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Pender County, North Carolina

Sharon Lear Willoughby, Register of Deeds

AMENDED AND RESTATED DECLARATION OF COVENANTS,
CONDITIONS, EASEMENTS, AND RESTRICTIONS FOR
CASTLE BAY SUBDIVISION

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

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in compliance with North Carolina statutes governing recordable documents
and the terms of the submitter agreement with the Pender County Register of Deeds.

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AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS,
EASEMENTS, AND RESTRICTIONS
FOR
CASTLE BAY SUBDIVISION

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS, AND RESTRICTIONS FOR CASTLE BAY SUBDIVISION ("Declaration") is made this 25th day of July, 2024, by Castle Bay Property Owners Association, Inc., a North Carolina non-profit corporation (herein referred to as the "Association").

WHEREAS, Castle Bay, Inc. caused to be recorded the Declaration of Covenants, Conditions, Easement and Restrictions for Castle Bay Subdivision in Book 1914, at Page 330 in the office of the Register of Deeds of Pender County (as amended in Book 2468, Page 110, Book 2883, Page 266, and Book 2954, Page 294, all in the office of the Register of Deeds of Pender County, and as otherwise amended and supplemented, the "Original Declaration"), encumbering the Property, as defined herein; and

WHEREAS, pursuant to Article XI, Section 3 of the Original Declaration, the Original Declaration may be amended by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners; and

WHEREAS, the Association and not less than seventy-five percent (75%) of the Lot Owners desire to amend and restate the Original Declaration as described herein; and

WHEREAS, this Declaration has been executed by the Association and not less than seventy-five percent (75%) of the Lot Owners for the purpose of amending and restating the Original Declaration.

NOW, THEREFORE, the Association hereby covenants and declares on behalf of itself and its successors and assigns that the Original Declaration is hereby amended and restated in its entirety. The real estate previously made subject to the Original Declaration from the date this Declaration is recorded in the office of the Register of Deeds of Pender County shall be held, conveyed, acquired and encumbered subject to the terms and provisions hereof, all of which shall run with the real estate and bind and inure to the benefit of all current owners and perspective purchasers and parties who have or may acquire any right, title, estate or interest in or to any of such real estate or who have or may acquire any right or occupancy of or interest upon any portion thereof, all subject to the right of the Association to amend this Declaration according to its terms.

Article 1. Amendment and Restatement of Original Declaration. The Original Declaration is hereby amended to delete and rescind the Original Declaration as amended and supplemented in its entirety, subject to Article 14 herein, and adopt in its place instead this Declaration. Rules and Regulations of the Association were previously recorded in Book 4633, Page 2015, Book 4652, Page 1702, Book 4660, Page 1020, and Book 4671, Page 2101, all in the office of the Register of Deeds of Pender County and Rules and Regulations of

the Association and Excerpts from the Original Declaration were recorded in Book 4719, Page 944 and Book 4741, Page 1702, both in the office of the Register of Deeds of Pender County (collectively, the "Previously Recorded Rules"). The Previously Recorded Rules are also hereby deleted and rescinded in their entirety and superseded by this Declaration.

Article 2. Definitions.

The terms used in this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

2.1 "Act": Chapter 47F of the General Statutes of North Carolina designated as the North Carolina Planned Community Act.

2.2 "Articles of Incorporation": The Articles of Incorporation of **Castle Bay Property Owners Association, Inc.**, as filed with the North Carolina Secretary of State.

2.3 "Assessment": Assessments levied on all Lots to fund the Common Expenses.

2.4 "Association": **Castle Bay Property Owners Association, Inc.** a North Carolina nonprofit corporation, its successors and assigns.

2.5 "Association Documents": Collectively the Articles of Incorporation of the Association, the Bylaws of the Association, this Declaration, the rules and regulations, and any resolutions adopted by the Board, all as may be amended, restated and revised from time to time. Any exhibit, schedule or amendment to an Association Document shall be considered a part of that document.

2.6 "Benefited Assessment": Assessments levied under Section 11.4.

2.7 "Board of Directors" or "Board": The body responsible for administration of the Association selected as provided in the Bylaws.

2.8 "Business and Trade": Shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to Persons other than the family of the producer of such goods or services and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

2.9 "Bylaws": The Amended and Restated Bylaws of the Association, as they may be amended from time to time. The original Bylaws were recorded in Book 2883, Page 302, as amended in Book 2954, Page 330 (recorded with the amended Original Declaration recorded in Book 2954, Page 294), Book 3621, Page 183, and Book 3621, Page 186, all in the office of the Register of Deeds of Pender County. The Amended and Restated Bylaws and any

amendments thereto will not be recorded in the Register of Deeds, but will be made available to Members.

2.10 "Common Elements": All real and personal property in which the Association now or hereafter owns, leases or otherwise holds possessory or use rights for the common use and enjoyment of the Owners, including easements held by the Association for those purposes. The term shall include, without limitation, any recreational facilities, signage and/or landscape easements as the same may be depicted on recorded maps of the Property, landscape medians, roads, cul de sacs, lakes, ponds, rivers, streams, wetlands and preservation areas. The term shall also include any and all permits and other such intangible property including, but not limited to, the Stormwater Management Permit. Notwithstanding this definition, to the extent that the provisions of the Act apply to "Common Elements," including without limitation, the provisions of the N.C. Gen. Stat. § 47F-3-112, those provisions shall only apply to Common Elements as defined in the Act.

2.11 "Common Expenses": Any and all expenditures made by or financial liabilities and obligations of the Association, together with any allocations to reserves.

2.12 "Community-Wide Standard": The standard of conduct, upkeep, or other activity generally prevailing throughout the Property. The standard shall be established initially by the Board of Directors and the Architectural Committee (as defined in Section 12.2(a)). The standard may contain both objective and subjective elements, and may evolve and change as the needs and desires within the Property change.

2.13 "Declaration": This Declaration, any Supplemental Declaration as may be applicable to separate portions of the Property, any exhibit, schedule or amendment thereto, all as may be amended, restated and revised from time to time.

2.14 "Design Guidelines": The architectural, design, development, and other guidelines, standards, controls, and procedures including but not limited to, application and review procedures, adopted pursuant to Article 12 and applicable to the Property.

2.15 "Dwelling Unit": Any building or structure or portion of a building or structure situated upon a Lot which is intended for use and occupancy as an attached or detached residence for a single family. "Dwelling Unit" shall include within its meaning Townhome Units, as that term is defined herein.

2.16 "Landscaping": Living plants, shrubs, trees, vegetation, ground coverings (including grass and sod) and appurtenant live/growing vegetative materials, straw, mulches, composting materials, pools (other than swimming pools), ornamental ponds, ornamental structures and any other living or non-living material or structure reasonably constituting a part of any or all of the foregoing installed upon a Lot.

2.17 "Limited Common Elements": A portion of the Common Elements allocated by this Declaration or by operation of law for the exclusive use of one (1) or more but

fewer than all of the Lots. Limited Common Elements may also be shown on any map of the Project recorded in the Register of Deeds.

2.18 "Lot": A portion of the Property, whether improved or unimproved, other than Common Elements and property dedicated to the public, which may be independently owned and conveyed and which is separately identified on a map of all or any portion of the Property recorded in the Register of Deeds. The term shall refer to the land, if any, which is part of the Lot as well as any improvements thereon including but not limited to the Dwelling Unit. "Lot" shall include within its meaning Townhome Lots, as that term is defined herein.

2.19 "Member": A Person having membership in the Association consistent with Section 4.2 of this Declaration.

2.20 "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

2.21 "Mortgagee": A beneficiary or holder of a Mortgage.

2.22 "Owner": One or more Persons who hold the record title to any Lot, except Persons holding an interest merely as security for the performance of an obligation in which case the equitable owner will be considered the Owner.

2.23 "Permit": North Carolina Stormwater Management Permit No. SW8 100408 issued for the Property, and any additional North Carolina Stormwater Management Permits, applicable to the Property, and any amendments, additions or replacements thereof.

