or Supplemental Declaration that said easement will constitute a Common Area of the Development to be maintained by the Association. The Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.6 hereof, in an amount sufficient to provide funds required to bring any roadway up to standards acceptable to any public body for the assumption by it of maintenance of a said roadway.

(c) Declarant's Right to Maintain Open Gate.

Notwithstanding anything herein contained to the contrary, the Declarant hereby reserves unto itself, its successors and assigns, the right and option to control any gate to the Development and to leave the gate in an open position for the unobstructed and uncontrolled passage of construction vehicles for persons engaged in both infrastructure and building construction activities. The within right, if exercised, will be limited to the hours of 6 a.m. to 6 p.m. and will terminate upon expiration of the Declarant Control Period.

5.6 Easements over Private Roadways.

(a) Public and Service Vehicles.

Police, fire, water, health and other authorized municipal officials, employees and their vehicles; paramedic, rescue and other emergency personnel and their vehicles and equipment; school bus and U.S. Postal Service delivery drivers and their vehicles; private delivery or courier service personnel and their vehicles; and persons providing garbage collection services within the Development and their vehicles and equipment will each have a perpetual, non-exclusive easement for access, ingress and egress over the private roadways constituting a portion of the Common Areas, solely for the performance of their official duties.

5.7 Easements for Declarant.

During the period that the Declarant owns any of the Property for sale, the Declarant will have an alienable and transferable right and easement on, over, through, under, and across the Common Areas for the purpose of constructing improvements in and to the Units and for installing, maintaining, repairing and replacing other improvements to the Property contemplated by this Declaration or as the Declarant desires, in its sole discretion, including, without limitation, any improvements or changes permitted and described by Article 2, and for the purpose of doing all things reasonably necessary and proper in connection therewith, provided in no event will Declarant have the obligation to do any of the foregoing.

(a) Declarant's Easements for Any Additional Property.

There is hereby reserved for the Declarant, and its successors, assigns, and successors-in-title to the Additional Property, for the benefit of and as an appurtenance to the Additional Property, when added to this Declaration pursuant to Section 2.2(a), and as a burden upon the then existing Development, perpetual, non-exclusive rights and easements for (A) pedestrian, vehicular, access, ingress, egress, parking over, across, within, and on all private roads, sidewalks, trails, parking facilities, and lagoons, from time to time located within the Common Areas or within easements serving the Common Areas, (B) the installation, maintenance, repair, replacement, and use within the Common Areas, and those portions of properties encumbered pursuant to Section 5.9 for security systems and utility facilities and distribution lines, including, without limitation, drainage systems, storm sewers, and electrical, gas, telephone, water sewer, and master television antenna and/or cable system lines,



and (C) drainage and discharge of surface water onto and across the then existing Development, provided that such drainage and discharge shall not materially damage or affect the then existing Development or any improvements located thereon.

5.8 Changes in Boundaries: Additions to Common Areas.

The Declarant expressly reserves the right to change and realign the boundaries of the Common Areas and any Units between such adjacent properties owned by the Declarant, provided that any such change or realignment of boundaries will not materially decrease the acreage of the Common Areas and will be evidenced by a revision of or an addition to the Development Survey which will be filed Of Record.

5.9 Fire Breaks.

During the Declarant Control Period, the Declarant, and thereafter, the Association, shall have a perpetual, alienable and releasable easement and right on and over and under any property to cut fire breaks and other activities which in the opinion of the holder are necessary or desirable to control fires on any property, or any improvements thereon. Entrance upon property pursuant to the provisions of this Section 5.9 will not be deemed a trespass.

5.10 Easements for Utilities.

There is hereby reserved for the benefit of the Declarant, the Association, and their respective successors and assigns, the alienable, transferable, and perpetual right and easement, as well as the power to grant and accept easements to and from any public authority or agency, public service district, public or private utility, or other person, upon, over, under, and across (A) all of the Common Areas in accordance with this Declaration; (B) as shown on the Development Survey; (C) as required by applicable zoning ordinance; (D) as set forth in a Supplemental; or (E), in the absence of any of the foregoing, those strips of land, ten (10') feet in width, running adjacent to and parallel with a Unit's lot lines. Such applicable easements shall be for the purposes of installing, replacing, repairing, maintaining, and using master television antenna and/or cable systems, security and similar systems, and all utilities, including, but not limited to, storm sewers and drainage systems and electrical, gas, telephone, water, and sewer lines. Such easements may be granted or accepted by the Declarant, its successors or assigns, or by the Board of Directors, provided, however, that during the Declarant Control Period and thereafter for as long as the Declarant owns any of the Property primarily for the purpose of development and sale, the Board of Directors must obtain the written approval of the Declarant prior to granting and accepting any such easements. To the extent practical, in the Declarant's sole discretion, all utility lines and facilities serving the Development and located therein will be located underground. By virtue of any such easement and facilities, it will be expressly permissible for the providing utility company or other supplier or servicer, with respect to the portions of the Development so encumbered, (i) to erect and maintain pipes, lines, manholes, pumps, and other necessary equipment and facilities, (ii) to cut and remove any trees, bushes, or shrubbery, (iii) to grade, excavate, or fill, or (iv) to take any other similar action reasonable necessary to provide economical and safe installation, maintenance, repair, replacement, and use of such utilities and systems.

5.11 Easement for Construction and Installation of Walks, Paths, and Signs.

There is hereby reserved for the benefit of the Declarant and the Association the alienable, transferable, and perpetual right and easement upon, over and across (a) all portions of the Common Areas in which improvements are not constructed or erected, and (b) all areas shown and noted on any Development Survey or described in any Supplemental Declaration for the installation maintenance, and use as recreational bike, pedestrian pathways or trails ("trail system"), as well as for traffic directional signs and related improvements. The trail system shall not interfere with or inhibit the residential purposes of the Properties.



(a) Easement for Use of Any Installed Path System.

The Declarant reserves for itself and the Association, a nonexclusive, perpetual easement of ingress, egress, access and use over, across and upon any path system installed upon Rivermist development for purposes of pedestrian and bicycle travel from outside of any Neighborhood Area and through a Neighborhood Area to other portions of the path system meandering throughout Rivermist.

5.12 Easements for the Association.

There is hereby reserved a general right and easement for the benefit of the Association, and to any manager employed by the Association and any employees of such manager, to enter upon any Unit, or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to and with permission of the Owner directly affected thereby.

5.13 General Maintenance Easement.

There is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement to enter upon any Property subject to this Declaration for the purpose of providing insect and reptile control, mowing, removing, clearing, cutting, or pruning underbrush, weeds, stumps, or other unsightly growth and removing trash, so as to maintain reasonable standards of health, fire safety, and appearance within the Development, provided that such easements will not impose any duty or obligation upon the Declarant or the Association to perform any such actions, or to provide garbage or trash removal services. Furthermore, it is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement, but not the obligation, to enter upon any unimproved portions of a Unit which is located within twenty (20') feet from the water's edge of a Pond for the purpose of (A) mowing such area and keeping the same clear and free from unsightly growth and trash, (B) maintaining such bodies of water, such maintenance to include, without limitation, the maintenance of reasonable water quality standards, and (C) installing, constructing, repairing, replacing, and maintaining erosion control devices, provided that the foregoing reservation of easements will not be deemed to limit the responsibility therefor by Owners under Section 7.1 hereof. The costs thereof incurred as a result of the action or inaction of any Owner will be paid by such Owner, and until paid will be a continuing lien upon the Owner's Unit.

5.14 Environmental Easement.

There is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement on, over, and across all unimproved portions of properties subject to this Declaration for the purpose of taking any action necessary to effect compliance with environmental rules, regulations, and procedures from time to time promulgated or instituted by the Board of Directors, or by any governmental entity, such easement to include, without limitation, the right to implement erosion control procedures and practices, the right to drain standing water, and the right to dispense pesticides.

5.15 Construction Setbacks.

Construction setbacks within the Development are measured by reference to front, rear and side yard easements shown and noted on the Development Survey or otherwise provided herein. Unless otherwise shown on the Development Survey, rear and front set backs for a Unit constituting a single-family lot shall be as set forth in the applicable zoning ordinance therefor.

5.16 Party Structure.

(a) Applicability.

This Section shall apply to each wall, fence or driveway built as a part of the original construction on Units constituting single-family lots:

(i) any part of which is built upon or straddling the boundary line between two adjoining Units, including a common fire wall between adjoining Units and common wall or fence between adjoining Units and forming one side of each of their respective rear courtyards; or

(ii) which is built within four feet of the boundary line between adjoining single-family lot Units, has no windows or doors, and is intended to serve as a privacy wall for the benefit of the adjoining Unit; or

(iii) which otherwise serves and/or separates two adjoining single-family lot Units, regardless of whether constructed wholly within the boundaries of one Unit;

and shall constitute a party wall, party fence, or party driveway, respectively (each herein referred to as "Party Structure"). The Owners of each such Unit (the "Adjoining Owners") shall own that portion of the Party Structure lying within the boundaries of their respective Units and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the Party Structure lying within the boundaries of the adjoining Unit.

(b) Joint and Equal Obligations of Maintenance, Repair and Replacement.

In the event of required maintenance, repair as a result of damage, or replacement because of destruction of a Party Structure from any causes, other than the negligence of an Adjoining Owner, the Adjoining Owners of the subject Party Structure shall, at joint and equal expense, maintain, repair and rebuild the Party Structure. Required repair or rebuilding of a damaged or destroyed Party Structure shall be the same size and of the same or similar material and of like quality as the Party Structure initially constructed, situate generally in the original location on the common property line between adjoining single-family lot Units, all pursuant to applicable governmental regulation and permits. Each such Adjoining Owner, their respective heirs, successors, and assigns, shall have the right to the use of the Party Structure so repaired or rebuilt. The Adjoining Owners shall undertake repairs and reconstruction of the Party Structure wherever a condition exists which may result in damage or injury to person or property if repair or reconstruction work is not undertaken. Either Adjoining Owner, upon discovering the possibility of damage or destruction, shall notify the other Adjoining Owner of the nature of the damage, the work required to remedy the situation, and the estimated cost of the repair or reconstruction. The other Adjoining Owner shall then have twenty (20) days from the receipt of the notice either to object to the repairs or reconstruction or to pay such noticed Adjoining Owner's share of the cost of the work. However, in the event of an emergency (i.e., a condition that is immediately threatening to the safety of persons or property), the Adjoining Owner giving such notice may undertake without consent only such work as shall abate the emergency, and the noticed Adjoining Owner shall then have five (5) days from receipt of the notice, which notice shall state with particularity the nature and extent of the existing emergency and the immediate actions taken or to be taken to abate the emergency and what further work, if any, is required for full repair and restoration, after which the noticed Adjoining Owner shall pay its share of the emergency abatement costs, and within the twenty (20) days above provided, shall either object to the further repair or reconstruction work or pay the noticed Adjoining Owner's share of the cost of such further work. The failure of the Adjoining Owner receiving such notice to object in writing to the Adjoining Owner sending such notice within the period of time provided shall be deemed to constitute such noticed Adjoining Owner's acceptance. In the event the Adjoining Owner receiving such notice objects in writing to such work to be done within the period of time provided, either



Adjoining Owner may initiate resolution of such disputed repair or reconstruction pursuant to the terms and conditions of Article 14.

(c) Damage or Destruction Caused By Negligence.

If either Adjoining Owner's negligence, which is deemed to include the negligence of such Adjoining Owner's family, tenant, guest or invitee, shall cause damage to or destruction of the Party Structure, the negligent Adjoining Owner shall bear the entire cost of repair or reconstruction.

(d) Failure to Pay Share of Expenses.

