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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR  
COLLYBROOKE**

Return to Keziah, Gates & Samet  
Post Office Box 2608  
High Point, NC 27261

Prepared by: Grant W. Almond

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**THIS DECLARATION** is made this 20<sup>th</sup> of November, 2007 by **COLLYBROOKE, LLC**, a North Carolina limited liability company, (the "Declarant").

**Recitals:**

Declarant is the owner of the real property shown on the Final Plat for Collybrooke, Phase I, recorded in Plat Book 63 at page 11 in the Rockingham County Public Registry, which property is more particularly described in Section 1 of Article II below. Declarant desires to create a planned community to be named Collybrooke.

Declarant desires to insure the attractiveness of the community, to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all properties within the community; to provide for a uniform plan of development; to provide for the maintenance and upkeep of the Common Areas, as hereinafter defined; and to this end desire to subject the real property described in Section 1 of Article II to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property described below and each owner thereof.

To achieve the above objectives, Declarant has deemed it desirable to create an organization to which will be delegated and assigned the power of owning, maintaining and administering the Common Area and any improvements on the Common Area, administering and enforcing the covenants and restrictions applicable to the community and collecting and disbursing the assessments and charges hereinafter created. Declarant has incorporated under North Carolina law, Collybrooke Homeowners Association, Inc. as a non-profit corporation for the purpose of exercising and performing the functions described above.

NOW, THEREFORE, Declarant, by this Declaration of Covenants, Conditions and Restrictions, does declare that portions of the properties shown on the map of Collybrooke, Phase I, referred to above and more particularly described in Section 1 of Article II below, and such additions thereto as may be hereafter made pursuant to Article II hereof, is and shall be held, sold and conveyed subject to the easements, restrictions,

covenants and conditions, charges and liens set forth in this Declaration, which are for the purpose of protecting the value and desirability of the properties and providing for a uniform plan of development, and which shall run with the title to the real property, shall be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

## ARTICLE I DEFINITIONS

Section 1. "Association" shall mean and refer to Collybrooke Homeowners Association, Inc., a North Carolina non-profit corporation, its successors and/or assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract buyers, but excluding those having an interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to the "Existing Property" described in Article II, Section 1, hereof, and such additions thereto as are or shall become subject to this Declaration and brought within the jurisdiction of the Association under the provisions of Article II hereof.

Section 4. "Lot" shall mean and refer to any numbered plot of land, with delineated boundary lines appearing on any recorded subdivision map of the Properties (with the exception of Common Area and offsite septic easement areas), and shall include all improvements thereon.

Section 5. "Declarant" shall mean and refer to Collybrooke, LLC, a North Carolina limited liability company.

Section 6. "Common Area" shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners. Common Areas, with respect to the property subject to this Declaration, shall be shown on the various plat or plats of Collybrooke recorded or to be recorded in the Rockingham County Public Registry and designated thereon as "Pond," "Common Area," "Well Lot", or other similar designations, and shall include any areas which are subject to offsite septic easements, but shall exclude all Lots as hereinabove defined which are shown thereon. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is shown as such on the plat of the Properties identified in Section 1 of Article II.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Act" shall mean and refer to the North Carolina Planned Community Act, Chapter 47F, North Carolina General Statutes.

Section 9. "Special Declarant Rights " shall mean the rights as defined in Section 47F-1-103(28) of the Act for the benefit of a Declarant, including, but not limited to the following: to complete improvements indicated on plats or plans filed with or referenced in the Declaration; to exercise any development right as defined in the Act; to maintain sales offices, management offices, models and signs advertising Collybrooke; to use easements through the Common Area for the purpose of making improvements within the Collybrooke subdivision or within real estate which may be added to Collybrooke subdivision; and to elect, appoint or remove any officer or Board member of the Association during the Development Phase.

ARTICLE II  
PROPERTIES SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration and within the jurisdiction of the Association is located in Rockingham County, North Carolina, and is described as follows:

BEING ALL OF THE PROPERTY shown on the Final Plat of Collybrooke, Phase 1, which is recorded with the Register of Deeds for Rockingham County, North Carolina in Plat Book 63, at Page 11.

Section 2. Additions to Existing Property. Additional property may be brought within the scheme of this Declaration and the jurisdiction of the Association in the following ways:

(a) Additional land within the area described on Exhibit A attached to this Declaration may be annexed to the Properties by the Declarant or its successor and assigns and brought within the scheme of this Declaration and within the jurisdiction of the Association, in future stages of development, without the consent of the Association or its Members; provided, however, that said annexations, if any, must occur within five (5) years following the conveyance of the last Lot sold by the Declarant to an Owner.