2.24 "Person": A natural person, corporation, limited liability company, partnership, trust, or any other legal entity.

2.25 "Project": The Castle Bay development located on the Property.

2.26 "Property": The real estate previously made subject to the Original Declaration, together with all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate, together with such additional property as is subjected to this Declaration in accordance with Article 10.

2.27 "Register of Deeds": The office of the Register of Deeds of Pender County, North Carolina.

2.28 "Stormwater Management Facilities": All areas consisting of ditches and swales, retention ponds and other improvements which are constructed pursuant to, and regulated by, the Permit.

2.29 "Supplemental Declaration": An amendment or supplement to this Declaration filed pursuant to Article 10 which subjects additional property to this Declaration and identifies the Common Elements within the additional property, if any, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

2.30 Townhome Lot. A Lot upon which a Townhome Unit is situated. The Lots designated as Townhome Lots are set forth on Exhibit A.

2.31 Townhome Unit. A portion of a building or structure situated upon a Townhome Lot which is intended for use and occupancy as an attached residence for a single family.

2.32 "Upkeep": Care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

2.33 "Use Restrictions": The use restrictions are more fully defined as set forth in Article 13.

2.34 "Utility Company": A public or private company or entity duly licensed and authorized by the North Carolina Utilities Commission to provide utility services within a specified franchise area and any entity providing utility services on behalf of a body politic, municipality or other governmental body or entity.

Article 3. Common Elements. Every Owner shall have a right and nonexclusive easement, in common with all other Owners, of use, access, and enjoyment in and to the Common Elements, subject to:

- (a) The Association Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) All applicable provisions of the Act including, but not limited to, the following:
 - (i) The right of the Board to adopt rules, regulations or policies regulating the use and enjoyment of the Common Elements, including rules restricting use of recreational facilities within the Common Elements to Owners, their families, lessees and guests, and rules limiting the number of occupants and guests who may use the Common Elements;
 - (ii) The right of the Association to dedicate or transfer all or any part of the Common Elements to governmental entities pursuant to Section 5.3;
 - (iii) The right of the Board to impose reasonable requirements and charge reasonable admission, or other fees for the use of any recreational facility or other improvements situated upon the Common Elements;

- (iv) The right of the Board to permit use of any recreational facilities situated on the Common Elements by Persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board;
 - (v) The right of the Association to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred by the Association; and
 - (vi) The right of the Association to convey or encumber portions of the Common Elements as provided in the Act.
- (d) The right of the Board to suspend the privilege of an Owner to use recreational facilities within the Common Elements.
- (e) The right of the Association to rent or lease portions of the Common Elements including the recreational facilities on a short-term basis to any Owner for the exclusive use of such Owner and such Owner's family and guests.

Article 4. Association Function, Membership and Voting Rights.

4.1 Function of Association. The Association shall be the entity responsible for management, Upkeep, operation and control of the Common Elements. The Association shall be the primary entity responsible for enforcement of the Association Documents. The Association shall perform its functions in accordance with the Association Documents and North Carolina law. The Association shall have all powers reasonably necessary to perform its functions and obligations described in the Association Documents including, but not limited to, all powers set forth in Chapter 55A of the North Carolina General Statutes and the Act.

4.2 Membership. Every Owner shall be a Member of the Association. If a Lot is owned by more than one Person, all co-Owners shall be Members and share the privileges of such membership, subject to reasonable Board regulation, such reasonable fees as may be established under Article 3, and the restrictions on voting set forth in Section 4.3 and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is a corporation, limited liability company, partnership or other legal entity may be exercised by any officer, director, manager, partner, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

4.3 Voting. All Owners shall have one (1) equal vote for each Lot in which they hold the interest required for membership under Section 4.2, provided, there shall be only one (1) vote per Lot. Except as otherwise specified in this Declaration or the Bylaws or as required by law, the vote for each Lot shall be exercised by the Owner. In any situation in which there is more than one Owner of a particular Lot, the vote for such Lot shall be exercised as such

co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such notice to the Association, the Lot vote shall be suspended if more than one Person seeks to exercise it. If the co-Owners are unable to agree on how the vote should be cast, it will be disregarded.

4.4 Townhome Lots. The Owners of Townhome Lots are also (i) members, and subject to the jurisdiction, of the Castle Bay Townhome Owners' Association, Inc. ("Townhome Association") and (ii) subject to the terms of the Declaration of Covenants, Conditions, and Restrictions for Castle Bay Townhomes recorded in Book 2653, Page 52 in the office of the Register of Deeds of Pender County (as amended, the "Townhome Declaration"). The Owners of Townhome Lots are subject to the covenants and restrictions in the Townhome Declaration including without limitation, covenants and restrictions regarding maintenance, assessments, and insurance, in addition to the covenants and restrictions in this Declaration.

Article 5. Association Rights, Obligations and Services.

5.1 Personal Property and Real Property for Common Use. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property.

5.2 Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by the Association Documents or which may be reasonably implied from, or reasonably necessary to effectuate, any such right or privilege. Except as otherwise specifically provided in the Association Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

5.3 Dedication of Common Elements. The Association may dedicate or grant easements over portions of the Common Elements to any local, state, or federal governmental entity or any Utility Company.

5.4 Disclaimer of Liability. The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to promote the health, safety and welfare of Owners and occupants of any Lot. Notwithstanding anything contained herein or in the Association Documents or the Act, neither the Association, the Board, nor the management company of the Association shall be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Owner or occupant of any Lot or any tenant, guest or invitee of any Owner or occupant or for any property of any such Persons. Each Owner and occupant of a Lot and each tenant, guest and invitee of any Owner or occupant shall assume all risks associated with the use and enjoyment of the Property.

5.5 Safety. The Association may maintain or support certain activities within the Property designed to provide a greater level of safety than exists within the Property. Neither the Association nor any management company of the Association shall in any way be considered insurers or guarantors of safety within the Property, nor shall they be held liable for any loss or damage for failure to provide adequate safety or ineffectiveness of safety measures undertaken.

5.6 Provision of Services. The Association may provide services and facilities for the Members of the Association and their guests, lessees and invitees. The Association shall be authorized to enter into contracts or other similar agreements with other entities to provide such services and facilities. The costs of services and facilities provided by the Association may be funded by the Association as a Common Expense. In addition, the Board shall be authorized to charge additional use and consumption fees for services and facilities. By way of example, some services and facilities which may be provided include landscape maintenance, pest control service, cable television service, security, caretaker, fire protection, utilities, and similar services and facilities. The Board, without the consent of the Members of the Association, shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein can be relied upon as a representation as to what services and facilities, if any, will be provided by the Association. This paragraph shall be specifically construed to allow the Association to enter into a contract for the overall management of the Association with any individual or corporation. The Association or its managing agent shall also be permitted to provide services to any Owners where it deems it to be in the interest of the Association to do so.

5.7 Change of Use of Common Elements. Upon adoption of a resolution by the Board stating that, in the Board's opinion, a service provided by the Association pursuant to Section 5.6 or the then present use of a designated part of the Common Elements is no longer in the best interest of the Owners or is no longer necessary or appropriate for the purposes intended, the Board shall have the power and right to terminate such service or change the use of any Common Elements (and, in connection therewith, construct, reconstruct, alter or change the buildings, structures and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided that any such new use (i) shall be for the benefit of the Owners, and (ii) shall be consistent with any deed restrictions and zoning regulations restricting or limiting the use of the Common Elements.

Article 6. Maintenance.