If an Adjoining Owner shall neglect or refuse to pay such Adjoining Owner's share, or all of the cost in the case of negligence, arising from the repair or reconstruction of the Party Structure in accordance with Section 5.16(b), the other Adjoining Owner may, but shall not be required to, undertake such repair or reconstruction and to pay the share of the cost and expense of the Adjoining Owner neglecting or refusing to so pay, which amount thereof shall constitute a "Shared Cost Assessment" collectable in accordance with Section 5.16(h) and subject to lien therein provided.

(e) Decision Not to Rebuild.

Any portion of the Party Structure which is damaged or destroyed must be repaired or replaced promptly by the Owners unless:

(i) Repair or replacement would be illegal under any law, statute or ordinance governing health and safety; or

(ii) The Adjoining Owners agree unanimously, in writing, not to repair and reconstruct the damaged or destroyed Party Structure, and the ARC consents to such decision in writing.

(f) Disputes Generally.

All disputes between the Adjoining Owners shall be resolved pursuant to the provisions of Article 13.

(g) Adjoining Owners' Easements.

(i) Access.

Each Adjoining Owner, and their respective guests, invitees, successors and assigns shall have a non-exclusive, perpetual easement of access, ingress and egress on, over and across any Party Structure designed for access, ingress and egress, such as shared driveways and walkways.

(ii) Maintenance, Repair and Construction Easement.

There shall exist for the benefit of each Adjoining Owner, and their respective guests, invitees, successors and assigns a perpetual easement for access, ingress and egress on, over and across such portions of the other Adjoining Owner's Unit reasonably necessary or desirable for the construction, repair, maintenance and replacement of the Party Structure. With respect to the whole or any portion of a Party Structure located upon an Adjoining Owner's Unit, an Adjoining Owner shall have an encroachment easement upon the other Adjoining Owner's Unit pursuant to Section 5.16(g)(iii). This construction, repair, maintenance and replacement easement shall include the right to temporarily alter, obstruct and/or block off portions of the Party Structure during construction or repair in order to avoid injury to persons or damage to property. However, in every case of alteration, obstruction or blocking, the said Adjoining Owner exercising such right shall provide, if possible, reasonable alternative means of use and access around the affected area to allow access to and the



continued use and enjoyment thereof by persons entitled to such use and enjoyment. All such construction, repair, maintenance and replacement shall be undertaken and completed in accordance with applicable governmental regulations and permits therefor.

(iii) Encroachment Easements and Licenses.

There shall exist for the benefit of each Adjoining Owner an exclusive perpetual encroachment easement and license on and across such portions of the Party Structure reasonably necessary or desirable, to perform any maintenance, repair, reconstruction or replacement of the Party Structure, being generally along the common property line between the Adjoining Owner's Units. There shall also exist for the benefit of each Adjoining Owner an encroachment easement and license to physically attach to the Party Structure any portion of its improvements attached in the original construction or required or desirable for support. Such encroachment easements and licenses shall include the right (but not the duty) to install, use, replace and maintain utility lines and facilities under and beneath such properties, including without limitation pipes and lines for water, electricity, telephone and cable television, all subject to the reasonable right of the respective Adjoining Owners to designate the actual location of any such utility easements encumbering their respective Units.

(h) Shared Cost Assessments for Joint Structures.

(i) Creation of Lien and Personal Obligation for Shared Cost Assessments.

Each Adjoining Owner hereby covenants to pay its share of the costs and expenses of maintenance, repair and reconstruction of the Party Structure required pursuant to Section 5.16(b). Any such shared cost or expense remaining unpaid following five (5) days written demand therefor shall constitute a "Shared Cost Assessment". Any Shared Cost Assessment remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on the Adjoining Owner's Unit when a claim of lien is filed of record in the office of the Clerk of Superior Court for Brunswick County, North Carolina. A claim of lien shall set forth the name and address of the Adjoining Owner filing the lien, the name of the delinquent record holder of the adjoining Unit at the time the claim of lien is filed, a description of the Unit and the amount of the lien claimed. Such lien may be enforced by judicial foreclosure by the other Adjoining Owner in the same manner in which mortgages on real property may be foreclosed in the State of North Carolina. Proceedings to enforce the lien must be instituted within three (3) years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Brunswick County, North Carolina or the lien for unpaid Shared Cost Assessments will be extinguished. In any such foreclosure, the delinquent Adjoining Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees) and such costs and expenses shall be secured by the lien being foreclosed. The delinquent Adjoining Owner shall also be required to pay any Shared Cost Assessments against the Adjoining Owner's Unit which shall become due during the period of foreclosure, and all such Shared Cost Assessments shall be secured by the lien being foreclosed. The Adjoining Owner holding such lien shall have the right and power to bid in at any foreclosure sale, and to thereafter hold, lease, mortgage, or convey the subject Unit. Each such Shared Cost Assessment, together with such interest, costs and reasonable attorney's fees shall be the personal obligation of the person who was the delinquent Adjoining Owner at the time when the Shared Cost Assessment fell due and also of any subsequent Adjoining Owner of the liened Unit; provided, however, that no Adjoining Owner acquiring title to the liened Unit at a foreclosure sale, or conveyance in lieu of foreclosure, of any mortgage, his successors and assigns, shall have any personal obligation with respect to the portion of any Shared Cost Assessments (together with late charges, interest, fees and costs of collection) related to such Unit, the lien for which is subordinate to the lien of the mortgage being foreclosed, as provided in Section 5.16(h)(iv).

(ii) Assumption of Obligation by Transferee.

The personal obligation of the Adjoining Owner to pay a Shared Cost Assessment shall remain his personal obligation notwithstanding the fact that any successor in title assumes such



personal obligation. Furthermore, such prior Adjoining Owner and his successor in title who assumes such liabilities shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Adjoining Owner and his successor in title creating the relationship of principal and surety as between themselves, other than one by virtue of which such prior Adjoining Owner and his successor in title would otherwise be jointly and severally liable to pay such amounts.

(iii) Miscellaneous.

An Adjoining Owner may bring legal action against the defaulting Adjoining Owner personally obligated to pay a Shared Cost Assessment or foreclose its lien against the defaulting Adjoining Owner's Unit or pursue both such courses at the same time or successively. Adjoining Owners are deemed to have, to the fullest extent permitted by law, waived the right to assert any statute providing appraisal rights which may reduce any deficiency judgment obtained against a defaulting Adjoining Owner in the event of such foreclosure, and further waive all benefits that might accrue to an Adjoining Owner by virtue of any present or future homestead exemption or law exempting a Unit or portion thereof from sale.

(iv) Subordination of the Charges and Liens.

(A) The lien and permanent charge for the Shared Cost Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to a Unit is hereby made subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Unit) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Unit. Sale or transfer of a Unit shall not affect the lien of the Shared Cost Assessments. However, where the holder of a Mortgage, or other purchaser of a Unit obtains title thereto as a result of foreclosure of a Mortgage, such purchaser and its heirs, successors, and assigns, shall not be liable for the Shared Cost Assessments against such Unit which became due prior to the acquisition of title to such Unit by such purchaser. In the event of co-ownership of the Unit against which the Shared Cost Assessments arises, all of such co-Owners will be jointly and severally liable for the entire amount of such Shared Cost Assessments.

(B) Such subordination is merely a subordination and shall not relieve the Unit's Adjoining Owner of his personal obligation to pay all Shared Cost Assessments coming due at a time when he is the Adjoining Owner; shall not relieve such Unit from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished by foreclosure or deed in lieu thereof); and no sale or transfer of such Unit to the Mortgagee or to any other person pursuant to a foreclosure sale, or deed in lieu thereof, shall relieve any previous Adjoining Owner from liability for any Shared Cost Assessment coming due before such sale or transfer.

5.17 Irrigation Wells and Pumps.

There is hereby reserved for the benefit of the Association, for the purpose of irrigating any portions of the Development, an alienable, transferable, and perpetual right and easement (a) to pump water from lagoons, ponds, and other bodies of water located within the Development, and (b) to drill, install, locate, maintain, and use wells and pumps within the Common Areas. Unit Owners shall not draw water from a Pond.

5.18 Easements Deemed Granted and Reserved.

All conveyances of a Unit hereunder, whether by the Declarant or otherwise, will be deemed to have granted and reserved, as the context will require, all easements set forth in this Declaration, including, but not limited to, those set forth in this Article 5.



5.19 No Partition.

There will be no judicial partition of the Development or any part thereof, nor will any person acquiring any interest in the Development or any part thereof seek any such judicial partition unless the Development has been removed from the provisions of this Declaration.

ARTICLE 6

MEMBERSHIP

6.1 Membership.

Every Owner, including the Declarant, of a Unit will be a Member of the Association. Ownership of a Unit will be the sole qualification for such membership. In the event that fee title to a Unit is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include Mortgagees or any other persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association.

6.2 Voting Rights.

The Association will have two (2) classes of voting memberships, which are as follows:

(a) Class A.

Class A Members will be Owners (including the Declarant) of Units. A Class A Member will be entitled to one (1) vote for each Unit owned.

(b) Class B.

The Class B Member will be the Declarant or its designated assign. The Class B Member will be entitled to three (3) votes for each vote held by Class A Members, plus one (1) vote during the Declarant Control Period. Thereafter, the Class B Member will exercise votes only as to its Class A Memberships.

Payment of Special Assessments or Emergency Special Assessments will not entitle Class A Members to additional votes. Only those Members in good standing and eligible to vote pursuant to the Bylaws shall be entitled to cast any vote required or permitted hereunder, and only the votes of Members in good standing and eligible to vote shall be considered in any calculation of votes or any required percentage thereof.

(c) Creation of Additional Membership Classes.

The Declarant may create additional classes of Members for any Additional Property added to this Declaration pursuant to Section 2.2, and may amend the Articles of Incorporation without the consent, vote or approval of the Members or the Board in order to establish such additional membership categories pursuant to the North Carolina Nonprofit Corporation Act.

(d) Voting By Multiple Owners.

When any Unit of a Class A Member of the Association is owned Of Record in the name of two or more persons, other than husband and wife (either of whose vote will bind both), by an entity, or in any other manner of joint or common ownership, the Owner who is present at said meeting of the Association is entitled to vote on behalf of such Unit. If more than one Owner is present at an Association meeting, the vote for such Unit will be exercised as such co-Owners determine among themselves and advise the Secretary of the



Association in writing prior to any meeting; or the vote will be exercised by such co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners filed Of Record, a copy of which will be delivered to the Secretary of the Association and will remain effective for all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

6.3 Association Governance by Board.

A Board of Directors consisting of three (3) or five (5) members will govern the Association. Initially, during the Declarant Control Period, the Board will consist of three (3) members appointed by the Declarant, and following expiration of the Declarant Control Period, the Board will consist of five (5) members elected as provided in the Bylaws of the Association.

6.4 Meetings and Membership Voting.

Except as otherwise provided in this Declaration, rules and procedures of the Association, including, but not limited to, conducting elections, meetings (both regular and special), and for casting of votes by members, and the number thereof required for quorums and approval or ratification, shall be as set forth in the Bylaws.

ARTICLE 7

MAINTENANCE

7.1 Responsibilities of Owners.

Unless specifically identified herein as the responsibility of the Association, all maintenance and repair of Units, together with all other improvements thereon or therein and all lawns, landscaping, and grounds on and within such property will be the responsibility of the Owner thereof. Each Owner will be responsible for maintaining his or its property in a neat, clean, and sanitary condition, and such responsibility will include the maintenance and care of all exterior surfaces of all Unit dwellings, buildings, and other structures and all lawns, trees, shrubs, hedges, grass, and other landscaping. Except as provided in Section 7.2 hereof, each Owner will also be obligated to pay for the costs incurred by the Association for repairing, replacing, maintaining, or cleaning any item which is the responsibility of such Owner, but which responsibility such Owner fails or refuses to discharge. Such costs and expenses, including reasonable costs and expenses of collection and such fines as may be established by the Association, from time to time, to reimburse the Association for the administrative costs incurred thereby, or otherwise, will be a Specific Assessment under Section 11.9. No Owner will (i) decorate, change, or otherwise alter the appearance of any portion of the exterior of a Unit dwelling, building or other structure, or the landscaping, grounds, or other improvements within his or its property unless such decoration, change, or alteration is first approved, in writing, by the ARC, or (ii) do any work which, in the reasonable opinion of the Board of Directors, would jeopardize the soundness and safety of the Development, reduce the value thereof, or impair any easement or hereditament thereto, without in every such case obtaining the written approval of the Board of Directors, and the Owners and Mortgagees of property directly affected thereby or benefiting from such easement or hereditament.