(b) Additional residential property (and common area), outside of the area described in the aforementioned Exhibit A may be annexed to the Properties and brought within the scheme of this Declaration and the jurisdiction of the Association with the consent of the members entitled to at least two-thirds (2/3) of the votes appurtenant to all Class A lots and at least two-thirds (2/3) of the votes appurtenant to all Class B lots, if any, as hereinafter defined in Article III, Section 2. The Association may participate in mergers or consolidations with other non-profit corporations organized for the same or similar purposes as the Association, thereby adding to the Association, or to a surviving homeowners association, the properties, rights and obligations of the non-profit corporation with which it merges or consolidates. Any such merger or consolidation shall have the assent of, the members as provided above in this subsection (b), and no such merger or consolidation shall revoke, change or add to any of the provisions of this Declaration except as herein provided.

(c) The additions authorized under Subsections (a) and (b) shall be made by filing of record Supplementary Declarations of Covenants, Conditions and Restrictions with respect to the additional properties, which Supplementary Declarations of Covenants, Conditions and Restrictions shall extend the scheme of this Declaration and the jurisdiction of the Association to such properties and thereby subject such additions to assessment for their just share of the Association's expenses. A Supplementary Declaration may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be deemed by Declarant to be necessary or desirable with respect to the Properties which will be subject to the proposed Supplementary Declaration but unless approved in the manner required by Article XIII, Section 4, the provisions of the proposed Supplementary Declaration may not amend or modify the provisions of this Declaration (as previously amended, if amended) insofar as it applies to Lots which are shown on maps recorded prior to recordation of the newly proposed Supplementary Declaration.

ARTICLE III  
MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership Interest. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The voting rights of the membership shall be appurtenant to the ownership of the Lots. The Association shall have two (2) classes of voting membership.

(a) Class A. Except as provided below, Class A Members shall be all Lot Owners except the Declarant; and Class A Members shall be entitled to one (1) vote for each Lot (Class A Lot) owned. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the vote appurtenant to said Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

(b) Class B. Class B Member shall be the Declarant (as defined in this Declaration); and such Member shall be entitled to five (5) votes for each Lot (Class B Lot) owned.

The Class B membership shall cease to exist and shall be converted to Class A membership with one vote for each Lot owned, on the happening of either of the following events, whichever occurs earlier:

(1) When the total number of votes appurtenant to the Class A Lots equals the total number of votes appurtenant to the Class B Lots; provided, that the Class B Lots shall be reinstated with all rights, privileges and responsibilities of such Class, if, after conversion of the Class B Lots to Class A Lots hereunder, additional land containing Lots is annexed to the Existing Property pursuant to Article II above, thus making Declarant the owner, by virtue of the newly created Lots and of other Lots owned by Declarant, of a sufficient number of Class B Lots to cast a majority of votes (it being hereby stipulated that the conversion and re-conversion shall occur automatically as often as the foregoing facts shall occur); or

(2) On December 31, 2015; or

(3) when the Class B Lots cease to exist and are converted to Class A Lots, Declarant shall have the same voting rights as other Owners of Class A Lots.

Provided, further, that nothing herein shall be construed to prohibit Declarant from converting all or part of the Class B membership to Class A membership, with the results set forth above at any time earlier than the alternative events referred to above, by written statement executed by the Declarant and delivered to the Association.

Section 3. Control by Declarant During Development Phase. Notwithstanding anything to the contrary in this Declaration, during the Development Phase (as defined herein), the Declarant shall have the right to designate and select the board of directors of the Association and the Architectural Control Committee, if established. For purposes of this section the "Development Phase" shall mean the period beginning on the date of incorporation of the Association and continuing until the earlier of (a) December 31, 2015, (b) the date when the Declarant has conveyed each and every Lot within the Properties, and (c) the date when the Declarant notifies the Association in writing that the Declarant has waived its right to designate and select the board of directors. Without waiving its right to designate the board of directors, the Declarant may designate certain Owners to serve on the board of directors. Whenever the Declarant shall be entitled to



designate and select any person or persons to serve on any board of directors of the Association, the manner in which such person or persons shall be designated as provided in the Articles of Incorporation and/or Bylaws of the Association. The Declarant shall have the right to remove any person or persons selected by it to act and serve on said board of directors and to replace such person or persons with another person and persons to act and serve in the place of any director or directors so removed for the remainder of the unexpired term of any director or directors so removed. Any director designated and selected by Declarant need not be the Owner of a Lot. Any representative of Declarant serving on the board of directors of Association shall not be required to disqualify himself or herself from any vote upon any contract or matter between Declarant and the Association where Declarant may have pecuniary or other interest. Similarly, Declarant, as a Member of the Association, shall not be required to disqualify itself upon any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest.