6.1 Association's Responsibility. The Association shall provide Upkeep for the Common Elements, which shall include, but need not be limited to:

- (a) all Common Elements, all improvements upon the Common Elements, and the Stormwater Management Facilities;
- (b) all Landscaping, signage, and improvements, including any parks, structures, bike, pathways and trails, situated upon the Common Elements;
- (c) all private streets, including any asphalt repairs thereto, situated upon the Common Elements;
- (d) Landscaping within any public utility easements and scenic or access easements within the Common Elements (subject to the terms of any easement agreement relating thereto);

(e) any additional property included within the Common Elements as may be dictated by this Declaration, any Supplemental Declaration, any plat of any portion of the Property, or any contract or agreement for maintenance thereof entered into by the Association; and

The Association may also maintain and improve other property which it does not own, including, without limitation, property dedicated to public use, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and if otherwise permitted by applicable law.

Except as otherwise specifically provided herein, all costs for Upkeep of the Common Elements shall be a Common Expense allocated among all Lots as part of an Assessment, without prejudice to the right of the Association to seek reimbursement from the Persons responsible for, such work pursuant to this Declaration, other recorded covenants, or agreements with such Persons.

6.2 Owner's Responsibility. Each Owner shall provide for the Upkeep of his or her Lot and Dwelling Unit, and all other structures, parking areas, Landscaping, and other improvements upon the Lot, including grinder pumps, in a manner consistent with the Community-Wide Standard and all applicable covenants, unless such responsibility for Upkeep is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Lot or to the Townhome Association pursuant to the Townhome Declaration.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her Upkeep responsibility, the Association may perform such work for Upkeep and assess all costs incurred by the Association against the Lot and the Owner in accordance with Section 11.4. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

6.3 Standard of Performance. Upkeep may include irrigation as the Board may determine necessary or appropriate to satisfy the Community-Wide Standard. All Upkeep shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants, as determined by the Board.

Portions of the Property may be environmentally sensitive and/or may provide greater aesthetic value than other portions of the Property. The Board may establish a higher Community-Wide Standard for such areas and require additional Upkeep for such areas to reflect the nature of such property.

Notwithstanding anything to the contrary contained herein, neither the Association, nor any Owner shall be liable for property damage or personal injury occurring on, or arising out of the condition of, property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

Article 7. Insurance and Casualty Losses.

7.1 Association Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect if reasonably available the following types of insurance:

(a) Blanket property insurance covering risks of physical loss on an "all-risk" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Elements to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at a reasonable cost, then "broad form named perils" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full insurable replacement cost of the insured property. This provision for Blanket property insurance shall not be construed to require the Association to obtain coverage for any structure owned by any party other than the Association. The Association may elect to provide insurance for said structures with the approval of a majority of the Owners or if such individual coverage is not available;

(b) Commercial general liability insurance on the Common Elements, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf and including coverage for non-owned automobile liability. If generally available at reasonable cost, the commercial general liability insurance shall have a limit of at least One Million and No/100 Dollars (\$1,000,000.00) per occurrence with respect to bodily injury, personal injury, and property damage;

(c) Workers compensation insurance and employers liability insurance if and to the extent required by law;

(d) Directors' and officers' liability insurance or equivalent association liability insurance;

(e) Commercial crime insurance, including employee fidelity insurance, in an amount determined by its best business judgment which shall not be less than one-sixth (1/6) of the annual Assessments on all Lots plus reserves on hand for employee fidelity insurance. Such commercial crime insurance shall cover funds held by the Association's management company, unless such management company's insurance insures the Association against crimes committed by or against such management company. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation;

(f) Such additional insurance, including but not limited to flood, earthquake and hurricane insurance, as the Board in its best business judgment determines advisable; and

(g) The Association shall have no insurance responsibility for any portion of any Lot except as stated in paragraph 7.1(a).

If the insurance described in subsection (a) of this Section is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners.

7.2 Association Policy Requirements. Prior to the renewal of any insurance policy, the Association shall arrange for a review of the sufficiency of insurance coverage by one or more qualified persons, at least one of whom must be familiar with insurable replacement costs in the Pender County, North Carolina, area.

Premiums for all insurance on the Common Elements shall be Common Expenses and shall be included in an Assessment. In the event that insurance costs increase during the fiscal year, the Board may levy an Assessment for the increased costs and such Assessments shall become effective upon approval by the Board.

The policies may contain a reasonable deductible as determined by the Board and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful conduct of one or more Owners, their family members, guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Lots in accordance with Section 11.4.

- (a) All insurance coverage obtained by the Board shall
 - (i) Be written with a company authorized to do business in the State of North Carolina which satisfies the requirements of the Federal National Mortgage Association or such other secondary mortgage market agencies or federal agencies as the Board requires;
 - (ii) Be written in the name of the Association as trustee for the benefited parties. Policies on the Common Elements shall be for the benefit of the Association and its Members;
 - (iii) Not be brought into contribution with insurance purchased by individual Owners, occupants, or their Mortgagees;
 - (iv) Include an agreed amount endorsement if the policy contains a co-insurance clause;
 - (v) Contain replacement cost coverage;

- (vi) Contain a waiver of subrogation as to any claims against the Association's Board, officers, committees, employees, and its manager and the Owners;
 - (vii) Make the Lot Owners additional insureds under the policy;
 - (viii) Contain an endorsement preventing the Association's insurance carrier from invoking its "other insurance" clause to obtain any contribution from any insurance maintained by individual Owners;
 - (ix) Provide that no act or omission by any Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and
 - (x) Provide that if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides the primary insurance coverage.
- (b) In addition, the Board shall secure, if reasonably available and as applicable, insurance policies providing the following:
- (i) A waiver of the insurer's rights to repair and reconstruct instead of paying cash;
 - (ii) An endorsement requiring at least thirty (30) days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;
 - (iii) A cross liability provision; and
 - (iv) A provision vesting the Board with exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

7.3 Owner's Insurance. By virtue of owning a Dwelling Unit upon a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance covering risks of physical loss for both the Dwelling Unit and any other insurable improvements on the Lot for the full insurable replacement cost thereof, less a reasonable deductible. Such property insurance shall include windstorm and hail coverage, and, if full insurable replacement cost is not reasonably available for such coverage, actual cash value may be substituted. Each Owner shall, within thirty (30) days of annual renewal of such insurance policy or at any time upon request from the Association, provide evidence of insurance coverage

to the Association. The Owners of Townhome Lots shall not be required to maintain such insurance if the Townhome Association maintains a property insurance policy covering risks of physical loss for the Townhome Unit and any other insurable improvements on the Townhome Lot for the full insurable replacement cost thereof, less a reasonable deductible.

Each Owner further covenants and agrees that in the event of damage to or destruction of the Dwelling Unit or any other structures on or comprising his or her Lot, he or she shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article 12 of this Declaration. Alternatively, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds. The Owners of Townhome Lots shall also comply with the terms of this paragraph to the extent that repairs to the Townhome Unit are not performed by the Townhome Association pursuant to the Townhome Declaration.

7.4 Loss Adjustment, Repair and Proceeds. With respect to any loss covered by the policy (or policies) of the Association, it shall be adjusted by the Association and matters pertaining to the disbursement of proceeds of such insurance and the repair or replacement, including termination of the Project, shall be governed by the provisions of Chapter 47F-3-113(d) and (g) of the Act.

Article 8. No Partition.

Except as permitted in this Declaration, the Common Elements shall remain undivided, and no Person shall bring any action for partition of the whole or any part thereof without the written consent of all Owners and Mortgagees.

Article 9. Permit: Responsibilities and Covenants.

9.1 Administration of Permit. The oversight, supervision, management and administration of the Permit shall be the responsibility of the Association. The Association's duties with respect to the Permit shall be carried out in accordance with the terms and conditions of the Association Documents, and the Permit. The Association shall maintain the Stormwater Management Facilities.

9.2 Easement for Upkeep and Enforcement. The Association hereby is granted and conveyed an easement over, under and upon each Lot for the purpose of access to and Upkeep of all Stormwater Management Facilities and to enforce all requirements of the Permit.

9.3 Permit Covenants. To ensure ongoing compliance with the Permit as issued by the Division of Water Quality under NCAC 2H.1000, the following covenants and restrictions are hereby imposed upon the Property:

(a) The State of North Carolina is made a beneficiary of these covenants to the extent necessary to maintain compliance with the Stormwater Management Permit.