(a) Holiday Decorations.

Notwithstanding the foregoing, the ARC may adopt specific guidelines of terms, conditions and standards for decorations which may be placed upon the exterior of a Unit dwelling, building or the grounds thereof during a holiday season. The ARC may limit the application of such holiday decorating guidelines to generally recognized holidays that the ARC, in its sole discretion, deems to recognize in such guidelines; may limit the authorized placement of decorations to a specified period of time, before which and after



which no such decoration shall be permitted; and may limit by size, color, composition, and construction material the types of decorations that will be allowed in accordance with such published guidelines.

7.2 Association's Responsibility.

(a) General.

Except as may be herein otherwise specifically provided, the Association will maintain and keep in good repair all portions of the Common Areas and any easement area encumbering properties of Owners for which the Association is responsible under this Declaration, including responsibility prior to transfer to the Association in accordance with Section 2.4, or under any Supplemental Declaration, which responsibility will include the maintenance, repair, and replacement of (a) all drainage Storm Water Management Systems not under governmental authority and responsibility or under expressly specified care and maintenance of a Neighborhood Association, (b) all walks, paths, landscaped areas, and other improvements situated within the Common Areas or easements, (c) security systems and utility lines, pipes, plumbing, wires, conduits, and related systems which are a part of its said properties and which are not maintained by a public authority, public service district, public or private utility, or other person, (d) and all lawns, trees, shrubs, hedges, grass, and other landscaping situated within or upon its said properties or easement areas. The Association will not be liable for injury or damage to any person or property (i) caused by the elements or by any Owner or any other person, (ii) resulting from any rain or other surface water which may leak or flow from any portion of its properties, or (iii) caused by any pipe, plumbing, drain, conduit, appliance, equipment, security system, or utility line or facility, the responsibility for the maintenance of which is that of the Association, becoming out of repair. Nor will the Association be liable to any Owner for loss or damage, by theft or otherwise, of any property of such Owner which may be stored in or upon any portion of its properties or any other portion of the Property. No diminution or abatement of Assessments will be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments being a separate and independent covenant on the part of each Owner.

(b) Work In Behalf of Owners.

In the event that the Declarant or the Board of Directors determines that: (A) any Owner or Occupant has failed or refused to discharge properly his or its obligations with regard to the maintenance, cleaning, repair, or replacement of items for which he or it is responsible hereunder, or (B) that the need for maintenance, cleaning, repair, or replacement which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner or Occupant, and is not covered or paid for by insurance in whole or in part, then, in either event, the Declarant or the Association, except in the event of an emergency situation, may give such Owner written notice in accordance with Section 14.16 of the Declarant's or the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement, at the sole cost and expense of such Owner, and setting forth with reasonable particularity the maintenance, cleaning, repairs, or replacement deemed necessary. Except in the event of emergency situations, such Owner will have fifteen (15) days within which to complete the same in a good and workmanlike manner, or in the event that such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15)-day period, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete the same in a good and workmanlike manner. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after such notice, the Declarant or the Association may provide (but will not have the obligation to so provide) any such maintenance, cleaning, repair, or replacement at the sole cost and expense of such Owner and said cost will be added to and become a part of the Assessment to which such Owner and his property is subject and will become a lien against such property. In the event that the Declarant undertakes such



maintenance, cleaning, repair, or replacement, the Association will promptly reimburse the Declarant for the Declarant's costs and expenses.

(c) Work In Behalf of Neighborhood Association.

In the event that the Declarant or the Board of Directors determines that: (A) any Neighborhood Association has failed or refused to discharge properly its obligations with regard to the maintenance, cleaning, repair, or replacement of items for which he or it is responsible hereunder, or (B) has failed or refused to maintain, clean, repair or replace the common elements of such Neighborhood Association under its separate Neighborhood Declaration, in either event, the Declarant or the Association, except in the event of an emergency situation, may give such Neighborhood Association written notice in accordance with Section 14.16 of the Declarant's or the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement, at the sole cost and expense of the Owners within such Neighborhood Area for which the Neighborhood Association is responsible, and setting forth with reasonable particularity the maintenance, cleaning, repairs, or replacement deemed necessary. Except in the event of emergency situations, the Neighborhood Association will have fifteen (15) days within which to complete the same in a good and workmanlike manner, or in the event that such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15)-day period, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete the same in a good and workmanlike manner. In the event of emergency situations or the failure of the Neighborhood Association to comply with the provisions hereof after such notice, the Declarant or the Association may provide (but will not have the obligation to so provide) any such maintenance, cleaning, repair, or replacement at the sole cost and expense of all Owners of such Neighborhood Association and said cost will be assessed against such Owners as a Specific Assessment under Section 11.9 below, and will become a lien against such Owner's Unit within the Neighborhood Association.. In the event that the Declarant undertakes such maintenance, cleaning, repair, or replacement, the Association will promptly reimburse the Declarant for the Declarant's costs and expenses.

ARTICLE 8

INSURANCE AND CASUALTY LOSSES

8.1 Insurance.

(a) Association's Property Insurance.

The Board of Directors will have the authority to obtain and continue in effect adequate property insurance, in such form as the Board deems appropriate, for the benefit of the Association. Such coverage will insure all insurable improvements in and to the Common Areas against loss or damage by fire or other hazards, including, without limitation, extended coverage, flood, vandalism, and malicious mischief, such coverage to be in an amount sufficient to cover, after application of any deductibles, not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. If adequate property insurance can not be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(b) Association's Liability Insurance.

The Board will have the authority to and will obtain and continue in effect a public liability policy covering all the Common Areas and all damage or injury caused by the negligence of the Association, its Members, its directors and officers, or any of its agents. Such public liability policy will provide such coverages as are determined to be necessary by the Board of Directors. If adequate liability insurance can not



be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(c) Fidelity Bonds.

The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds belonging to or administered by the Association, including any professional management company assisting with the administration of the Association. The total amount of the fidelity bond coverage required will be based upon the best business judgment of the Board of Directors. Fidelity bonds will meet the following requirements: the Association will be named as an obligee; the bonds will contain waivers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and the bond will provide that it may not be canceled or substantially modified (including cancellation for nonpayment of a premium) without at least ten (10) days prior written notice to the Association and each Mortgagee listed as a scheduled holder of a first Mortgage in the fidelity bond.

(d) Association's Other Insurance.

The Board will have the authority and may obtain (A) workers' compensation insurance to the extent necessary to comply with any applicable laws and (B) other types and amounts of insurance as may be determined by the Board to be necessary or desirable, including, but not limited to, fidelity and directors' and officers' liability coverage.

(e) Association's Policies.

All such insurance coverage obtained by the Board of Directors will be written in the name of the Association as trustee for each of the Owners to the extent of his insurable interest and costs of all such coverage will be a Common Expense. Exclusive authority to adjust losses under policies obtained by the Association and hereafter in force with respect to the Development will be vested in the Board of Directors; provided, however, that no Mortgagee or other security holder of the Common Areas having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto. Insofar as permitted by law, the Association will be required to make every effort to secure insurance policies with the provisions hereinafter set forth:

(i) All policies will be written with a company licensed to do business in North Carolina holding a rating of A+ in a financial category of 10, or a better rating and financial category, as established by Best's Insurance Reports, if such a company is available or, if not available, its equivalent rating or the best possible rating.

(ii) All property insurance policies will be for the benefit of the Owners and their Mortgagees as their interests may appear.

(iii) All policies will contain a waiver of the insurer's right to cancel without first giving thirty (30) days' prior written notice of such cancellation to the Association and to any Mortgagee to which a mortgagee endorsement has been issued.

(iv) In no event will the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners or their Mortgagees, and all policies will contain a provision that the "other insurance" clauses in such policies exclude from consideration policies obtained by individual Owners or their Mortgagees.



(v) All policies will contain a waiver of subrogation by the insurer as to any claims against the Association, the Association's directors and officers, the Owners, Occupants, the Association's manager and any Owner or member of the Owner's household.

(vi) All policies will contain a provision that no policy may be cancelled, invalidated, or suspended on account of the conduct of one or more of the individual Owners or Occupants on account of the acts of any director, officer, employee, or agent of the Association or of its manager, without prior demand in writing to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured, said time to be at least thirty (30) days. All written demands shall be delivered to the Association and to each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued, at their respective last known address.

(vii) All liability insurance will contain cross-liability endorsements to cover liability of the Association to an individual Owner.

(viii) All policies will contain a provision that no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy.

(ix) All policies will contain a provision that the insurer issue certificates or memoranda of insurance to the Association and, upon written request, to any lot owner, mortgagee, or beneficiary under a deed of trust; provided further, however, the insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the association, each lot owner, and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(f) Owner's Insurance.

It will be the individual responsibility of each Owner at his own expense and election to provide public liability, property damage, title, and other insurance with respect to his or its own Unit. The Board of Directors may require all Owners to carry public liability and property damage insurance with respect to their respective properties and to furnish copies or certificates thereof to the Association.

8.2 Damage or Destruction to Common Areas.

Immediately after damage or destruction by fire or other casualty to all or any part of the Common Areas covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent will proceed with the filing and adjustment of all claims arising under such insurance, and, in any such event, the Board will obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this (c), means repairing or restoring the damaged property substantially to the same condition in which it existed prior to the fire or other casualty. Unless within sixty (60) days following any damage or destruction to all or a part of the Common Areas, Declarant, for so long as Declarant owns any of the Property primarily for development or sale, and the Board acting on the vote of eighty percent (80%) or more of the votes of the entire Association, including one hundred percent (100%) of the Owners assigned exclusive use of any Limited Common Area not to be rebuilt, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), will otherwise agree, the Association will restore or replace such damaged improvements. If any insurance proceeds for such damage or destruction are not sufficient to defray the cost thereof, including any amount attributable to Association's insurance deductible, and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.6 hereof, such Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be



levied against the Owners equally in the same manner as Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If it is determined that the damage or destruction for which the insurance proceeds are paid will not be repaired or reconstructed, such proceeds will be used to restore the damaged or destroyed Common Areas to a condition compatible with the remainder of the subdivision. Any remaining insurance proceeds will be distributed to the Owners or lienholders, as their interests may appear, in proportion to the common expense liabilities of all Units.

8.3 Damage or Destruction to Owners' Properties.

In the event of damage or destruction by fire or other casualty to any property subject to this Declaration, or the improvements thereon, and in the further event that the Owner responsible for the repair and replacement of such property elects not to repair or rebuild, such Owner will promptly clear away the ruins and debris of any damaged improvements or vegetation and leave such property in a clean, orderly, safe, and sightly condition. Should such Owner elect to repair or rebuild such property or other improvements thereon, such Owner will repair or rebuild substantially to the same condition as existed prior to such fire or other casualty and in accordance with all applicable standards, restrictions, and provision of this Declaration (including, without limitation, the procedures and architectural guidelines under Article 3) and all applicable zoning, subdivision, building, and other governmental regulations. All such work or repair or construction will be commenced promptly following such damage or destruction and will be carried through diligently to conclusion.

8.4 Damage or Destruction to Common Areas by Owners.

If an Owner is responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover the amount from the Owner.