Section 4. Suspension of Voting Rights. Voting rights attributable to an ownership interest in a Lot shall, as permitted by the Act, be suspended throughout the term of any default by an Owner of a Lot under the Bylaws or of this Declaration of Covenants, Conditions and Restrictions or of rules and regulations adopted and published by the Association.

#### ARTICLE IV PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement to use and enjoy the Common Area, which rights and easements shall be appurtenant to and shall pass with the title to every Lot, subject and subordinate to the provisions, rights, easements, restrictions and limitations stated in this Article and elsewhere in this Declaration or shown on the plat or plats of the Properties.

(a) The Association shall have the right (i) to charge reasonable admission and other fees for the use of any recreational facilities situated upon the Common Area, (ii) to limit the use of such facilities to Owners who occupy a residence on the Properties as their principal residence in the county in which the Properties are located, and to their families, tenants, contract purchasers and guests, and (iii) to adopt and publish rules and regulations governing the use of the Common Area, including such recreational facilities.

(b) The Association shall have the right, as permitted by the Act, to suspend the voting rights and right of use of any recreational facilities by an Owner and the Owner's family, tenants, contract purchasers and guests for any period during which any assessment against the Owner's Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of the Bylaws, this Declaration and published rules and regulations, if any.

(c) The Association shall have the right to dedicate or transfer all or any part of, or any interest in, the Common Area to any public or private agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided, that any such dedication of a wet detention pond shall not be effective unless such transfer has been reviewed and approved by the governmental office having jurisdiction for watershed protection. No such dedication or transfer shall be effective unless the Members entitled to at least two-thirds (2/3) of the votes appurtenant to each Class of Lots (Class A and Class B) (and, in the case of portions of the Common Area subject to a septic sewer easement, all of the Owners for whom use and enjoyment of septic sewer easement is reserved) agree to such dedication or transfer and signify their agreement by a signed and recorded written document; provided that the foregoing shall not preclude the Association or Declarant, without such agreement by the Members, from granting easements to public authorities or utilities or to individual Lot Owners, or to others for the installation and maintenance of electrical, telephone, cable television, water and sewerage service and drainage facilities and other utilities, and recreational facilities (such as walking trails) upon, over, under and across the Common Area, including the portions of the Common Area subject to septic sewer easements, without the assent of the membership

when, in the sole opinion of the board of directors or Declarant, such easements do not interfere with the use and enjoyment of the Properties or are necessary for the convenient use and enjoyment of the Properties.

(d) The Association shall have the right to limit the number of guests of Members.

(e) The Association shall have the right, with the written assent of Members entitled to at least two-thirds (2/3) of the votes appurtenant to each Class of Lots (Class A and Class B) to mortgage, pledge and deed in trust any and all of its real or personal property as security for money borrowed or debts incurred for the purpose of improving the Common Area and facilities, with the rights of such creditors to be subordinate to the rights of the Owners hereunder; provided, that the written consent of all Owners entitled to the use and enjoyment of septic sewer easements shall be required as a condition to the grant or conveyance of any mortgage, pledge or deed of trust encumbering those areas.

(f) The Association shall have the right to adopt, publish, and enforce rules and regulations as provided in Article IX.

(g) The Association shall have the right to license or lease, on an hourly or daily basis, the recreational facilities located on the Common Area on such terms and conditions as the board of directors may reasonably determine.

(h) The use of any ponds, rivers and other bodies of water located on the Common Area shall be further subject to any applicable rules and regulations adopted by any governmental agency having jurisdiction over such ponds. In the case of a conflict between the provisions of this Declaration and any governmental rules and regulations, the governmental rules and regulations shall have priority.

(i) The Association shall have the right, without Owner, mortgagee or agency approvals, to exchange portions of the Common Area, free and clear of the Owners' easement rights, for other portions of the Properties; provided, however, that no such exchange shall reduce the total open space area below applicable zoning requirements, and all Lots previously adjacent to the Common Area remain so located unless the Owners of such Lots approve the exchange.

(j) The Declarant shall have the right, during the Development Phase, and without Owner, mortgagee or agency approvals, to exchange portions of the Common Area, free and clear of the Owners' easement rights, for other portions of the Properties; provided, however, that no such exchange shall reduce the total open space area below applicable zoning requirements, and all Lots previously adjacent to the Common Area remain so located unless the Owners of such Lots approve the exchange. If the Common Area has been conveyed to the Association, the Declarant shall have the right to cause the Association to effect the Declarant's rights under this paragraph.