(b) The covenants set forth in this Section 9.3 are to run with the land and be binding on all persons and parties claiming under them.

(c) The covenants set forth in this Section 9.3 may not be altered or rescinded without the express written consent of the State of North Carolina, Division of Energy, Mineral and Land Resources.

(d) Alteration of the drainage as shown on the approved plans may not take place without the concurrence of the State of North Carolina, Division of Energy, Mineral and Land Resources.

(e) The maximum built-upon area per Lot is as follows:

- | | | |
|-------|---------------------------------|--------------------|
| (i) | Lots 1-19 | 3,500 square feet |
| (ii) | Lots 34-53 | 3,000 square feet |
| (iii) | Lots 63-78 and 82-296 | 4,000 square feet |
| (iv) | Townhome Lots 20-24 and 54 - 56 | 10,000 square feet |

This allotted amount includes any built-upon area constructed within the Lot property boundaries, and that portion of the right of way between the front Lot line and the edge of the payment. Built-upon area includes, but is not limited to, structures, asphalt, concrete, gravel, brick, stone, slate, coquina, driveways, and parking areas, but does not include raised, open wood decking, or the water surface of swimming pools.

(f) Filling in, piping or altering any 3:1 vegetated conveyances (ditches, swales, etc.) associated with the Project except for average driveway crossings, is prohibited by any persons.

(g) Filling in, piping or altering any designated 5:1 curb outlet swale or vegetated area associated with the Project is prohibited by any persons.

(h) A 30' vegetated buffer must be maintained between all built-upon area and the Mean High Water line of surface waters.

(i) All roof drains shall terminate at least 30' from the Mean High Water mark.

(j) Each designated curb outlet swale or 100' vegetated area shown on the approved plan must be maintained at a minimum of 100' long, maintain 5:1 (H:V) side slopes or flatter, have a longitudinal slope no steeper than 5%, carry the flow from a 10 year storm in a

non-erosive manner, maintain a dense vegetated cover, and be located in either a dedicated common area or a recorded drainage easement.

Article 10. Annexation of Property. The Association may subject any property to the provisions of this Declaration with the consent of the owner of such property and the affirmative vote of Owners representing sixty-seven percent (67%) of the votes of the Association represented at a meeting duly called for such purpose. Such annexation shall be accomplished by recording a Supplemental Declaration in the Register of Deeds describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such Supplemental Declaration shall be signed by the President of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon the recording unless otherwise provided therein. Any property annexed into the Association by the provisions of this Declaration shall be subject to all conditions and privileges of the Association and Owners of any such annexed property shall be members of the Association.

Article 11. Assessments.

11.1 Creation of Assessments.

(a) The Association shall levy assessments against each Lot for Common Expenses as the Board may specifically authorize from time to time. There shall be three (3) types of assessments for Association expenses:

- (i) Assessments to fund Common Expenses for the general benefit of all Lots;
- (ii) Benefited Assessments as described in Section 11.4; and
- (iii) Special Assessments as described in Section 11.5.

Each Owner, by accepting a deed or entering into a recorded contract of sale for any Lot within any portion of the Property is deemed to covenant and agree to pay these assessments.

(b) All assessments, together with interest from the due date of such assessment at a rate determined by the Association (not to exceed the highest rate allowed by North Carolina law), late charges, costs, including lien fees and administrative costs, and reasonable attorneys' fees, shall be a charge and continuing lien upon each Lot against which the assessment is levied until paid, as more particularly provided in Section 11.6. Each such assessment, together with interest, late charges, costs, including lien fees and administrative costs, and reasonable attorneys' fees, also shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment was levied. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable with the grantor for any assessments and other charges due at the time of conveyance. No first Mortgagee which obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

(c) All assessments shall be paid in such manner and by such dates as the Board may establish. Unless the Board otherwise provides, an Assessment for each Lot shall be due and payable in advance each year on the first day of the fiscal year of the Association.

(d) The Association shall, upon request by an Owner, furnish to any Owner a certificate in writing signed by an officer of the Association, or its attorney, setting forth whether assessments for such Owner's Lot have been paid and any delinquent amount. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(e) No Owner may exempt himself or herself from liability for assessments, by non-use of Common Elements, abandonment of his or her Lot or Dwelling Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it or for inconvenience or discomfort arising from repairs or improvements or other action taken by it.

11.2 Computation of Annual Assessment. Not less than sixty (60) days before the beginning of each fiscal year, the Board shall prepare a budget covering the Common Expenses estimated to be incurred during the coming year. The budget shall include a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 11.3. In determining the budget, the Board, in its discretion, may consider other sources of funds available to the Association.

Within thirty (30) days after adoption of any proposed budget by the Board, the Board shall provide to all Owners a summary of the budget and notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary of the budget and notice of the meeting. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless, at that meeting, a majority of all the Owners in the Association rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

The Assessment for the fiscal year shall be determined based upon the budget adopted by the Board and ratified by the Owners. Any increase in Assessments greater than ten percent (10%) of the Assessment for the previous year must first be approved by the affirmative vote of Owners representing at least two-thirds (2/3) of the votes of the Association represented at a meeting duly called for such purpose. The amount of each Assessment shall be levied equally against all Lots.

11.3 Reserve Budget and Special Reserve Assessment. The Board shall prepare, on an annual basis, reserve budgets for general purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair

or replacement cost of each asset. Such reserve budgets may also anticipate making additional capital improvements and purchasing additional capital assets. The Board shall include in the Assessments reserve contributions in amounts sufficient to meet these projected needs, if any. The Board may adopt resolutions regarding the expenditure of reserve funds, including policies designating the nature of assets for which reserve funds may be expended. Such policies may differ for general Association purposes.

11.4 Benefited Assessments. The Board may levy Benefited Assessments against particular Lots for expenses incurred or to be incurred by the Association, as follows:

(a) to cover the costs, including overhead and administrative costs, of Upkeep and replacement of any Limited Common Elements;

(b) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Lot or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners (which might include, without limitation, Landscape maintenance, caretaker service, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(c) to cover costs incurred in bringing the Lot into compliance with the terms of the Association Documents and the Act or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their family members, tenants, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing before levying a Benefited Assessment under this subsection (c).

11.5 Special Assessments. In addition to other authorized assessments, the Board may levy Special Assessments equally against all Lots from time to time to cover unbudgeted expenses or expenses in excess of those budgeted, including, without limitation, the cost of any construction, repair, replacement or repaving of capital improvements, including the roads. Such Special Assessments shall be approved at a meeting of the Board and shall become effective upon the affirmative vote of Owners representing at least two-thirds (2/3) of the votes of the Association represented at a meeting duly called for such purpose. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

11.6 Lien for Assessments. All assessments authorized in this Article shall constitute a lien against the Lot against which they are levied, as provided in N.C. Gen. Stat. § 47F-3-116, as amended, until paid unless otherwise specifically precluded in this Declaration. The lien shall also secure payment of interest (subject to the limitations of North Carolina law), late charges, and costs of collection (including attorneys' fees, lien fees and administrative costs). Such lien shall be superior to all other liens, except (a) those superior by law, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association may

enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and foreclosure.

The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, a Mortgagee holding a first Mortgage of record or other purchaser of a Lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment, including such acquirer, its successors and assigns.

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

11.8 Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

11.9 Exempt Property. The following property shall be exempt from payment of Assessments:

- (a) all Common Elements; and
- (b) all property dedicated to and accepted by any governmental authority or Utility Company.

In addition, the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for Section 501(c) status under the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

Article 12. Architectural and Design Standards.