8.5 Damage to an Owner's Lot by Association.

If damage is inflicted on any Unit by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

8.6 Hearing Procedure Following Damage or Destruction.

When a claim arising under Sections 8.4 or 8.5 is less than or equal to \$4,000 or the then current jurisdictional amount for small claims pursuant to N.C. Gen. Stat. 47F-3-107, the aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Board of Directors to determine if an Owner is responsible for damages to any Common Area or if the Association is responsible for damages to a Unit. The adjudicatory panel may assess liability for the damage incurred by the aggrieved party. If the amount of damage is found to be more than the current jurisdictional amount for small claims, liability of any Owner or the Association shall be determined as otherwise provided by law.

(a) If the party charged is assessed an amount pursuant to this Section, said amount will be due within thirty (30) days of receipt of the amount assessed.

(b) Any assessment payable by an Owner remaining unpaid for thirty (30) days, together with simple interest at a rate established from time to time by the Board of Directors, not to exceed eighteen (18%) per annum, will be an equitable charge and a continuing lien when a claim of lien is filed of record in the office of the Clerk of Superior Court in Brunswick County, North Carolina. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time of the claim of lien is filed, a description of the Unit and the amount of the lien claimed. A lien for unpaid assessments for damages by



an Owner is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Brunswick County, North Carolina.

(c) A judgment, decree, or order in any action brought under this Section shall include costs and reasonable attorney's fees of enforcement and collection for the prevailing party.

(d) In addition, any liabilities of the Association determined by the adjudicatory Panel in the hearing pursuant to Section 8.6(e)(ii) below or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any Lien of the Association against the Unit at issue.

(e) Procedure. In the event an aggrieved party requests that an Owner or the Association be brought before an adjudicatory Panel, the following procedures shall control.

(i) Notice. If an aggrieved party requests a hearing pursuant to this Section 9.6, then the Board shall provide the party charged with twenty (20) days notice of the time and place of the hearing and the damage alleged.

(ii) Hearing. All hearings under this Section 9.6 will be held before an adjudicatory panel appointed by the Board, or if no adjudicatory panel is appointed, the hearing will be before the Board itself sitting as the adjudicatory panel. The party charged will be afforded an opportunity to be heard and to present witnesses and written notice of the decision.

ARTICLE 9

CONDEMNATION

9.1 Condemnation of Common Areas.

Whenever all or any part of the Common Areas of the Development will be taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof by the Board acting on the affirmative vote of seventy-five percent (75%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members, which percentage will also constitute the quorum required for any such meeting, and following written approval by the Declarant for so long as the Declarant owns any of the Property primarily for development or sale, the award or proceeds made or collected for such taking or sale in lieu thereof will be payable to the Association and will be disbursed or held as follows:

(a) Common Areas With Improvements.

If the taking or sale in lieu thereof involves a portion of the Common Areas on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant, for so long as the Declarant owns any of the Property primarily for development or sale, and the Board, acting on the vote of seventy-five percent (75%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), will otherwise agree, the Association will restore or replace such improvements so taken, to the extent practicable, on the remaining lands included in the Common Areas which are available therefore, in accordance with the plans approved by the Board of Directors, the ARC, and by Declarant during the Declarant Control Period. If the awards or proceeds are not sufficient to defray the cost of such repair and replacement and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.5, such Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be levied against the Owners equally in the same manner as



Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If such improvements are not to be repaired or restored, the award or proceeds will be retained by and for the benefit of the Association.

(b) Common Areas Without Improvements.

If the taking or sale in lieu thereof does not involve any improvements to the Common Areas, or if there are net funds remaining after any such restoration or replacement of such improvements is completed, then such award, proceeds, or net funds will be retained by and for the benefit of the Association.

(c) Including Owner's Property.

If the taking or sale in lieu thereof includes all or any part of an Owner's property and also includes any part of the Common Areas, then a court of competent jurisdiction will apportion such award or proceeds and such award or proceeds will be disbursed to the Association and the Owners so affected so as to give just compensation to the Owners for their interest in such property; provided, however, such apportionment may instead be resolved by the agreement of (A) the Board of Directors, (B) the Owners of all properties wholly or partially taken or sold, together with the Mortgagees for each such property, and (C) the Declarant, for so long as the Declarant owns any of the Property primarily for development or sale.

9.2 Condemnation of Owners' Properties.

(a) Election Not To Restore.

In the event that all or any part of a property subject to this Declaration, or any improvements thereon is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and in the further event that the Owner thereof elects not to restore the remainder of such property, then the Owner making such election will promptly clear away any remaining improvements damaged or destroyed by such taking or conveyance and will leave such property and any remaining undamaged improvements thereon in a clean, orderly, safe, and sightly condition. In addition, if the size or configuration of such property remaining after such taking or conveyance is insufficient to permit the restoration of the remaining improvements thereon or therein to their condition prior to such taking or conveyance in compliance with all applicable standards, restrictions, and provision of this Declaration and all applicable zoning, subdivision, building, and other governmental regulations, then such Owner will have the option, after clearing away all remaining improvements or portions thereof and placing the remainder in a clean, orderly, safe, and sightly condition referred to above, of deeding the remaining portion of the property to the Association as a part of the Common Areas, and thereafter any such Owner will not have any further voting rights or membership rights or privileges in the Association or with respect to the Development and will not be subject to any further Assessments imposed by the Association and payable after the date of such deeding and attributable to such property deeded to the Association.

(b) Election to Restore.

In the event that any part of a property subject to this Declaration, or any improvements thereon, is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and if the Owner thereof elects to restore the remainder of the property, such Owner making such election will restore such remainder thereof as nearly as practicable to the same condition it was in prior to such taking or conveyance and in accordance with all applicable standards, restrictions, and provisions of this Declaration and all applicable zoning, subdivision, building, and other governmental regulations. All such work of restoration will be commenced promptly following such taking or conveyance and will be carried through diligently to conclusion.



ARTICLE 10

FUNCTIONS OF THE ASSOCIATION

10.1 Board of Directors and Officers.

The Association, subject to the rights of the Declarant and the rights and duties of the Owners set forth in this Declaration, will be responsible for the exclusive management and control of the Common Areas and all improvements thereon (including furnishings and equipment related thereto) and will keep the same in a good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions thereof. Except to the extent otherwise required by the provisions of the Nonprofit Corporation Act, this Declaration, the Bylaws, or the Articles of Incorporation, the powers herein or otherwise granted to the Association shall be exercised by the Board of Directors, acting through the officers of the Association and their duly authorized delegates, without any further consent or action on the part of the Owners. As provided in Section 14.1 hereof and notwithstanding any other provision to the contrary contained in any instruments evidencing or establishing the Development, Declarant will have the right to appoint or remove any member or members of the Board of Directors or any officer or officers of the Association during the Declarant Control Period. Each Owner, by acceptance of a deed to or other conveyance of a Unit vests in Declarant such authority to appoint and remove directors and officers of the Association as provided by this Section 10.1 and by Section 14.1 hereof.

10.2 Duties and Powers.

The duties and powers of the Association will be those set forth in the provision of the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, the Bylaws, and the Articles of Incorporation, together with those reasonably implied to effect the purposes of the Association; provided; however, that if there are conflicts or inconsistencies between the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, this Declaration, the Bylaws, or the Articles of Incorporation, the provisions of the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, this Declaration, the Articles of Incorporation, and the Bylaws, in that order, will prevail, and each Owner of a property within the Development, by acceptance of a deed or other conveyance therefor, covenants to vote in favor of such amendments as will remove such conflicts or inconsistencies. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, together with every other right or privilege reasonable to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege. Such powers of the Association will include, but will not be limited to, the power to purchase one or more properties subject to this Declaration and to hold, lease, mortgage, sell, and convey the same. Such duties may include, but will not be limited to, arranging with governmental agencies, public service districts, public or private utilities, or others, as a Common Expense or by billing directly to the Owners, to furnish trash collections, water, sewer, and/or security service for the properties subject to this Declaration. Notwithstanding the foregoing provision of this Section 10.2 or any other provision of this Declaration to the contrary, during the Declarant Control Period the Association will not, without the written approval of Declarant, borrow money or pledge, mortgage, or hypothecate all or any portion of the Common Areas.

(a) Ownership of Properties.

The Association will be authorized to own, purchase, lease, use under any use agreement, and maintain (subject to the requirements of any Federal, State or local governing body of North Carolina) Common Areas, equipment, furnishings, and improvements devoted to the uses and purposes expressed and implied in this Declaration, including, but not limited to, the following uses:

- (i) For park areas, walks, paths or trails throughout the Property;



(ii) For security services, including security stations, maintenance building and/or guardhouses;

(iii) For providing any of the services which the Association is authorized to offer under Section 10.2(b) below; and

(iv) For purposes set out in deeds or agreements by which Common Areas are conveyed or by which use rights are granted to the Association.

(b) Services.

The Association will be authorized (unless prohibited by the requirements of any Federal, State or local governing body) to provide such services required to promote the uses and purposes for which the Association is formed as expressed or implied in this Declaration, including, but not limited to, the following services:

(i) Cleanup and maintenance of all Common Area private roads, roadways, road shoulders, roadway medians, parkways, Ponds , drainage areas and easements outside of the Units, and also all public properties which are located within or in a reasonable proximity to the Property such that their deterioration would affect the appearance of the Property as a whole;

(ii) Landscaping of Common Areas and walking paths within or constituting a Common Area;

(iii) Lighting throughout the Common Area;

(iv) Maintenance of any installed electronic and other access and control devices for the protection of the Property, if any such devices are ever installed, and assistance to the local police and sheriff departments in the apprehension and prosecution of persons who violate the laws of North Carolina within the Property;

(v) Insect and pest control to the Common Area to the extent that it is necessary or desirable in the judgment of the Board of Directors to supplement the service provided by the state and local governments;

(vi) The services necessary or desirable in the judgment of the Board of Directors to carry out the Association's obligations and business under the terms of this Declaration and to collect Annual Assessments, Special Assessments, Emergency Special Assessments, Specific Assessments, and other fees and charges collectable from the Owners hereunder;

(vii) To take any and all actions necessary to enforce these and all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in any covenants or restrictions applicable to the Property;

(viii) To set up and operate an architectural review committee in the event that the Association is assigned the whole or any portion of the function of the ARC by the Declarant;

(ix) To construct improvements on Common Areas for use for any of the purposes or as may be required to provide the services as authorized in this Section;



(x) To provide administrative services including but not limited to legal, accounting and financial; and communications services informing Members of activities, notice of Meetings, Referendums, etc., incident to the above listed services;

(xi) To provide liability and hazard insurance covering improvements and activities on Common Areas;

(xii) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Declarant;

(xiii) To provide any or all of the above listed services to another Association or Owners of real property under a contract, the terms of which must be approved by the Board of Directors; and

(xiv) To provide for hearings and appeal process for violations of rules and regulations.

10.3 Agreements.

Subject to the prior approval of the Declarant during the Declarant Control Period, all agreements and determinations lawfully authorized by the Board of Directors will be binding upon the Association and all Owners, their heirs, legal representatives, successors, and assigns, and all others having an interest in the Development or the privilege of possession and enjoyment of any part of the Development will comply with and be subject to the authorized actions of the Board of Directors. In performing its responsibilities hereunder, the Board of Directors, will have the authority to delegate to persons of its choice such duties of the Association as may be determined by the Board of Directors. In furtherance of the foregoing and not in limitation thereof, the Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association will deem necessary or desirable for the proper operation of the Development, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. All costs and expenses incident to the employment of a manager will be a Common Expense. During the term of such management agreement, such manager may, if authorized by the Board of Directors, exercise all of the powers and will be responsible for the performance of all the duties of the Association, excepting any of those powers or duties specifically and exclusively reserved to the directors, officers, or Members of the Association by this Declaration or the By-Laws. Such manager may be an individual, corporation, or other legal entity, as the Board of Directors will determine, and may be bonded in such a manner as the Board of Directors may require, with the cost of acquiring any such bond to be a Common Expense. In addition, the Association may pay for, and the Board of Directors may hire and contract for, such legal and accounting services as are necessary or desirable in connection with the operation of the Development or the enforcement of this Declaration, the By-Laws, or the rules and regulations of the Association.