(k) The Declarant shall have the right, without Owner, mortgagee or agency approvals, to reconfigure the boundaries of any Lot or Lots owned by the Declarant, to create additional Lots, eliminate existing Lots or create additional Common Areas or eliminate portions of existing Common Areas; provided, however, that the Properties shall not contain a greater number of Lots than the maximum number permitted by applicable governmental authority. If the Declarant elects to exercise its right to reconfigure the boundaries of one or more Lots owned by the Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by the Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration. If the Common Area has been conveyed to the Association, the Declarant shall have the right to cause the Association to effect the Declarant's rights under this paragraph.

(l) During the Development Phase, the Declarant (and thereafter, the Association) shall have the right, without Owner, mortgagee or agency approvals, to create additional well lots on the Common Areas, and to grant access easements to such well lots across the Common Areas. If the Common Area has been conveyed to the Association, the Declarant shall have the right to cause the Association to effect Declarant's rights under this paragraph.

(m) The Declarant shall have the right to amend this Declaration as provided in Article XIII, Section 4.

Section 2. Off Site Septic Areas.

(a) Grant of Easement. A perpetual, non-exclusive easement to erect, construct, install, lay and use, and maintain and repair from time to time, septic sewer lines and a septic drainage field and related improvements, if any, is hereby created by the Declarant on certain septic "Offsite Easement" areas and on certain "Private Sewer Line and Maintenance Easements" (abbreviated as "P.S.L.A.M.E." on the plats of the Properties), or similar designations, in favor of the Owners of those certain Lots, all as designated on the plat or plats which comprise the Properties (the "Benefitted Lots"). For example, a Septic Easement Area designated for use by a particular Benefitted Lot, is labeled with the number of the Benefitted Lot. Each Private Sewer Line and Maintenance Easement shall also include the right to use any immediately adjacent area in order to provide access to a Private Sewer Line and Maintenance Easement and to provide temporary usage during a period of construction, installation or repair to a septic sewer line. Each septic sewer easement shall be an easement appurtenant and shall run with the land. The Association may adopt reasonable rules and regulations governing the use of the septic offsite easements and Private Sewer Line and Maintenance Easements, including the prohibition of regular vehicular traffic across the septic easement areas (as long as such prohibition does not eliminate access to any Lot). Each Owner of a Lot which is subject to a Private Sewer Line and Maintenance Easement (a "Burdened Lot") shall not, on the Burdened Lot, (a) plant or maintain any tree or other planting, (b) construct or maintain any improvement, or (c) conduct or permit any activity to be conducted, which shall interfere with the use of a Private Sanitary Sewer Line and Maintenance Easement for its intended purpose.

(b) Use of Easement. The Declarant, for each Benefitted Lot, and the Owner or Owners of each Benefitted Lot, by acceptance of a deed therefor, covenant to (i) use the septic sewer lines and septic drainage field and other related improvements within the applicable septic easement area and Private Sewer Line and Maintenance Easement in conformity with all applicable federal, state and local ordinances, regulations, health codes and guidelines, and (ii) use, maintain and repair the septic tank, septic lines and other related improvements, if any, located on a Lot in conformity with all applicable federal, state and local ordinances, regulations, health codes and guidelines. The Owner or Owners of each Benefitted Lot shall indemnify and hold the Association and the Owners of any affected Burdened Lots harmless against any damages, costs, claims and fines, including the Association's and such Owners' reasonable attorneys fees, resulting from a breach of a covenant under this subsection. The covenants under this subsection shall be real covenants which run with the land.

Section 3. Delegation of Use.

(a) Family. The rights and easement of enjoyment granted to every Owner in Section 1 and 2 of this Article IV may be exercised by members of the Owner's family who occupy the residence of the Owner within the Properties as their principal residence in the county in which the Properties are located.

(b) Tenants or Contract Purchasers. The right and easement of enjoyment granted to every Owner in Section 1 and 2 of this Article IV may be delegated by the Owner to his or her tenants or contract

purchasers who occupy a residence within the Properties as their principal residence in Rockingham County, North Carolina.

(c) Guests. Common Area may be utilized by guests of Owners, tenants or contract purchasers subject to the rules and regulations of the Association governing said use, as established by the Board of Directors. All guests must be accompanied by an Owner or tenant at all times.