12.1 General. No improvements (including staking, clearing, excavation, grading and other site work), exterior alteration of existing improvements (including painting), placement or posting of any object or thing on the exterior of any Lot, Dwelling Unit, other structure or the Common Elements (e.g., signs, antennae, clotheslines, playground equipment, temporarily or permanently installed basketball goals, pools, propane tanks, lighting, temporary structures, mailboxes, and artificial vegetation), planting or removal of Landscaping, or installation or removal of an irrigation system shall take place except in compliance with this Article, this Declaration, including the Use Restrictions, and the Design Guidelines and with the approval of the appropriate committee under Section 12.2.

Any Owner may remodel, paint or redecorate the interior of structures, including the Dwelling Unit on his or her Lot, without approval. However, modification of the exterior and modifications to the interior of screened porches, patios, and similar portions of a Lot visible from other Lots, Dwelling Units, Common Elements or streets (public or private) within the Property shall be subject to this Article and approval as set forth below.

This Article shall not apply to improvements to the Common Elements by or on behalf of the Association.

12.2 Architectural and Design Review.

(a) New Construction and Modifications. The Board shall have exclusive authority to administer and enforce architectural standards under this Article and to review and act upon all applications for original construction within the Property and modifications, additions, or alterations made on or to existing structures on Lots or containing Dwelling Units and the adjacent open space. The Board may, at its option, create and appoint an Architectural Committee ("AC"). The AC, if established, shall consist of at least three (3), but not more than five (5), Persons who shall serve and may be removed in the Board's discretion. (For purposes of this Article, "Reviewing Body" shall refer to either the Board or the AC, as appropriate under the circumstances.)

(b) Fees. The Reviewing Body 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 in having any application reviewed by architects, engineers or other professionals. The Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

(c) Security. The Reviewing Body may also require posting of security by any Owner, or such Owner's contractor or builder to be utilized for the payment of any fines and cost of any enforcement in accordance with Section 12.8 herein, or the repair of any damage to any Common Elements or providing Upkeep of such Common Elements in excess of normal Upkeep as may occur during the construction of any permitted improvements

within the Property. The amount and type of security, as required by the Reviewing Body, may be changed from time to time and does not necessarily have to be consistent as to all Owners, contractors or builders.

12.3 Guidelines and Procedures.

(a) The Association shall prepare Design Guidelines which shall apply to all construction activities within the Property, except as provided in Section 12.1. The Board shall have sole and full authority to amend the Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Property, as well as specific provisions which vary from one portion of the Property to another depending upon the location, unique characteristics, intended use, and any other applicable zoning ordinances. The Design Guidelines are intended to provide guidance to Owners regarding matters of particular concern in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the Reviewing Body and compliance with the Design Guidelines does not guarantee approval of any application. Any amendments to the Design Guidelines shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the AC is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive. The Association shall make the Design Guidelines available to Owners (including builders) and contractors who seek to engage in development or construction within the Property and all such Persons shall conduct their activities in accordance with such Design Guidelines. All structures and improvements constructed upon a Lot shall be constructed in strict compliance with the Design Guidelines in effect at the time the plans for such improvements are submitted to and approved by the Reviewing Body, unless the Reviewing Body has granted a variance in writing pursuant to Section 12.6. So long as the Reviewing Body has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of or compliance with the Design Guidelines and this Declaration shall be final.

(b) Dwelling Unit and Lot Requirements. The following requirements are applicable to all Lots:

(i) Any Dwelling Unit erected on a Lot shall be stick build only. Exterior materials for Dwelling Units or accessory buildings shall be restricted to brick and must be earth tones. No white or red brick may be used on the exterior of the Dwelling Unit and all trim colors (brick, paint, trim, etc.) must be earth tones; no white or bright colors. No vinyl siding shall be allowed except in the eaves; provided the vinyl color is from the approved color palette as set forth in the Design Guidelines.

(ii) All Dwelling Units shall contain a minimum enclosed dwelling area of 1200 square feet for single level Dwelling Units in Phases II and III only. Phases III, IV and V shall contain a minimum enclosed dwelling area of 1800 square feet for single level Dwelling Units. In addition thereto, and unless a variance is granted therefore as provided herein, all Dwelling Units shall have an enclosed car garage attached to the main

dwelling. The term "enclosed dwelling area" means the portion of the Dwelling Unit that is heated; provided, that the term specifically does not include garages, terraces, open porches, decks, stoops and like areas regardless of heating or cooling.

(iii) No Dwelling Unit (including garage) shall be constructed nearer than twenty-five (25) feet to the front Lot line, or ten (10) feet to any side Lot line, or fifteen (15) feet to the rear Lot line. This restriction shall prevail over any lessor governmental setback standard. Variances of these setback requirements may be granted pursuant to this Article, but in no case will the setback be less than that required by the governmental agency having jurisdiction over the Property.

(c) Docks. No private docks, piers, moorings, boat houses, slips or similar structures may be erected on, placed on, or connected to, any Lot, unless specifically authorized in the deed conveying said Lot to Owner. In the event of such authorization, the Lot Owner must comply with the provisions of this Article and obtain approval from the Reviewing Body prior to commencing construction. All Lot Owners who construct or cause to be constructed private docks, piers, moorings, boat houses, slips or similar structures pursuant to this subsection must maintain said structures in good repair and keep the same clean and orderly in appearance at all times; and said Lot Owners further agree to paint or otherwise treat with preservatives all wood or metal located above the high water mark, exclusive of pilings, and to maintain such paint or preservatives in an attractive manner. The Reviewing Body shall determine whether such structures are clean, orderly in appearance, and properly painted or preserved in accordance with reasonable standards established by the Board.

12.4 Submission of Plans and Specifications.

(a) No activities within the scope of Section 12.1 shall commence on any Lot until an application for approval of the proposed work has been submitted to and approved by the Reviewing Body. Such application shall be in the form required by the Reviewing Body and shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening therefore and other features of proposed construction, as applicable. The Design Guidelines shall set forth the procedure and any additional information for submission of the Plans.

(b) In reviewing each submission, the Reviewing Body may consider quality of workmanship and design, visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, and location in relation to surrounding structures and plant life. The Reviewing Body may require relocation of native plants within the construction site or the installation of an irrigation system for the landscaping including the natural plant life on the Lot as a condition of approval of any submission.

The Reviewing Body shall, within the period specified in the Design Guidelines, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (i) the approval of Plans, or (ii) the segments or features of the Plans which are

deemed by such committee to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines, the reasons for such finding, and suggestions for the curing of such objections. In the event the Reviewing Body fails to advise the submitting party by written notice within the period specified in the Design Guidelines of either the approval or disapproval and suggestions for curing the objections of the committee of the Plans, approval shall be deemed to have been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the submitting party.

(c) If construction does not commence on a project for which Plans have been approved within sixty (60) days of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans to the Reviewing Body for reconsideration provided that the Reviewing Body may grant a longer time period for expiration of the approval at the time the approval is granted. If construction is not completed on a project for which plans have been approved within the period set forth in the Design Guidelines or in the approval, such approval shall be deemed withdrawn, and such incomplete construction shall be deemed to be in violation of this Article.

12.5 No Waiver of Future Approvals. Each Owner acknowledges that the members of the AC will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

12.6 Variances. The Reviewing Body may authorize variances in writing from its guidelines and procedures, but only: (a) in accordance with duly adopted rules and regulations; (b) when unique circumstances dictate such as unusual topography, natural obstructions, hardship or aesthetic or environmental considerations; and (c) when construction in accordance with the variance would be consistent with the purposes of the Declaration and compatible with existing and anticipated uses of adjoining properties. Inability to obtain, or the terms of, any governmental approval, or the terms of any financing shall not be considered a hardship warranting a variance.

12.7 Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the Association, the Board, nor the AC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Association, the Board, nor the AC, or any member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot. In all matters, the AC and its members shall be defended and indemnified by the Association as provided in the Bylaws.

12.8 Enforcement. Any construction, alteration or other work done in violation of this Article or the Design Guidelines shall be deemed to be nonconforming. Upon written request from the AC or the Board, Owners shall, at their own cost and expense and within such reasonable time frame as set forth in such written notice, cure such nonconformance to the satisfaction of the requester or restore the property, Lot and/or Dwelling Unit to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Association or its designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Benefited Assessment unless otherwise prohibited in this Declaration.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the Bylaws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Benefited Assessment unless otherwise prohibited in this Declaration.