(a) Management Agreement.

During the Declarant Control Period, the Declarant or an affiliate may be employed as the manager of the Association and the Development, with the option on the part of the Declarant or its affiliate to renew such employment for three (3) successive one-year terms from and after the termination of the Declarant Control Period. Every grantee of any interest in the Development, by acceptance of a deed or other conveyance of such interest, will be deemed to ratify such management agreement.

10.4 Mortgage or Pledge.

Subject to the provisions of Section 5.2(a), the Board of Directors will have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for

loans made to the Association which loans will be used by the Association in performing its authorized functions upon the approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting). The Declarant may make loans to the Association, subject to approval by the Declarant of the use to which such loan proceeds will be put and the terms pursuant to which such loans will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association will not be allowed to reduce the limits of the regular Annual Assessment at any time there are outstanding any amounts due the Declarant as repayment of any loans made by the Declarant to the Association.

10.5 Personal Property and Real Property for Common Use.

The Board of Directors may acquire and hold tangible and intangible personal property and real property and may dispose of the same by sale or otherwise. All funds received and title to all properties acquired by the Association and the proceeds thereof, after deducting therefrom the costs incurred by the Association in acquiring or selling the same, will be held by and for the benefit of the Association. The shares of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated, or transferred in any manner, except to the extent that a transfer of the ownership of a Unit also transfers the membership in the Association which is an appurtenance to such Unit.

10.6 Rules and Regulations.

As provided in Article 12 hereof, the Board of Directors, may make, amend, revoke and enforce reasonable rules and regulations governing the use of the Units and Common Areas, which rules and regulations will be consistent with the rights and duties established by this Declaration.

10.7 Reduction in Services.

During the calendar years of 2005 and 2006, and during the first two years when any Additional Property may be added to this Declaration, the Board of Directors will define and list a minimum level of services that will be furnished by the Association. So long as the Declarant is engaged in the development of properties, which are subject to the terms of this Declaration, the Association will not reduce the level of services it furnishes below such minimum level. Such minimum level of service will expressly include an obligation of the Association to maintain the Common Areas and pay the costs and expenses set forth in any lease or use agreement therefor.

10.8 Obligation of the Association.

The Association will not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 10.7 above. The functions and services to be carried out or offered by the Association at any particular time will be determined by the Board of Directors taking into consideration the funds available to the Association and the needs of the Members of the Association. Special Assessments will be submitted for approval as herein provided. Subject to the provisions of Section 10.7 above, the functions and services which the Association is authorized to carry out or to provide may be added or reduced at any time upon the sole approval of the Declarant during the Declarant Control Period, and thereafter, the functions and services which the Association is authorized to carry out or to provide may be added or reduced by the Board acting on the vote of fifty-one percent (51%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).



ARTICLE 11

ASSESSMENTS

11.1 Purpose of Assessments.

The Assessments for Common Expenses provided for herein will be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and Occupants of the Development, and maintaining the Development and improvements therein, all as may be more specifically authorized from time to time by the Board of Directors.

(a) Assessments Under Dutchman Village Covenant to Share Costs.

The Annual Assessments shall also include, and there shall be included in the budget of the Association, the "Allocable Share" of "Common Maintenance Expenses," as defined and provided in the Dutchman Village Covenant to Share Costs.

11.2 Creation of Lien and Personal Obligation of Assessments.

Each Owner, by acceptance of a deed or other conveyance thereof, whether or not it will be so expressed in such deed or conveyance, is deemed to covenant and agree to pay to the Association: (A) Annual Assessments, such Assessments to be established and collected as provided in Section 11.3, (B) Special Assessments, such Assessments to be established and collected as provided in Section 11.5, (C) Emergency Special Assessments, such Assessments to be established and collected as provided in Section 11.7 and (D) Individual or Specific Assessments pursuant to Section 11.9. Any such Assessments remaining unpaid for thirty (30) days, together with late charges, simple interest at a rate established from time to time by the Board of Directors, and court costs and attorneys' fees incurred to enforce or collect such Assessments, will be an equitable charge and a continuing lien when a claim of lien is filed of record in the office of the Clerk of Superior Court in Brunswick County, North Carolina. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time of the claim of lien is filed, a description of the Unit and the amount of the lien claimed. Each Owner will be personally liable for Assessments, coming due while he is the Owner of a property, and his grantee will take title to such property subject to the equitable charge and continuing lien therefor, but without prejudice to the rights of such grantee to recover from his grantor any amounts paid by such grantee therefor; provided, however, the lien for unpaid Assessments will be subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Unit) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Unit. Sale or transfer of any Unit will not affect the lien of the Assessments; however, the sale or transfer of any Unit, which is subject to any Institutional Mortgage or Mortgage of Declarant, pursuant to a decree of foreclosure, will extinguish the lien of the Assessments as to payment thereof which became due prior to such sale or transfer. In the event of co-ownership of any property subject to this Declaration, all of such co-Owners will be jointly and severally liable for the entire amount of such Assessments. Assessments will be paid in such manner and on such dates as may be fixed by the Board of Directors in accordance with Section 11.3(e), provided that unless otherwise provided by the Board, the Annual Assessments will be paid in equal monthly installments. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Brunswick County, North Carolina. A judgment, decree, or order in any action brought under this Section shall include costs and reasonable attorney's fees for the prevailing party. To the extent any subordinated lien and permanent charge for any Assessment is extinguished by foreclosure of any Institutional Mortgage or Mortgage of the Declarant, then the amount or amounts otherwise secured thereby which cannot otherwise be collected will be deemed a Common Expense collectible from all Owners, including the person who acquires title through the foreclosure sale.



11.3 Establishment of Annual Assessment.

It will be the duty of the Board of Directors at least ninety (90) days prior to the first day of the Association's first full fiscal year, and each fiscal year thereafter, to prepare a budget covering the estimated Common Expenses during the coming year, such budget to include a reserve account, if necessary, for the capital needs of the Association, and shall include a good-faith estimate of the number of Units estimated to be added in the coming year. In calculating the budget, the Board shall have the power to either reduce the budgeted expenses for the fiscal year being budgeted or to set aside such surplus in such operating and/or capital reserve account as the Board, in its sole discretion, shall determine, and apply such surplus in reduction of the budget for the next succeeding year. Notwithstanding the foregoing, during the "Deficit Funding Period," an alternate build-out budget and Annual Assessments shall be calculated as provided in sub-Section (a) below, and the Board shall adopt a budget that results in an Annual Assessment that is the lesser of (i) the amount calculated pursuant to this Section 11.3, or (ii) the amount calculated based upon a build-out budget pursuant to sub-Section (a) below.

(a) Annual Assessments During Deficit Funding Period.

Budgets prepared during the Deficit Funding Period shall be based upon a projection of the total Common Expenses at full build-out of the Development, and the Annual Assessment shall be determined by dividing the amount of the total anticipated Common Expenses at full build-out by a number equal to 75% of the Total Planned Units for the Development, subject to reduction during the period prior to the completion of the Residents' Club described in Section 2.1(a) above. Until the Residents' Club is completed, the amount of the Annual Assessment shall be no more than 25% of the projected, build-out Annual Assessment. Upon completion of the Residents' Club, the expenses associated with the Residents' Club described above, shall be included in the total amount of Common Expenses used to calculate the amount of the Annual Assessment, thereby adjusting the amount of the Annual Assessment to the amount reflected by the full "build-out" Budget for the applicable period. Such alternate calculation shall be utilized in setting the Annual Assessment pursuant to the penultimate sentence of Section 11.3 above.

(b) Notice of Proposed Annual Assessment; Ratification.

The Board will cause notice of the budget and the proposed total of the Annual Assessments to be levied against properties subject to this Declaration for the following year to be delivered to each Owner at least thirty (30) days prior to the first day of the fiscal year for which the budget and Assessments are established. Such notice shall set a date for a meeting of the Owners to consider ratification of the budget, at which a quorum need not be present, and shall include a statement that the budget will be ratified unless at the meeting the Owners entitled to cast sixty-seven percent (67%) of the votes of the Association rejects the Budget. Such meeting shall be held not less than ten (10) nor more than sixty (60) days after mailing of said notice. The total Annual Assessments will be divided among Units equally.

(c) Disapproval of Annual Assessments.

The annual budget and Annual Assessments, as determined by the Board of Directors, as hereinabove provided, will become effective unless disapproved as above provided. In the event the proposed budget and Annual Assessments are disapproved or in the event the Board of Directors fails for any reason to determine an annual budget and to set the Annual Assessments, then and until such time as a budget and Annual Assessment will have been determined as provided herein, the budget and Annual Assessments will be the Default Budget and Default Annual Assessments calculated in accordance with Section 11.4.

(d) Special Board Action to Increase.

If the Board of Directors determines that the important and essential functions of the Association budgeted for the year will not be properly funded in any year by the Annual Assessment herein



provided, it may increase such Assessment; provided, however, an increase in Annual Assessments in any year pursuant to special Board action as aforesaid will in no way affect Annual Assessments for subsequent years.

(e) Billing of Annual Assessments.

The Annual Assessments will be billed monthly, quarterly, semi-annually or annually, as set by the Board, and will be due and payable on or before the last day of the month in which billed.

(f) Rounding.

All Annual Assessments charged by the Association will be rounded off to the nearest dollar.

(g) For Common Expenses.

The Common Expenses to be funded by the Annual Assessments may include, but will not necessarily be limited to, the following:

(i) management fees and expenses of administration, including legal and accounting fees;

(ii) utility charges for utilities serving the Common Areas and charges for other common services for the Development, including trash collection and security services, if any such services or charges are provided or paid by the Association;

(iii) the cost of any policies of insurance purchased for the benefit of all the Owners and the Association as required or permitted by this Declaration, including fire, flood, and other hazard coverage, public liability coverage, and other insurance coverage determined by the Board to be in the interests of the Association and the Owners;

(iv) the expenses of maintenance, operation, and repair of those portions of the Common Areas which are the responsibility of the Association under the provisions of this Declaration;

(v) the expenses of any architectural review board established to receive and administer the whole or any portion of the ARC functions transferred and conveyed to the Association, which are not defrayed by plan review charges;

(vi) ad valorem real and personal property taxes assessed and levied against the Common Areas;

(vii) such other expenses as may be determined from time to time by the Board of Directors to be Common Expenses, including, without limitation, taxes and governmental charges not separately assessed against Units; and

(viii) the establishment and maintenance of a reasonable reserve fund or funds (A) for maintenance, repair, and replacement of those portions of the Common Areas which are the responsibility of the Association and which must be maintained, repaired, or replaced on a periodic basis, (B) to cover emergencies and repairs required as a result of casualties which are not funded by insurance proceeds, and (C) to cover unforeseen operating contingencies or deficiencies arising from unpaid Assessments or liens, as well as from emergency expenditures and other matters, all as may be authorized from time to time by the Board of Directors.

11.4 Determination of Default Budget and Default Annual Assessment.

Upon the failure of the Board of Directors to adopt a budget, or upon the disapproval of any budget pursuant to Section 11.3(b), the Default Budget and Default Annual Assessments will be the greater of:

(i) The then existing budget and Annual Assessments, increased in proportion to the percentage increase, if any, in the CPI-U from December of the preceding year to November of the then current year in which the said maximum budget and Annual Assessment is being determined, or by ten (10%) percent, whichever is greater; or

(ii) The budget and Annual Assessments for the year in which this Declaration is filed Of Record by the Declarant, increased to the year in which the said maximum budget and Annual Assessment is being determined in proportion to the percentage increase, if any, in the CPI-U from December of the year preceding the year in which this Declaration is filed Of Record to November of the year in which the said maximum budget and Annual Assessment is being determined, or by ten (10%) percent per annum, compounded, whichever is greater.