#### ARTICLE V COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (a) annual assessments or charges and (b) special assessments for capital improvements; such assessments to be established and collected as hereinafter provided. In addition, the Association may establish an initiation fee to be assessed against each new Owner who acquires title to a Lot in order to defray certain administrative costs, including for example only, providing copies of the bylaws, declaration, rules and regulations, budget, assessment schedule, and other pertinent information. The charge for the new member initiation fee shall be collectible as an additional assessment against the applicable Lot. The annual and special assessments (including the new member initiation fee), together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation the Owner of such Lot at the time when the assessment fell due, but not of an Owner's successors in title unless expressly assumed by such successor. The covenants under this section shall be real covenants which run with the land.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Properties and in particular for the repair, improvement and maintenance of the Common Areas including the expenses associated with the Association's duties under Article VI, Section 2(a), walks, signs, street lights (if not maintained by a governmental entity or utility), sediment traps, wet detention ponds and other water runoff and erosion control devices, as hereinafter provided, all for the use and enjoyment of the Common Area, including, but not limited to, the cost of repairs, replacements, and additions; the cost of labor, equipment, materials, management, and supervision; and the payment of taxes and public assessments assessed against the Common Area, if any. In addition, the assessments shall also be used for the procurement and maintenance of insurance in accordance with this Declaration; the employment of attorneys to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements, including, without limiting the generality of the foregoing, wet detention ponds and any other major expense for which the Association is responsible; and such other needs as may arise.

Section 3. Reserves. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Areas which the Association is obligated to maintain. Without limitation, the reserve fund described herein shall provide for the replacement of any major structures incorporated into a permanent wet detention pond. Such reserve fund is to be established out of regular assessments for common expense.

Section 4. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$ 300,00 per Lot (which amount includes \$ \_\_\_\_\_ per Lot for the capital reserve fund described in the preceding section), which assessments shall be payable annually or in installments, as determined by the Board of Directors.



(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased by the Board of Directors, effective January 1 of each year, without a vote of membership, but subject to the limitation that any such increase shall not exceed ten percent (10%) over the preceding twelve (12) month period.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the increase permitted in Section 4(a) above if such increase is approved by Members entitled to no less than two-thirds (2/3rds) of the votes appurtenant to each Class of Lots represented in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting.

Section 5. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment or assessments ("Special Assessments") for the purpose of defraying, in whole or in part, any costs incurred by the Association which are not paid for out of funds on hand in the Association or out of the annual assessments collected by the Association. Such costs may include, but shall not be limited to, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto. Notwithstanding the above, all fees and costs incurred by the Association in exploring or waging a complaint or suit against Declarant must be paid for out of a Special Assessment and, for this purpose only, such Special Assessment must be approved by a vote of the Members entitled to cast no less than two-thirds (2/3rds) of all votes entitled to be cast by the Members. Any Special Assessment shall have the same assent of the Members as provided in Section 4(b) of this Article.

Notwithstanding the above, the Board of Directors may, in its reasonable discretion, levy a Special Assessment without approval of the Members, if such Special Assessment is to pay the cost or expense for an item of maintenance, repair, construction, reconstruction, or replacement within an offsite septic area if such item is mandated by any applicable governmental authority. If such cost or expense can be reasonably and conveniently allocated to one or more specific Benefitted Lots, then such Special Assessment shall be levied only against such specific Benefitted Lot or Lots; otherwise, the Special Assessment shall be allocated among all Benefitted Lots.

Section 6. Notice and Quorum for any Action Authorized Under Section 4 and 5. Written notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 shall be sent to all Members no less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members and proxies entitled to cast thirty percent (30%) of the votes appurtenant to each Class of Lots (Class A and Class B) shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement; and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Rate of Assessment.

(a) Except as provided in the succeeding subparagraph, both annual and special assessments shall, except as otherwise specifically provided for in this Declaration, be fixed at a uniform rate for all Lots and shall be collected on a schedule established by the Board of Directors.

(b) In order to account for the additional expenses associated with offsite septic areas, the Association may levy a higher annual assessment against the Benefitted Lots which are serviced by an offsite septic area as permitted under Article VI, Section 2(a) below.