All acts by any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded from the Property, subject to the notice and hearing procedures contained in the Declaration. In such event, neither the Association, nor its officers, or directors shall be held liable to any Person for exercising the rights granted by this section.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the Reviewing Body.

Article 13. Plan of Development and Use Restrictions.

13.1 Plan of Development: Applicability; Effect. The Property is subject to Design Guidelines as set forth in Article 12 and other restrictions governing land development, architectural and design control, individual conduct and uses of or actions upon the Property. This Declaration, including the Use Restrictions set forth herein, and the rules and resolutions adopted by the Board establish affirmative and negative covenants, easements, and restrictions on the Property. All provisions of this Declaration and any rules shall apply to all Owners, their contractors, family members, occupants, tenants, guests and invitees of any Lot.

13.2 Authority to Promulgate Rules.

(a) Subject to the terms of this Article and in accordance with its duty of care and undivided loyalty to the Association and its Members, the Board may adopt rules not inconsistent with the Use Restrictions set forth in Exhibit B, and other such rules and regulations permitted by, and not inconsistent with, the Act, including such rules and regulations relating to the use of, and parking and traffic, on public and private streets located within the Property.

(b) The Board shall send a copy of the rule to each Owner specifying the effective date of such rule within a reasonable period of time, as determined by the Board, prior to the effective date of the rule. The Association shall provide, without cost, a copy of the rules then in effect to any requesting Member or Mortgagee.

(c) Nothing in this Article shall authorize the Board to modify, repeal or expand the Declaration, the Bylaws, the Articles, or the Design Guidelines. Such documents may be amended as provided therein.

13.3 Owners' Acknowledgment. All Owners are subject to the Use Restrictions and are given notice that: (a) their ability to use their privately owned property is limited thereby; and (b) the Board may adopt, delete, modify, create exceptions to, or amend the rules.

Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by this provision and that the Use Restrictions and rules may change from time to time.

13.4 Use Restrictions. The Property shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Association consistent with this Declaration and any Supplemental Declaration), subject to applicable laws. The Property shall be subject to the Use Restrictions set forth in Exhibit B. Any Supplemental Declaration or additional covenants imposed on property annexed into the Property may provide for different uses and impose standards and restrictions other than those contained in this Declaration and the Association shall have standing and the power to enforce such standards and restriction.

13.5 Rights of Owners. Except as may be specifically set forth in the Use Restrictions, the Board may not adopt any rule in violation of the following provisions:

(a) Equal Treatment. Similarly situated Owners and occupants shall be treated similarly.

(b) Flags/Speech. The rights of Owners and occupants to display on their Lots political signs, signs and symbols of the kinds normally displayed in or outside of residences located in single-family residential neighborhoods in individually owned property shall not be abridged; provided, however, the Board may adopt reasonable time, place, size and manner of display restrictions regulating political signs, signs and symbols which are visible

from outside the Lots and no flags other than the flag of the United States of America, the flag of the State of North Carolina, and Military branch flags may be displayed. Notwithstanding any provision of this Declaration, including without limitation the provisions of this Article 13, no rule or regulation adopted by the Board of Directors or the Association, nor any amendment to the Declaration adopted by the Association shall regulate or prohibit the display of the flag of the United States of America and/or the flag of the State of North Carolina, of a size no greater than four (4) feet by six (6) feet, which is displayed in accordance with or in a manner consistent with the patriotic customs set forth in 4 U.S.C. §§ 5-10, as amended.

(c) Religious and Holiday Displays. The rights of Owners and occupants to display religious and holiday signs, symbols, and decorations on their Lots of the kinds normally displayed in residences located in residential neighborhoods shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions regulating displays which are visible from outside the Lot.

(d) Household Composition. No rule shall interfere with the freedom of occupants of Dwelling Units to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Dwelling Unit on the basis of the size and facilities of the Dwelling Unit and its fair share use of the Common Elements.

(e) Activities Within Dwelling Units. No rule shall interfere with the activities carried on within the confines of Dwelling Units, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Dwelling Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the Dwelling Unit, or that create an unreasonable source of annoyance.

(f) Abriding Existing Rights. Any rule which would require Owners to dispose of personal property being kept on the Property shall apply prospectively only and shall not require the removal of any property which was being kept on the Property prior to the adoption of such rule and which was in compliance with all rules in force at such time unless otherwise required to be removed by law.

The limitations in this Section 13.5 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 17.2.

Article 14. Easements.

14.1 Easements in Original Declaration. Notwithstanding the replacement of the Original Declaration with this Declaration, all easements created and described in the Original Declaration shall be easements appurtenant to, and shall run with, the land by whomsoever owned, whether or not the same shall be contained or referred to in any future deed or conveyance, and shall at all times inure to the benefit and be binding upon the Association and

the Owners, all their grantees and their respective heirs, successors, personal representatives or assigns.

14.2 Easements for Utilities, Etc. The Association shall have perpetual easements for the purpose of access and Upkeep upon, across, over, and under all of the Property to the extent reasonably necessary to install and provide Upkeep for cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, ponds, wetlands, drainage systems, street lights, signage, traffic and speed limit signs, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity. The Association may assign these easements and rights to any Utility Company providing a service or utility to Castle Bay or any Lot subject to the limitations herein.

This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing Dwelling Unit on a Lot, and any damage to a Lot resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

The Utility Companies shall have easements across the Property for ingress, egress, installation, reading, and providing Upkeep of meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the Dwelling Unit on any Lot, nor shall any utilities be installed or relocated on the Property, except as approved by the Board.

14.3 Easements for Cross-Drainage. Every Lot and the Common Elements shall be burdened with easements for natural drainage of stormwater runoff from other portions of the Property; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of stormwater onto adjacent portions of the Property without the consent of the Owner(s) of the affected property, the Board, and the North Carolina Department of Environmental Quality, if necessary.

14.4 Right of Entry. The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Property, including each Lot, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents of the Association, its Board, officers or committees, and by all police officers, firefighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to the Owner thereof. This easement includes the right to enter any Lot to cure any condition which increases the risk of fire or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but does not authorize entry into any Dwelling Unit without permission of the Owner, except by emergency personnel acting in their official capacities.

14.5 Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Property, including each Lot to (a) perform its Upkeep responsibilities

under Article 6, and (b) make inspections to ensure compliance with the Association Documents. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to the Owner. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association at its expense. The Association also may enter a Lot to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Declaration, any Supplemental Declaration, the Bylaws, the Design Guidelines, or the rules. All costs incurred, including reasonable attorneys' fees, shall be assessed against the violator as a Benefited Assessment. The Property is hereby burdened with perpetual, non-exclusive easements in favor of the Association for overspray of water from any irrigation system serving the Common Elements. The Association may use treated effluent in the irrigation of any Common Elements. Under no circumstances shall the Association be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

14.6 Access Easements. There is hereby reserved over those areas identified as "Access Easement" and shown on the recorded maps of the Property, an easement for pedestrian and vehicular access for ingress, egress and regress to and from the Lots abutting those easements. Each easement shall be maintained by the Owners of those Lots abutting the easement and who use the easement for access. If a Lot abuts an easement, but has direct access to a road or street and does not use the easement, then that easement, and the maintenance responsibility shall be upon only those Lot Owners using the easement for access. Notwithstanding the requirement above of abutting Lot Owners who use the easement to maintain the access easements, the Association may determine the standard frequency and quality of maintenance to be observed by those Lot Owners and the surface or surface standard of the easement to provide a solid base for vehicular traffic. Further, the Association, should it elect, may take over maintenance of the easements and charge the using Lot Owners the cost thereof as a Benefitted Assessment.