(b) Change in Default Amounts Upon Merger or Consolidation.

The limitations of this Section 11.4 will apply to any merger or consolidation in which the Association is authorized to participate under Section 2.2(c), and under the Bylaws of the Association.

11.5 Special Assessments.

In addition to the regular, Annual Assessments authorized by Section 11.3 hereof, the Association may levy Special Assessments, for the following purposes:

(a) Construction, reconstruction, unexpected repair or replacement of a damaged capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto as well as any insurance policy deductible if the damage is an insured loss;

(b) To provide for the unexpected and unbudgeted acquisition of necessary facilities and equipment required for the Association to offer the services authorized herein;

(c) To provide funding for such other extraordinary and unbudgeted expenditures of the Association as the Board shall determine to be required for the efficient discharge of the Association duties and responsibilities hereunder, and which cannot, in the Board's reasonable judgment, be delayed until the next budget is prepared;

(d) To cover any shortfall, whether by way of deductible or otherwise, in insurance proceeds recovered; and

(e) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.

11.6 Special Assessments: Approval by Declarant and Disapproval by Members.

Except as otherwise permitted in Sections 8.2, 9.1 and 11.7 hereof, any Special Assessment will only be levied if: (A) during the Declarant Control Period the Declarant approves, in writing, such Special Assessment; and (B) the Special Assessment is not disapproved by sixty-seven percent (67%) or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting. The notices of such special meeting will include one statement from the Directors favoring the Special Assessment and one statement



from those Directors opposing the Special Assessment containing the reasons for those Directors' support and opposition for the Special Assessment, if any such statements are provided by the Directors supporting and opposing the Special Assessment (Directors being under no obligation to provide such statements). Neither statement, either supporting or opposing the Special Assessment, will exceed five pages in length.

(b) Apportionment.

Special Assessments will be apportioned equally among the Units, in the same manner as Annual Assessments.

11.7 Emergency Special Assessments: Unbudgeted Insurance Premium Increases.

In addition to the Annual Assessments authorized by Section 11.3 and the Special Assessment authorized by Section 11.5 hereof, the Association may levy Assessments for repairs, reconstruction, alterations or improvements due to emergencies of any type, as determined by the Declarant during the Declarant Control Period, and/or by the Board of Directors, in their sole discretion ("Emergency Special Assessment"). An Emergency Special Assessment may also be levied as herein provided to pay any unbudgeted insurance premium increases due and payable upon the renewal of any Association insurance during a fiscal period, sometimes referred to as an "insurance assessment." Any Emergency Special Assessment, including an insurance assessment, may be imposed without a vote of the Members. Emergency Special Assessments will be apportioned equally among the Units, in the same manner as Annual Assessments unless it is determined by the Declarant and/or Board that another apportionment thereof is more reasonable and more equitably justified by the circumstances giving rise to such emergency.

11.8 Declarant's Properties.

Anything contained herein to the contrary notwithstanding, the Declarant will be exempt from the payment of Annual Assessments, Special Assessments and Emergency Special Assessments with respect to unimproved and unoccupied Units owned by the Declarant and subject to this Declaration.

(a) Declarant's Funding Obligation During Deficit Funding Period in Lieu of Annual Assessments.

The Declarant hereby covenants and agrees that during the Deficit Funding Period, during which the budget is calculated pursuant to Section 11.3(a), Declarant will pay the difference between the amount of Annual Assessments collected on all other Units not owned by the Declarant and the amount of actual expenditures by the Association during the fiscal year. The Declarant's funding obligation pursuant to this sub-Section (a) shall be an equitable charge and a continuing lien upon the Declarant unimproved portions of the Property that have not been converted to Units. Any subsidy hereunder shall not be reimbursable as a loan or advance against future Annual Assessments.

(b) Declarant's Funding Obligation During Remainder of Declarant Control Period in Lieu of Annual Assessments.

From and after the expiration of the Deficit Funding Period and continuing until expiration of the Declarant Control Period, Declarant it will annually elect either to pay an amount equal to the Annual Assessment for each such Unit owned by it or to pay the difference between the amount of Assessments collected on all other Units not owned by the Declarant and the amount of actual expenditures by the Association during the fiscal year, but not in a sum greater than the Annual Assessments the Declarant would pay if not exempt therefrom. Unless the Declarant otherwise notifies the Board in writing at least sixty (60) days before the beginning of each fiscal year, the Declarant will be deemed to have elected to continue paying on the same basis as existed during the immediately preceding year.



(c) Declarant's Reduction of Annual Assessment Payable by Owners.

So long as the Declarant owns any Unit for sale or any portion of the Property upon which additional Units are to be developed and/or constructed, the Declarant may, but will not be obligated to, reduce the Annual Assessment for any year to be paid by Owners. The Declarant will fund any such reduction in the amount assessed against the Owner as a subsidy. Any such subsidy will, in the Declarant's sole discretion, be (A) a contribution to the Association, (B) an advance against future Annual Assessments due from said Declarant, or (C) a loan to the Association. The amount and character (contribution, advance or loan) of such payment by the Declarant will be conspicuously disclosed as a line item in the budget and will be made known to the Owners. The payment of such a subsidy in any year will under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant. Any such subsidy payment by the Declarant may be made in-kind.

(d) Assignment of Declarant Rights and Obligations Under This Section 11.8.

The Declarant may assign all of its rights, subject to its covenants and obligations, under this Section 11.8 to any spec builder to which the Declarant conveys one or more Units to be constructed upon by such builder, said rights, covenants and obligations extending solely to the Units so conveyed by the Declarant to the Builder and that are the subject matter of any such permitted assignment. Any such assignment shall specifically set forth the formula, terms and conditions applicable to the builder's Assessment obligation.

11.9 Individual Specific Assessments.

Any expenses incurred by the Association or the Declarant because of the actions of one or more Owners or Occupants, or because of their failure to act, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration, including, but not limited to, recoverable expenses incurred as a result of work performed in behalf of an Owner under Section 7.2(b) or work performed in behalf of a Neighborhood Association under Section 7.2(c), and any fines as may be imposed against an Owner in accordance with Article 12 hereof, will be specially assessed as a Specific Assessment against each such Owner and the Owner's Unit. Assessment charged for the Limited Common Expenses for maintenance, repair, replacement, and management of a Neighborhood Common Area by the Association shall be assessed against the Owners with exclusive rights in and to the Neighborhood Common Areas pursuant to the Supplemental Declaration with respect thereto, or, in the absence of a specific allocation of such expenses for the Neighborhood Common Areas, prorata among the Owners with exclusive rights in and to the Neighborhood Common Areas. Any Amenity Use Charge for which the Association has extended charge privileges will also constitute a Specific Assessment hereunder. In addition, in the event that a specific Assessment is made for a judgment against the Association, then such specific Assessment shall only be assessed against those who were Owners at the time the judgment was entered against the Association.

11.10 Effect of Nonpayment: Remedies of the Association.

An Assessment shall be due in full not later than the last day of the month in which the Assessment is billed, and any Assessment or portion thereof which is not paid when so due will be delinquent. Any delinquent Assessment will incur a late charge in an amount as may be determined by the Board from time to time, but not to exceed the greater of twenty dollars (\$20.00) or ten percent (10%) of the amount of the unpaid assessment, and, upon adoption of a policy therefor by the Board of Directors, will also commence to accrue simple interest at the rate set by the Board of Directors from time to time, not to exceed eighteen percent (18%). A lien and equitable charge as herein provided for each Assessment installment shall attach simultaneously as the same will become due and payable, and if an Assessment installment has not been paid as aforesaid, the entire unpaid balance of the Assessment installments remaining to be paid during the fiscal year may be accelerated by the option of the Board and be declared due and payable in full. The continuing lien and equitable charge of such Assessment will include all costs of collection, including reasonable attorneys' fees and court costs, subject to the



provisions of G.S. 47F-3-116, subordinate only to liens for unpaid taxes, any Institutional Mortgage and any Mortgage held by the Declarant as provided in Section 11.2 above. Such lien shall be duly filed of record by the Association when the assessment or other amounts are more than thirty (30) days overdue. In the event that the Assessment remains unpaid sixty (60) days following the date when so due, the Association may institute suite to collect such amounts and to foreclose its lien within three years from the docketing of the claim of lien in the office of the Clerk of Superior Court for Brunswick County, North Carolina, otherwise said lien will be extinguished. The equitable charge and lien provided for in this Section will be in favor of the Association, and each Owner, by his acceptance of a deed or other conveyance to a Unit, vests in the Association and its agents the right and power to bring all actions against him personally for the collection of such Assessments as a debt and/or to foreclose the aforesaid lien in like manner as a mortgage of real property. The Association will have the power to bid on the Unit at any foreclosure sale and to acquire, hold, lease, mortgage, and convey the same. No Owner may waive or otherwise escape liability for the Assessments provided for herein, including by way of illustration but not limitation, non-use of the Common Areas or abandonment of his Unit, and an Owner will remain personally liable for Assessments, including interest and late charges which accrue prior to a sale, transfer, or other conveyance of his Unit.

11.11 Certificate.

The Treasurer, any Assistant Treasurer, or the manager of the Association will, within ten (10) days of a written request and upon payment of a fee set from time to time by the Board of Directors, furnish to any Owner or such Owner's Mortgagee which requests the same, a certificate signed by the Treasurer, Assistant Treasurer, or manager setting forth whether the Assessments for which such Owner is responsible have been paid, and, if not paid, the outstanding amount due and owing, together with all fines, accrued interest, and other penalty charges. Such certificate will be conclusive evidence against all but such Owner of payment of any Assessments stated therein to have been paid.

11.12 Date of Commencement of Assessments.

During the Deficit Funding period, the Assessments provided for herein will commence on the date on which an improved Unit is issued a Certificate of Occupancy by governmental authority with jurisdiction thereof. Following the Deficit Funding period, Assessment will be due and payable in such manner and on such schedule as the Board of Directors may provide. Annual Assessments, Special Assessments and Emergency Special Assessments will be adjusted for such property according to the number of months then remaining in the then fiscal year of the Association and the number of days then remaining in the month in which such property is first conveyed.

(a) Working Capital Collected At Initial Closing.

Notwithstanding anything to the contrary in this Declaration, a working capital fund will be established for the Association by collecting from each Owner who acquires title to his Unit from the Declarant a working capital amount equal to 2/12ths of the Annual Assessment then in effect, which Assessment will be due and payable, and will be transferred to the Association, at the time of transfer of each Unit by the Declarant to any other Owner. Such sum is and will remain distinct from the Annual Assessment and will not be considered advance payment of the Annual Assessment. The working capital receipts may be used by the Association in covering operating expenses as well as any other expense incurred by the Association pursuant to this Declaration and the Bylaws.

11.14 Surplus Funds.

All funds paid into the Association by the Owners which remain after payment for common expenses, prepayment of reserves or any other expense, cost or fee defined herein shall be paid to the Owners in proportion to their common expense liabilities or credited to them to reduce future assessments.



ARTICLE 12

RULE MAKING

12.1 Rules and Regulations.

Subject to the provisions hereof, the Board of Directors may establish reasonable rules and regulations concerning the use of Units and the Common Areas, including Amenities, and facilities located thereon. In particular but without limitation, the Board of Directors may promulgate from time to time rules and regulations, which will govern activities that may, in the judgment of the Board of Directors, be environmentally hazardous, such as application of fertilizers, pesticides, and other chemicals. The Association will furnish copies of such rules and regulations and amendments thereto to all Owners prior to the effective date thereof. Such rules and regulations will be binding upon the Owners and Occupants until and unless any such rule or regulation is specifically overruled, cancelled, or modified by the Board of Directors or any such rule or regulation is disapproved by a majority or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting. Any action by the Board to adopt, overrule, cancel or modify any rule or regulation, or any vote of Members disapproving any rule or regulation, will not be effective and binding upon the Owners and Occupants until and unless the same is approved by the Declarant during the Declarant Control Period.