Section 8. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to each Lot beginning with the month following the earlier of (a) issuance of a certificate of occupancy for a dwelling on the Lot, or (b) six (6) months following the conveyance of the Lot by the Declarant to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days before January 1 of each year, the Board of Directors shall fix the amount of the annual assessment against each Lot and in the event the Board elects not to affix such assessment as herein provided, the amount of the prior year's annual assessment shall be the fixed amount. Written notice of any change in the assessment rate shall be sent to every Owner. The due dates for the payment of annual and special assessments shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 9. Effect of Non-Payment of Assessments; Remedies of the Association. Any assessment not paid within fifteen (15) days after the due date shall be assessed a late charge to be set from time to time by the Board of Directors within any statutory limits, and the assessment with late charge shall bear interest from the due date at an annual rate equal to the lesser of (a) twelve percent (12%) per annum or (b) the maximum rate allowed by law. The Association, or its agent or representative, may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien as provided in Section 47F-3-116 of the Act against the Lot to which the assessment related; and, in either event interest, costs and reasonable attorney's fees of any such action shall be added to the assessment to the extent allowed by law. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of such Owner's Lot. In the event of a default for a period of thirty (30) days by any Owner in the payment of any assessment levied against the Owner's unit, the Board of Directors shall have the right to declare all unpaid assessments for the then current fiscal year to be immediately due and payable.

Section 10. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust on a Lot and to any ad valorem taxes on such Lot. Sale or transfer of any Lot shall not affect any assessment lien. However, the sale or transfer of any Lot which is subject to any mortgage or deed of trust pursuant to a foreclosure thereof, or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to payments thereof which became due prior to such sale or transfer (but shall not affect the personal liability of the Owner for payment of such assessments). No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. All Property dedicated to, and accepted by, a local public authority and all properties, other than Lots, owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. No Lot shall be exempt from assessments.

Section 12. Working Capital Fund. At the time of closing of the sale of each Lot after the construction of the initial dwelling on such Lot, any assessment for the remaining portion of the calendar year in which the closing occurs shall be due and payable and collected and transferred to the Association.

Section 13. Default of Owners' Association. Upon default by the Owners' Association in the payment to the jurisdiction entitled thereto of any assessments for public improvements or ad valorem taxes levied against the common areas, which default shall continue for a period of six (6) months, each owner of a lot in the development shall become personally obligated to pay to the jurisdiction a portion of the taxes or assessments in an amount determined by dividing the total taxes and/or assessments due to the jurisdiction by the total number of lots in the development. If the sum is not paid by the owner within thirty (30) days

following receipt of notice of the amount due; the sum shall become a continuing lien on the property of the owner, his heirs, devisees, personal representatives and assigns. The taxing or assessing jurisdiction may either bring an action at law against the owner personally obligated to pay the same, or may elect to foreclose the lien against the property of the owner.

ARTICLE VI  
MAINTENANCE, REPAIR AND REPLACEMENT

Section 1. Association's Responsibility. The Association shall maintain and keep in good repair the Common Area and all improvements located thereon, except as provided in the succeeding section on off site septic areas. This maintenance shall include without limitation maintenance, repair and replacement of all landscaping and grass areas, street lights (if not maintained by a governmental entity or utility), walking trails (if not maintained by a governmental entity), streets (if not maintained by a governmental entity), sediment traps, wet detention ponds and other water runoff and erosion control devices and other improvements situated on the Common Area. In the event that the need for replacement, maintenance or repair is caused through the willful or negligent act of the Owner, the Owner's family, guests, lessees, or invitees, the cost of such replacement, maintenance or repairs shall be the obligation of that Owner and shall be added to and become a part of the assessment to which such Lot is subject.

The Declarant shall be obligated to construct the streets within the Properties in accordance with the minimum standards of the North Carolina Department of Transportation for acceptance of the subdivision streets into the State highway system for maintenance. The Declarant shall not be responsible for the actions of any Owner, any builder, or any agent of either which would cause the subdivision streets to be ineligible for acceptance into the State highway system for maintenance. If any subdivision street, or portion thereof, is not accepted into the State highway system for maintenance, the Association shall maintain and keep in good repair such street or portion thereof, or for making such repairs or improvements as are necessary for such street to be eligible for acceptance into the State highway system for maintenance.

In the event the Association is terminated, dissolved or ceases to exist, the Owners of record at the time of any required maintenance to a wet detention pond shall be jointly and severally liable for all costs attendant thereto.

Section 2. Maintenance and Repairs of Off Site Septic Areas.