14.7 Pedestrian Easement. There is hereby reserved for the benefit of all Lot Owners the right to use those areas identified on the recorded maps of the Property as "Pedestrian Easement", an easement for pedestrian access, ingress, egress, and regress to and from the roads or streets on which they terminate to the golf course, as the case may be. Those pedestrian easements stated on said recorded map to be fifteen (15') feet wide shall be maintained by the adjoining Lot Owners. However, the Association may determine the standard, frequency and quality of maintenance to be observed by those maintaining Lot Owners and the surface or surface standard of the easement to provide a sound base and footing for pedestrian traffic. Further, the Association, should it elect, may take over the maintenance of the pedestrian easements and charge the adjoining Lot Owners the cost thereof as a Benefitted Assessment.

Article 15. Mortgage Provisions.

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots in the Property. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

15.1 Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage which provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of ninety (90) days, or any other violation of the Declaration or Bylaws relating to such Lot or the Owner or Occupant which is not cured within ninety (90) days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Lot of any obligation under the Declaration or Bylaws which is not cured within ninety (90) days; or

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

15.2 No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Elements.

15.3 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

Article 16. Compliance and Enforcement.

16.1 General Remedies. Every Owner and occupant of any Lot shall comply with the Association Documents and the Act. Failure to comply shall be grounds for an action by the Association to recover sums due, for damages, injunctive relief or any other remedy available at law and equity or under the Act.

16.2 Enforcement/Sanctions. The Board or such other Association agent with the Board's approval, may impose sanctions for violations of Association Documents after notice and a hearing in accordance with the procedures set forth in the Declaration. Such sanctions may include, without limitation:

(a) Imposing reasonable monetary fines which shall constitute a lien upon the Lot of the violator;

(b) Suspending an Owner's right to vote;

(c) Suspending any Person's right to use any recreational facilities within the Common Elements; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from the Lot;

(d) Suspending any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association; and

(e) Levying Benefited Assessments to cover costs incurred in bringing a Lot into compliance in accordance with Section 11.4(c).

16.3 Self-Help Remedies. The Board or such other Association agent with the Board's approval, may elect to enforce any provision of the Association Documents by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations in accordance with any applicable ordinance(s) of Pender County, North Carolina) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedures set forth in Article 17 or in the Bylaws.

16.4 Cumulative Remedies/Attorneys' Fees. The Association shall have all powers and remedies under the Act and the Association Documents which shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Association Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

16.5 Association's Right Not to Take Action. The Association shall not be obligated to pursue enforcement action in any particular case, such decisions to be within the discretion of the Board, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing, the Board may determine that, under the circumstances of a particular case: (a) the Association's position is not strong enough to justify taking any or further action; or (b) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law; or (c) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or justify expending Association funds; or, (d) it is not in the best interest of the Association, based upon hardship, expense or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such covenant, restriction, rule or provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, rule or provision, nor shall it preclude any Owner from taking action at law or in equity to enforce the Association Documents.

16.6 Enforcement by Owner. Nothing set forth in this Article 16 shall prevent any aggrieved Owner from instituting any available remedy in law or in equity for a violation of the Association Documents.

Article 17. General Provisions.

17.1 Term. This Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of twenty-five (25) years from the date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of ten (10) years, unless the Owners of Lots to which at least eighty percent (80%) of the votes in the Association are allocated agree to terminate this Declaration pursuant to N.C. Gen. Stat. § 47F-2-118.

17.2 Amendment.

(a) By Owners. Except as otherwise specifically provided in this Declaration, this Declaration may be amended only by the affirmative vote of, or written agreement signed by, Owners of Lots to which at least sixty-seven percent (67%) of the total votes in the Association are allocated.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(b) Validity and Effective Date of Amendments. Amendments to this Declaration shall become effective upon recordation in the Register of Deeds unless a later effective date is specified therein. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

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

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

Written demand to cease and desist from an alleged violation shall be served upon the Responsible Person specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than five (5) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(a) Notice. At any time within twelve (12) months following receipt of notice of the alleged violation, the Board, or an adjudicatory panel appointed by the Board, shall serve the Responsible Person (for purposes of this Section 17.3, the "Responsible Person" shall be any Member, Owner, or occupant of a Lot or Dwelling Unit) with a written notice of a hearing to be held by the Board of the Association in closed session or an adjudicatory panel appointed by the Board; provided, however, any adjudicatory panel appointed by the Board shall be composed of members of the Association who are not officers of the Association or members of the Board. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the possible sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the Responsible Person or to any person who may be served on the Responsible Person's behalf as provided in said Rule 4.

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

(c) Appeal. If the hearing is held before an adjudicatory panel, following such hearing and notice of a decision adverse to the violator, the Responsible Person shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the managing agent of the Association, President or Secretary of the Association within fifteen (15) days after the date of the decision, said written notice to contain information by which the Board may notify the Responsible Person of the date of the appeal hearing. If no adjudicatory panel is appointed by the Board, no right of appeal shall exist.

(d) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred and No/100 Dollars (\$100.00) (or any greater amount as may be provided otherwise by law or the Act) per violation of the Association Documents and without further hearing, for each day after five (5) days after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in this Declaration and the Act. If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

17.4 Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

17.5 Attorneys' Fees. In the event of an action instituted to enforce any of the provisions contained in the Association Documents, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorneys' fees and costs, including administrative and lien fees, of such suit. In the event the Association is a prevailing party in such action, the amount of such attorneys' fees and costs shall be a Benefited Assessment with respect to the Lot(s) involved in the action.

[signature page follows]

IN WITNESS WHEREOF, the Association and the Owners of not less than seventy-five percent (75%) of the Lots in Castle Bay, acting pursuant to the authority above recited, as evidenced by the signatures attached hereto, have executed this Declaration under seal and in such form as to be legally binding and effective the day and year upon recording this Declaration in the office of the Register of Deeds of Pender County, North Carolina

Castle Bay Property Owners Association, Inc. (SEAL)
a North Carolina non-profit corporation

By: Cawle E Hansen
Castle Bay POA, President

STATE OF NORTH CAROLINA
COUNTY OF PENDER

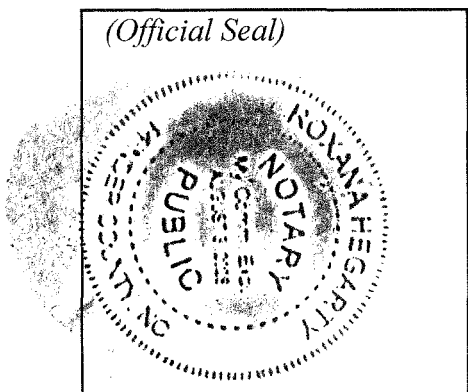
I certify that the following person personally appeared before me this day, acknowledging to me that he/she signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein: AMENDED RESTATED GOVERNING DOCUMENTS

Date: 07/23/2024

Roxana Hegarty
Signature of Notary Public

ROXANA HEGARTY
Notary's printed or typed name

My commission expires: 08/03/2028



Notary seal or stamp must appear within this box.

EXHIBIT A**Townhome Lots**

Being all of the lots depicted on the plats recorded in Map Book 39, Page 51, Map Book 39, Page 52, Map Book 39, Page 54, Map Book 39, Page 71, Map Book 39, Page 72, Map Book 40, Page 42, Map Book 40, Page 43, and Map Book 40, Page 44, all in the office of the Register of Deeds of Pender County.

EXHIBIT B

Use Restrictions

The following restrictions shall apply to all of the Property until such time as they are amended, modified, repealed or limited pursuant to the Declaration.

1. Use. No Lot shall be used for any purpose other than as a single family residence. Except as otherwise provided herein, only one (1) single family dwelling, either a detached residence or a Townhome Unit, designated for use as, and used as, a single family residential dwelling may be constructed, erected, used or allowed to remain on any Lot.