(a) Approval of Declarant.

So long as the Declarant owns any of the Property or the Additional Property for development and sale, no rule or regulation shall be adopted by the Board of Directors which would be binding upon the Owners of such Property to be developed by the Declarant without the prior written consent of the Declarant, including, but not limited to, and rule or regulation which would have the effect of discriminating against or in favor of one type of owner over another or of one type of tenant, lessee, renter or guest over another. Furthermore, the Board of Directors shall not, without the prior written consent of the Declarant, modify any rule or regulation that may be imposed by the Declarant in any Supplemental Declaration that limits or restricts use of any Amenity to Owners and accompanied guests and prohibits use and access thereof by persons who may rent a Unit.

12.2 Authority and Enforcement.

Subject to the provisions of Section 12.3 hereof, upon the violation of this Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation, the failure to timely pay any Assessments, the Board will have the power (A) to impose reasonable monetary fines which will constitute an equitable charge and a continuing lien as a Specific Assessment, (B) to suspend an Owner-Member's right to vote in the Association, (C) to suspend an Owner's or Occupant's right to use any of the Common Areas, or (D), in the case of a default in payment of any Assessment due, to suspend an Owner's or Occupant's cable TV service if such is provided by the Association or by a service provider under contract with the Association and for which payment thereunder is a Common responsibility of the Association. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property over the private roads and streets constituting Common Areas will not be terminated hereunder. An Owner or Occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or Occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.



12.3 Procedure.

Except with respect to the failure to pay Assessments, including late charges under Section 11.10 above, the Board will not suspend voting rights, or infringe upon or suspend any other rights of an Owner or other occupant of the Development for violations of the Declaration, By-Laws, or any rules and regulations of the Association, or impose a fine in excess of \$100 per occurrence of the event or condition giving rise to the imposition of a fine for each day more than five (5) days after a decision is rendered following the hearing provided in Section 12.3(c), unless and until the following procedure is followed:

(a) Demand to Cease and Desist.

Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

- (i) The alleged violation;
- (ii) The action required to abate the violation; and

(iii) A time period of not less than five (5) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the By-Laws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(b) Notice of Hearing.

Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice, in accordance with Section 14.16 of a hearing to be held by the Board in executive session. The notice will contain:

- (i) The nature of the alleged violation;
- (ii) The action required to abate the violation; and;

(iii) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the By-Laws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(c) Hearing.

The hearing will be held in executive session of the Board of Directors, adjudicated by a panel composed of Owners who are not officers or members of the Board, pursuant to the notice and will afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if the officer, director, or other individual who delivered such notice enters a copy of the notice together with a statement of the date and matter of delivery. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any. The decision of the adjudicatory panel shall be appealable to the full Board, whose decision shall be final.



ARTICLE 13

ALTERNATIVE DISPUTE RESOLUTION & LITIGATION

13.1 Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes.

The Declarant, Association, and Owners (collectively, the "Parties" and singularly, a "Party"), agree that any dispute, controversy or claim among them, including counterclaims and crossclaims, whether based upon contract, tort, statute, common law or otherwise (collectively, a "Dispute"), arising from or relating directly or indirectly to the Declaration or the Development (but not matters applicable solely to the Dutchman Village Covenant to Share Costs), including, without limitation, the interpretation, application or enforcement of the Declaration, the Association's Articles of Incorporation or Bylaws, except for "Exempt Claims" under Section 13.2, are subject to arbitration, as defined under North Carolina law and the Federal Arbitration Act, in lieu of civil proceedings and governed by the procedures set forth in Section 13.3.

13.2 Exempt Claims.

The following Claims ("Exempt Claims") are exempt from the provisions of Section 13.3:

- (a) any suit by the Association against a Bound Party to enforce any Assessments or other charges hereunder; and
- (b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and other relief the court may deem necessary in order to maintain the status quo and preserve any enforcement power of the Association hereunder until the matter may be resolved on the merits pursuant to Section 13.3 below; or
- (c) any suit between Owners which does not include the Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Declaration and the Development; or
- (d) any suit which otherwise would be barred by any applicable statute of limitation; or
- (e) any suit involving a matter that is not an Exempt Claim under sub-Sections (a) through (d) above, but as to which matter the Bound Party against whom the Claim is made waives the mandatory provisions of Section 13.3 below.

Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 13.3, but there is no obligation to do so.

13.3 Mandatory Procedures for Non-Exempt Claims.

(a) Parties to be Joined.

The Parties agree to arbitrate all Disputes with each other and with any other person or entity to the extent any or all such other persons and entities have agreed to participate in and be subject to arbitration of all Disputes.

(b) Mediation.

Prior to arbitration, if the Dispute cannot be settled through direct discussions, the Parties shall endeavor to resolve the Dispute between themselves, by participating in a mediation before a mediator mutually agreed upon by the Parties.

(c) Arbitration.

Any Dispute that cannot be settled by negotiation or mediation shall be settled by binding arbitration before a single arbitrator, mutually agreed upon by the Parties, who is an attorney with substantial experience in the subject matter of the Dispute. Arbitration will be governed by the commercial or construction arbitration rules of the American Arbitration Association (AAA), whichever is applicable, but will not be administered by the AAA unless the Parties so agree.

(d) The Arbitrator.

If the Parties cannot agree on a single arbitrator, each Party will pick an arbitrator who is an attorney with substantial experience in the subject matter of the Dispute. Those two arbitrators will then pick a third arbitrator who is an attorney with substantial experience in the subject matter of the Dispute, and the panel of three (3) arbitrators will decide the arbitration. If there is an impasse in the selection of arbitrators, any Party may make a motion to compel arbitration with the court of competent jurisdiction for Brunswick County, North Carolina and ask the court to resolve the selection of arbitrators.

(e) Arbitrability.

The issue of whether or not a Dispute is within the scope of this arbitration requirement (or "arbitrability") will be decided by an arbitrator or arbitrators selected pursuant to the terms of this Article 13.

(f) Situs of Mediation and Arbitration.

All mediation and arbitration proceedings will be conducted in Brunswick County, North Carolina. The participating Parties shall share the costs and expenses of mediation and arbitration, other than the Parties' respective legal fees, equally.

(g) Judgment on the Award.

Judgment on the award rendered by the arbitrator(s) shall be final and binding, shall not be appealable, and may be entered in any court having jurisdiction, as provided in the applicable state and federal statutes.

13.4 Litigation.

No judicial or administrative proceeding with an amount in controversy exceeding \$25,000.00, will be commenced or prosecuted by the Association unless approved by 75% or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required for any such meeting. This Section will not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitations, the foreclosure of liens); (b) the imposition and collection of Assessments; (c) proceedings involving challenges to ad valorem taxation; (d) counterclaims brought by the Association in proceedings instituted against it; or (e) actions brought by the Association to enforce written contracts with its suppliers and service providers. This Section will not be amended unless the amendment is approved by the requisite percentage of votes of Members, and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision will apply in addition to the alternative dispute resolution provisions of this Article 13, if applicable.



13.5 Miscellaneous Alternative Dispute Resolution Provisions.

(a) Conflicting Provisions.

Any conflict or discrepancy between the terms and conditions set forth in this Article 13 and any term, condition or procedure of the American Arbitration Association, or any remedy allowed at law or in equity, the terms, conditions, procedures and remedies set forth herein will control..

(b) TIME IS OF ESSENCE.

All periods of time set forth herein or calculated pursuant to provisions of this Article 13 will be strictly adhered to, TIME BEING OF THE ESSENCE hereof.

ARTICLE 14

GENERAL PROVISIONS

14.1 Control of Declarant.

NOTWITHSTANDING ANY OTHER LANGUAGE OR PROVISION TO THE CONTRARY IN THIS DECLARATION, IN THE ARTICLES OF INCORPORATION, OR IN THE BYLAWS OF THE Association, the Declarant hereby retains for the duration of the Declarant Control Period the right to appoint and remove any member or members of the Board of Directors and any officer or officers of the Association. Furthermore, during the Declarant Control period, the Declarant shall have the right to appoint and remove that number of directors provided by the Dutchman Village Covenant to Share Costs to be representatives of the Association to the board of the DV-RM Association thereunder, which is responsible for maintenance, operation and repair of the "Common Improvements" thereunder. Every grantee of any interest in the Development, by acceptance of a deed or other conveyance of such interest, agrees that the Declarant will have the authority to appoint and remove directors and officers of the Association in accordance with the foregoing provisions of this Section 14.1. The provisions of this Section 14.1 are supplemental to, and not in substitution of, other rights retained by the Declarant pursuant to this Declaration.

(a) Voting Agreement and Proxy.

By acceptance of a deed or other conveyance of a real estate interest subject hereto, an Owner-Member does hereby grant, and if further required, does agree to vote in a manner to provide, to the Declarant all voting rights and other corporate powers specifically reserved to and designated for the Declarant under this Declaration. **IN CONNECTION WITH THIS VOTING AGREEMENT, EACH MEMBER APPOINTS THE DECLARANT AS PROXY FOR SUCH MEMBER WITH FULL POWER OF SUBSTITUTION TO VOTE FOR THE MEMBER ON ALL SUCH MATTERS ON WHICH THE MEMBER MAY BE ENTITLED TO VOTE, AND WITH RESPECT TO WHICH THERE IS A RESERVATION OR DESIGNATION OF VOTING RIGHTS IN THE DECLARANT UNDER THIS DECLARATION, AND WITH ALL POWERS WHICH THE MEMBER WOULD POSSESS IF PERSONALLY PRESENT AT ANY MEETING OF MEMBERS. SUCH APPOINTMENT WILL BE, UPON A MEMBER'S ACCEPTANCE OF A DEED OR OTHER CONVEYANCE AND WITHOUT THE NECESSITY OF FURTHER ACTION BY THE DECLARANT OR THE MEMBER, A POWER COUPLED WITH AN INTEREST AND IRREVOCABLE.** Such appointment will be effective as of the date on which a deed or other conveyance of an interest to the Owner-Member is filed Of Record. This irrevocable proxy will automatically terminate on the date the Declarant's voting rights as a Class B Member terminate. The within voting agreement and proxy are in addition to, and not in substitution of, all rights of the Declarant herein provided, which will run with the Property.



Notwithstanding the generality of the foregoing, Declarant may not act under any such power of attorney or proxy, or use any other device, to evade any limitations or prohibitions of the North Carolina Planned Community Act, this Declaration, or the Bylaws of the Association, and any attempt to do so shall be null and void *ab initio*.

(b) Creation of New Board.

Upon the expiration of the Declarant Control Period, election of the Board will pass to the Owners as provided in the Bylaws. Following election of a new Board of Directors, the Declarant will deliver all books, accounts, and records, if any, which the Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period and which the Declarant has in its possession.

14.2 Amendments by Declarant.

During the Declarant Control Period, the Declarant may amend this Declaration or the Bylaws by an instrument in writing filed Of Record without the approval of any Owner or Mortgagee; provided, however, that, (A) in the event that such amendment has a material adverse effect upon any Owner's rights hereunder or adversely affects the title to any Unit, such amendment will be valid only upon the written consent thereto by a majority in number of the then existing Owners affected thereby; and (B) in the event that such amendment would materially and adversely affect the security title and interest of any Mortgagee, such amendment will be valid only upon the written consent thereto of all such Mortgagees so affected. Any amendment made pursuant to this Section 14.2 will be certified by the Declarant as having been duly approved by the Declarant, and by such Owners and Mortgagees if required, and will be effective only upon it being filed Of Record or at such later date as will be specified in the amendment itself. Furthermore, following the Declarant Control Period, this Declaration and the Bylaws may be amended solely by the Declarant filing same Of Record if such amendment is necessary, in the reasonable determination of the Declarant, (i) to bring any provision hereof or thereof into compliance or conformity with the provisions of any applicable governmental statute, rule, or regulation or any judicial determination which will be in conflict therewith, (ii) to enable any reputable title insurance company to issue title insurance coverage with respect to any properties subject to this Declaration, (iii) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any properties subject to this Declaration, or (iv) to enable any governmental agency or reputable private insurance company to insure Mortgages on the properties or other improvements subject to this Declaration. Each Owner by acceptance of a deed or other conveyance of a Unit agrees to be bound by amendments permitted by this Section 14.2, and further agrees, if requested by the Declarant, such Owner will consent to such amendment.