(a) By the Association. The Association shall mow the Common Areas which are subject to off site septic areas. The Association shall also be responsible for retaining a "certified operator" to perform inspections and reports which may be required by local governmental authorities. Upon default of an Owner of a Benefitted Lot in such Owner's duties under the succeeding section, the Association may in its absolute discretion, but shall not be required to, undertake such repairs, maintenance or replacements on behalf of such Owner or Owners. The costs and expenses (including any capital expenditures for replacements or major repairs) of the Association in undertaking such inspections, reports, repairs, maintenance or replacements shall be assessed exclusively against the Owners of the Benefitted Lots as reasonably allocated by the Association in proportion to the number of offsite easement areas affected by each item of repair, maintenance or replacement. For costs and expenses related to offsite septic areas which cannot be conveniently allocated to specific Benefitted Lots, the Board of Directors may recover such additional costs and expenses through a higher annual assessment applicable to all Benefitted Lots as permitted under Article V, Section 7(b) above. Such assessments shall be enforceable as with other assessments under Article V.

(b) By the Owners. Each Owner of a Benefitted Lot shall be responsible for repairing the septic sewer lines, septic drainage fields and other related improvements, if any, including undertaking any required replacements and improvements, within such Owner's Private Sewer Line and Maintenance Easement and

septic offsite easement (referred to in Section 2 of Article IV above) and shall otherwise monitor, report and perform such other required acts, all as required under all applicable federal, state and local ordinances, regulations, health codes and guidelines except as expressly provided in the preceding subsection. Each Owner of a Benefitted Lot shall maintain at all times a policy of insurance covering damage caused by or related to a stoppage, backup or failure of a septic sewer line and septic sewer field.

Section 3. Binding on Successors. The covenants under this article shall be real covenants which run with the land.

## ARTICLE VII ARCHITECTURAL CONTROL

No dwelling, garage, outbuilding, fence, sign, wall, statuary or other structure or improvement of any kind (including a paved surface) shall be commenced, erected, installed, or maintained upon any Lot or upon the Common Area nor shall any exterior addition to or change or alteration of a residence building be made, including, but not limited to, color or painting of the exterior or change of the type of exterior finish, the installation of aerials or awnings or the placement of reflective or other material in the windows of a dwelling, or the addition of an exterior attachment (such as a storm door) until the plans and specifications showing the nature, kind, shape, height, color, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee, if the Board of Directors shall elect to establish such a committee, composed of three (3) or more representatives appointed by the Board (said committee being hereinafter referred to as the "Architectural Control Committee"). Absent such written approval, the proposed improvement may not be effected and, if undertaken, may be enjoined by the Association. Notwithstanding any provision to the contrary herein, during the Development Phase the Declarant shall retain the power and discretion to review, modify and reverse all such decisions made by the Board of Directors or Architectural Control Committee, if established. Upon the expiration of the Development Phase, the Board of Directors shall retain the power and discretion to review, modify and reverse all decisions made by the Architectural Control Committee, if established.

The installation of antennae and of satellite dishes or disks shall be permitted by the Board of Directors (or Architectural Control Committee, if established) on a Lot if accomplished in strict compliance with the limitations and conditions imposed by the Telecommunications Act of 1996, as amended from time to time (the "Act"), but no antenna or disk which is in any dimension larger than prescribed by the Act or which is not installed in accordance with the advance notice requirements and location guidelines of the Act may be installed or maintained on any Lot except with the prior written approval of the Board or the Architectural Control Committee. The Board of Directors (or Architectural Control Committee, if established) may adopt guidelines on the installation of antennae and satellite dishes or disks which are not inconsistent with the Act.

In the event an Owner of a Lot shall make an unauthorized change to the Lot, as described in the two preceding paragraphs, the Board of Directors (or the Architectural Control Committee, if any) shall have the right, through its agents and employees, to enter upon said Lot and to repair, maintain and restore its appearance, as nearly as reasonably possible, to the same as it was prior to the unauthorized change. The cost of such work and any other costs or attorney's fees incurred in the enforcement of these provisions shall be added to and become a part of the assessments to which such Lot is subject.

The provisions of this Article shall not apply to improvements of any kind constructed upon any Lot or upon the Common Area by Declarant and Declarant is expressly exempt from the provisions of this Article.

ARTICLE VIII  
INSURANCE

Section 1. By the Association: The Association shall procure and maintain insurance coverage as follows:

(a) Common Areas. All insurance policies upon the Common Area shall be purchased by the Association for the benefit of the Association and the Owners and their mortgagees, as their interests may appear, and provisions shall be made where available for the issuance for certificates or mortgagee endorsements to the mortgagees of Owners upon request therefor by any Owner.

(b) Coverage. All insurable improvements upon the Common Areas and all personal property of the Association included in the Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

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

(ii) such other risks as the Association may from time to time elect to protect against.

(c) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million and No/100 (\$1,000,000.00) Dollars per occurrence and may include an endorsement to cover liability of the Owners, as a group, to a single Owner.

(d) Board and Officers. If available at a reasonable cost, liability insurance on each officer and director of the Association shall be secured by the Association.