2. Restricted Activities. The following activities are prohibited within the Property unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) Any activity which tends to cause an unclean, unhealthy or unsafe condition to exist outside of enclosed structures on the Lot;

(b) Any activity which emits foul or obnoxious odors, fumes, dust, smoke, or pollution outside the Dwelling Unit or which creates noise, unreasonable risk of fire or explosion, or other conditions which are a nuisance;

(c) Any activity which violates local, state or federal laws or regulations;

(d) Outside burning of trash, leaves, debris or other materials;

(e) Outdoor storage of goods, materials, or equipment, except that outdoor storage of building materials shall be permitted during construction on the Lot on which such materials are being stored;

(f) Any activity which would constitute a public or private nuisance;

(g) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Dwelling Units, except alarm devices used exclusively for security purposes;

(h) Use and discharge of firecrackers and other fireworks;

(i) Use and discharge of firearms, guns, or pistols of any kind, caliber, type or method of propulsion;

(j) Hunting of any kind;

(k) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any storm sewer, drainage ditch, or other component of the storm drainage system serving the Property, any stream, pond, or lake, or elsewhere within the Property, except that fertilizers may be applied to landscaping on Dwelling Units provided care is taken to minimize runoff;

(l) Subdivision of a Lot into two or more Lots, or changing the boundary lines of any Lot after a subdivision plat including such Lot has been approved and recorded;

(m) Use of any Dwelling Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Dwelling Unit rotates among participants in the program on a fixed or floating time schedule over a period of years;

(n) On-site storage of gasoline, heating, or other fuels on Lots, except that a reasonable amount of propane gas and other fuel may be stored on each Dwelling Unit for emergency purposes and operation of gas cooking grills, lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article 12;

(o) Use of any Dwelling Unit for a Business or Trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Dwelling Unit may conduct business activities within the Dwelling Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (ii) the business activity conforms to all zoning requirements for the Property; (iii) the business activity does not involve door-to-door solicitation of residents of the Property; (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Property which is noticeably greater than that which is typical of Dwelling Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board. Leasing of a Dwelling Unit shall not be considered Business and Trade;

(p) Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Property or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(q) Vehicles and Parking. Vehicles, including without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, golf carts, ATVs, and recreational vehicles, shall only be permitted on the Property in accordance with rules and procedures determined by the Board. Owners must provide space for parking at least two (2) vehicles on the Lot;

(r) Any construction, erection, placement, or modification of any thing, permanently or temporarily, upon a Lot or on the outside portions of the Dwelling Unit, whether such portion is improved or unimproved, except as specifically authorized in Paragraph 4(d) of this Exhibit or after approval of the thing by the Reviewing Body in writing, and otherwise in strict compliance with the provisions of the Declaration. This shall include, without limitation, signs, basketball hoops, swing sets and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; docks, piers and similar structures; and hedges, walls, dog runs, animal pens, storage sheds, or fences of any kind;

(s) No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a residence either temporary or permanently. No trailer, mobile home, camper or like vehicle shall be allowed on the property at

any time, or any other structure which is finished or partially finished at a manufacturing unit or plat and transported for quick assembly and which is designed to be disassembled and relocated shall be allowed. It is specifically the intention and purpose of this covenant to prohibit the location of any manufactured home as defined in NCGS 143-145 and any structure for which a "Label of Compliance" as defined in NCGS 143-145 is issued, including but not limited to those structures which are generally referred to as mobile homes, trailers, relocatable houses, or similar type structures on the property;

(t) Removal, alteration, damage or change to any of the Stormwater Management Facilities.

(u) Placing or permitting to remain garbage or trash on any Lot excepting in covered containers of a type, size and style which are approved in accordance with Article 12 or as required by applicable governing authority. Except during construction activities upon the Lot, any such containers shall be kept inside garages or other structures on Lots except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection.

(v) Pets. The Association may adopt reasonable rules regarding household pets designed to minimize damage and disturbance to other Owners and occupants, including rules requiring damage deposits, waste removal, leash controls, noise controls, pet occupancy limits based on size and facilities of the Lot and fair share use of the Common Elements. Nothing in this provision shall prevent the Association from requiring removal of any animal that presents an actual threat to the health or safety of residents or from requiring abatement of any nuisance or unreasonable source of annoyance. No Owner shall be permitted to raise, breed or keep mammals, birds, fish, or reptiles of any kind for commercial purposes.

(w) Increasing a Lot in size by filling in the waters on which it abuts without prior written approval of any appropriate state and federal agencies having jurisdiction over the water and the Board.

(x) Placing fill within wetlands as defined in the 1987 Delineation Manual, unless approval and/or permits have been obtained from the proper governing agencies, including but not limited to the US Army Corps of Engineers and the North Carolina Department of Natural Resources.

3. Prohibited Uses. In addition to uses which are inconsistent with applicable zoning or are prohibited or restricted by other recorded covenants, conditions, restrictions or easements, the following uses are prohibited within the Property:

(a) trailer courts, mobile home parks, and recreation vehicle campgrounds;

(b) oil, gas or mineral exploration; drilling, boring, excavation, development, refining, quarrying, or mining operations, and all construction and equipment incident thereto; and oil or gas wells or related equipment or facilities;

(c) commercial excavation of building or construction materials, except in the usual course of construction of improvements;

(d) dumping, storage, disposal, incineration, treatment, processing or reduction of garbage, or refuse of any nature, except as is incidental to the use, operation and ownership of any property (or a portion thereof) in accordance with this Declaration and in a manner which is not unsightly and does not result in noxious odors emitting from the subject property.

4. Prohibited Conditions. The following shall be prohibited at the Property:

(a) Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Property;

(b) Structures, equipment or other items on the exterior portions of a Dwelling Unit which have become rusty, dilapidated or otherwise fallen into disrepair;

(c) Sprinkler or irrigation systems or wells of any type which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Property, except that the Association shall have the right to draw water from such sources and the Reviewing Body pursuant to Article 12 may, in its discretion, approve a private water well on certain Lots which the Reviewing Body determines to be of sufficient size to accommodate a well without adversely impacting neighboring property;

(d) Satellite dishes, antennae and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that the Association shall have the right, without obligation, to erect or install and maintain any such apparatus for the benefit of all or a portion of the Property. Notwithstanding the foregoing, (i) antennae or satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) antennae or satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (iii) antennae or satellite dishes designed to receive television broadcast signals which are less than one meter in diameter ("Permitted Devices") shall be permitted, *provided that* any such Permitted Device is placed in the least conspicuous location on the Lot in which an acceptable quality signal can be received and is screened from the view of adjacent Dwelling Units, streets and Common Elements in a manner consistent with the Community-Wide Standard and the Design Guidelines.

5. Leasing of Dwelling Units. Nothing contained herein shall prohibit the leasing or subleasing of a Dwelling Unit; provided, however, that:

(a) All leases for any Dwelling Unit shall be in writing signed by the Owner and the tenant.

(b) All leases shall be in such form, and contain such provisions, as approved by the Board, including provisions (i) requiring the tenant to comply with the Association Documents and (ii) providing that the failure of any tenant under a lease to comply with the Association Documents shall constitute an event of default under the lease.

(c) No structure on any Lot other than the Dwelling Unit may be leased or otherwise occupied, and no fraction or portion of any Dwelling Unit may be leased separately from any other portion of the Dwelling Unit.

(d) A true executed copy of any lease for a Dwelling Unit shall be provided to the Association prior to the occupancy by the tenant of such Dwelling Unit.

The Board may also adopt reasonable rules and regulations regarding leasing which may include, but are not limited to, the imposition of a fee to the Owner leasing the Dwelling Unit equal to the costs of administration and ensuring compliance incurred by the Association with the restrictions and rules and regulations relating to leasing.

"Leasing," for purposes of this Declaration, is defined as regular, exclusive occupancy of a Dwelling Unit by any person other than the Owner, or the Immediate Family of the Owner, for which the Owner receives, or the tenant provides, any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. As used in these Use Restrictions, "Immediate Family" shall mean the parents, grandparents and children of such Owner.

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