14.3 Amendments by the Association.

Amendments to this Declaration or the Bylaws, other than those authorized by Section 14.2 hereof, will be proposed and adopted in the following manner:

(a) Notice of the subject matter of the proposed amendment will be included in the notice of the meeting of the Association at which such proposed amendment is to be considered and will be delivered to each Member of the Association.

(b) At such meeting, a resolution adopting a proposed amendment may be proposed by either the Board of Directors or Members of the Association. Such amendment must be approved by sixty-seven percent (67%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving a proposed amendment, which percentage will also constitute the quorum required for any such meeting; provided, however, (i) that any amendment which materially and



adversely affects the security title and interest of any Mortgagee must be approved by such Mortgagee; (ii) during the Declarant Control Period, such amendment must be approved by the Declarant; and (iii) in the event that such amendment also is an amendment to the Bylaws, the amendment will be adopted pursuant to the applicable procedures of the Nonprofit Corporation Act.

(c) The agreement of the required percentage of the Owners and, where required, the Declarant and any Mortgagee, to any amendment of this Declaration pursuant to this Section 14.3 will be evidenced by their execution of such amendment, or, in the alternative, the sworn statement of the President of the Association attached to or incorporated in the amendment executed by the Association, which sworn statement will state unequivocally that the agreement of the required parties was lawfully obtained. Any such amendment of this Declaration will become effective only when filed Of Record or at such later date as may be specified in the amendment itself.

Anything contained in this Section 14.3 to the contrary notwithstanding, no amendment under this Declaration shall be made, or any vote therefor effective, if the result or effect thereof would have a material adverse effect upon the Declarant or any right, limitation, approval or easement of the Declarant without the prior written approval of the Declarant.

14.4 Duration.

The provisions of this Declaration will run with and bind title to the Property, will be binding upon and inure to the benefit of all Owners and Mortgagees, and will be and remain in effect for a period of thirty (30) years from and after the date this Declaration is filed Of Record, provided that rights and easements which are stated herein to have a longer duration will have such longer duration. Upon the expiration of said thirty (30)-year period, this Declaration will be automatically renewed for successive ten (10)-year periods. The number of ten (10)-year renewal periods will be unlimited, with this Declaration being automatically renewed and extended upon the expiration of each ten (10)-year renewal period for an additional ten (10)-year period; provided, however, that there will be no renewal or extension of this Declaration, if, during the last year of an initial thirty (30)-year period or the last year of any ten (10)-year renewal period, 80% or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required, approve terminating this Declaration at the end of the then current term. In the event that the Association votes to terminate this Declaration, an instrument evidencing such termination will be filed Of Record, such instrument to contain a certificate wherein the President of the Association swears that such termination was duly adopted by the requisite number of votes. Every purchaser or grantee of any interest in any Property, by acceptance of a deed or other conveyance therefor, thereby agrees that the provisions of this Declaration will run with and bind title to the Property as provided hereby.

14.5 Termination of the Association.

In the event that this Declaration is declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within ten (10) years following the date of recording this Declaration, all Common Area belonging to the Association at the time of such adjudication will revert to the Declarant, and the Declarant will own and operate said Common Areas as Trustee for use and benefit of Owners within the Property as set forth below. If said adjudication will occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Section 14.4, all Common Areas owned by the Association at such time will be transferred to a properly appointed Trustee, which Trustee will own and operate said Common Areas for the use and benefit of Owners within the Property as set forth below:



(a) Each Unit, parcel or tract of land located within the Property will be subject to an Annual Assessment which will be paid by the Owner thereof to the Declarant or Trustee, whichever becomes the successor in title to the Association. The amount of such Annual Assessment and its due date will be determined solely by the Declarant or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular lot, parcel or tract of land will not exceed the amount actually assessed against that lot, parcel or tract of land in the last year that Assessments were levied by the Association, subject to the adjustment set forth in subparagraph (b) immediately below.

(b) The rate of the Annual Assessment which may be charged by the Declarant or Trustee hereunder on any particular lot or parcel may be automatically increased each year by either five (5%) percent or the percentage increase between the first month and the last month of the Annual Assessment period in the CPI-U issued by the U.S. Bureau of Labor Statistics in its monthly report, whichever of these two percentage figures is larger. The actual amount of such increase in the regular Annual Assessment on a parcel will equal the regular Annual Assessment on such lot or parcel for the previous year multiplied by the larger of the two percentage factors set forth above. If the CPI-U is discontinued, then there will be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(c) Any past due Annual Assessment together with interest thereon at the greater of fifteen (15%) percent or the maximum annual rate permitted by law from the due date and all costs of collection including reasonable attorney's fees will be a personal obligation of the Owner at the time that the Annual Assessment becomes past due, and it will also constitute and become a charge and continuing lien on the lot or parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(d) The Declarant, or the Trustee, as the case may be, will be required to use the funds collected as Annual Assessments for the operation, maintenance, repair and upkeep of the Common Areas. The Declarant or the Trustee may charge as part of the cost of such functions the reasonable value of its services in carrying out the duties herein provided. Neither the Declarant nor the Trustee will have the obligations to provide for operation, maintenance, repair and upkeep of the Common Areas once the funds provided by the Annual Assessment have been exhausted.

(e) The Declarant will have the right to convey title to the Common Areas and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(f) The Trustee will have the power to dispose of the Common Areas, free and clear of the limitations imposed hereby; provided, however, that such disposition will first be approved in writing by fifty-one (51%) percent of the Owners of Property within the Property or in the alternative will be found, in the exercise of reasonable business judgment, to be in the best interest of the Owners of property within the Property. The proceeds of such a sale will first be used for the payment of any debts or obligations constituting a lien on the Common Areas, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair and upkeep of such Property, then for the payment of any obligations distributed among the Owners of property within the Development, exclusive of the Trustees, in a proportion equal to the portion that the Default Annual Assessment on property owned by a particular Owner bears to the total Default Annual Assessment for all property located within the Property.

14.6 Perpetuities.

If any of the covenants, conditions, restrictions, or other provisions of this Declaration will be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions will continue only



until twenty-one (21) years after the death of the last survivor of the now living descendants of Mrs. Rose Kennedy, mother of U. S. Senator Edward Kennedy.

14.7 Interpretation.

In all cases, the provisions set forth or provided for in this Declaration will be construed together and given that interpretation or construction which, in the opinion of the Declarant or the Board of Directors will best effect the intent of the general plan of development. The provisions hereof will be liberally interpreted and, if necessary, they will be so extended or enlarged by implication as to make them fully effective. The provisions of this Declaration will be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive. The effective date of this Declaration will be the date of its filing Of Record. The captions of each Article and Section hereof as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer. This Declaration will be construed under and in accordance with the laws of the State of North Carolina.

14.8 No Affirmative Obligation Unless Stated.

ANY RESERVATION OR RIGHT OF THE DECLARANT WHICH IS STATED IN OR IMPLIED FROM THIS DECLARATION WILL NOT GIVE RISE TO ANY AFFIRMATIVE OBLIGATION OR DUTY ON THE PART OF THE DECLARANT UNLESS EXPRESSLY STATED IN THIS DECLARATION.

14.9 No Implied Liabilities or Duties.

ANY RULES OR REGULATIONS ESTABLISHED BY THE DECLARANT PURSUANT TO THIS DECLARATION WILL NOT EXPRESSLY OR IMPLIEDLY CREATE ANY DUTY OF CARE TO ANY PROPERTY OWNER.

14.10 Gender and Grammar.

The singular wherever used herein will be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other entities or to individuals, men or women, will in all cases be assumed as though in each case fully expressed.

14.11 Severability.

Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property will be prohibited or held invalid, such prohibition or invalidity will not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

14.12 Rights of Third Parties.

This Declaration will be filed Of Record for the benefit of the Declarant, the Owners, and their Mortgagees as herein provided, and by such recording, no adjoining property owner or third party will have any right, title or interest whatsoever in the Development, except as provided herein, or in the operation or continuation thereof or in the enforcement of any of the provisions hereof, and, subject to the rights of the Declarant and Mortgagees as herein provided, the Owners will have the right to extend, modify, amend, or otherwise change the provisions of this Declaration without the consent, permission, or approval of any adjoining owner or third party.



14.13 Conflicts With Neighborhood Declarations.

In the case of any conflict between this Declaration and a Neighborhood Declaration, the applicable provision of this Declaration shall control, unless the effect thereof would be to make the applicable provision of this Declaration less restrictive, in which later case the applicable provision of the Neighborhood Declaration shall control.

14.14 Notice of Sale, Lease, or Mortgage.

In the event an Owner sells, leases, mortgages, or otherwise disposes of any Unit, the Owner must promptly furnish to the Association in writing the name and address of such purchaser, lessee, mortgagee, or transferee.

14.15 No Trespass.

Whenever the Association, the Declarant, or the ARC are permitted by this Declaration to enter upon, correct, repair, clean, maintain, preserve, or do any other action within any portion of the Development, the entering thereon and the taking of such action will not deem to be trespass.

14.16 Notices.

Notices required hereunder will be in writing and will be delivered by hand or sent by United States Mail, postage prepaid. All notices to Owners will be delivered or sent to such addresses as have been designated in writing to the Association, or if no address has been so designated, at the addresses of such Owners' respective Units. All notices to the Association will be delivered or sent in care of the Declarant to the Declarant's main office, 2050 Corporate Centre Drive, Suite 200, Myrtle Beach, SC 29577, or to such other address as the Association may from time to time notify the Owners. All notices to the Declarant will be delivered or sent to the Declarant's main office, 2050 Corporate Centre Drive, Suite 200, Myrtle Beach, SC 29577, or to such other address as the Declarant may from time to time notify the Association. Notices to Mortgagees will be delivered or sent to such addresses as such Mortgagees specify in writing to the Association. Notices to any other person or persons entitled to same hereunder will be delivered or sent to such address or addresses as such person or persons specify, from time to time, in writing to the sender, or, in the absence thereof, to such address or addresses as will, in the exercise of reasonable judgment by the sender, reasonably expected to be received by such person or persons.

14.17 Joinder of _____

_____, lender to Declarant, executes this Declaration to signify its consent and agreement that its mortgage(s) recorded in the ROD in Book _____, Page _____ is/are and shall remain subordinate to this Declaration.

[Remainder of Page Purposely Left Blank]



IN WITNESS WHEREOF, the undersigned, Declarant herein, has hereby caused this instrument to be executed this 1st day of March, 2007.

CENTEX HOMES
a Nevada General Partnership

By: [Signature]
Its: Asst. Secretary

STATE OF NORTH CAROLINA
COUNTY OF BRUNSWICK

I certify that Kellie Honeycutt, personally appeared before me this day and she is personally known to me she has acknowledged that she is the Assistant Secretary of Centex Homes, a Nevada General Partnership and that by authority duly given and as the act of such entity he/she has voluntarily executed the foregoing instrument for the purpose stated therein and in the capacity indicated.

Witness my hand and Notarial stamp or seal, this 1st day of March, 2007.

[Signature]
Notary Public: Heather E. Hughes
My Commission Expires: 7/25/2011