(e) Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and shall be included as part of the annual assessment described in Article V above.

(f) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and shall provide that all proceeds thereof shall be payable to the Association.

Section 2. Fidelity Insurance or Bond. All persons responsible for or authorized to expend funds or otherwise execute control over the assets of the Association or those held in trust, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments, plus reserves accumulated at the time of the bonding. This requirement may be waived by the Board of Directors if the Association has engaged the services of a property management firm who shall have the responsibility for receiving, depositing, and disbursing monies of the Association.

ARTICLE IX  
USE RESTRICTIONS

Section 1. Rules and Regulations. Use and enjoyment of the Properties shall be governed and regulated by the rules and regulations set out in this Article, which may be amended or abrogated only by amendment to this Declaration, as provided in Article XIII, Section 4. However, the Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable supplemental rules and regulations and may provide for imposition of fines and other penalties for the violation thereof or for the



violation of any of the covenants and conditions contained in this Declaration, including rules and regulations adopted and published by the Association.

Section 2. Residential Use. Except as may be otherwise expressly provided in this Declaration, each Lot shall be used for single-family residential purposes only. Lease or rental of a house for residential purposes shall not be considered to be a violation of this Covenant, so long as the lease is in compliance with the provisions of this Declaration, the Bylaws and reasonable rules and regulations adopted by the Board. Notwithstanding any provision in this Declaration, the Declarant shall be permitted to maintain a sales office on one or more Lots until all of the Lots have been sold by the Declarant.

Section 3. Prohibition of Renting for Transient or Hotel Purposes. No Owner shall rent his Lot for transient or hotel purposes, which, for the purposes of this Declaration shall be defined as either a rental for any period less than one hundred eighty (180) days or any rental if the lessee of the Lot is provided customary hotel services; provided, however, an Owner may rent his Lot for a shorter term, not less than five (5) days for up to two times within a calendar year. Each permitted lease shall be in writing and shall be subject to this Declaration, the Bylaws, and the Rules and Regulations adopted hereunder and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Other than the foregoing restrictions, each Owner shall have the full right to lease all or any portion of his Lot.

Section 4. Antennas/Satellite Dishes. As provided in Article VII, except for such as are covered by, and installed in strict compliance with, the requirements of the Telecommunications Act of 1996, as amended, no outside radio or transmission tower or receiving antenna, including a satellite dish antenna, and no outdoor television antenna or satellite dish may be erected or installed by an Owner or permitted by an Owner to remain on his or her Lot without the prior written approval of the Board of Directors or the Architectural Control Committee, if any.

Section 5. Dwelling Size and Specifications. Each dwelling constructed on a Lot shall have an enclosed, heated living area within the main structure, exclusive of open porches, garages, and other unheated spaces, of no less than 1,650 square feet. The Board of Directors (or Architectural Control Committee, if established) shall have the authority to approve reduction of the square foot minimum area as to a particular dwelling by no more than ten percent. No exposed cinder block may be used as the exterior covering of a dwelling. No buildings shall be erected, altered, placed or permitted to remain on any lot other than one detached single-family dwelling, not to exceed two and one-half (2 ½) stories in height, minor out buildings (such as utility buildings) to be located behind the main dwelling, and at least one (1) private garage constructed in conformity with this Article. No structure, overhang or extension thereof shall be built closer to the front property line of any lot or closer to the side lot lines than shall be established by any governmental body having such jurisdiction over the subject property.

Manufactured dwellings and modular dwellings are expressly prohibited. A "modular dwelling" shall mean a dwelling constructed in accordance with the standards set forth in the N.C. State Residential Building Code and composed of components substantially assembled in a manufacturing plant and transported to the building site for final assembly on a permanent foundation. A "manufactured dwelling" shall mean a dwelling that is composed of one or more components, each of which was substantially assembled in a manufacturing plant and designed to be transported to the home site on its own chassis.

Section 6. Additional Specifications. Without limiting the approval requirements of Article VII on Architectural Control, the following criteria shall provide minimum standards for construction of improvements on a Lot.



(a) Garages. All garages must be attached to the main dwelling and must have a capacity of at least two automobiles. Any detached garage must be located behind the rear building line of the main dwelling and the opening must face the front of the Lot.

(b) Outbuildings. Any outbuilding and/or utility building must be of new construction on a permanent foundation which shall include concrete footings and must be constructed in keeping with aesthetics of the main dwelling on said lot and approved by the Board of Directors (or Architectural Control Committee, if established).

(c) Roof. No roof shall be permitted without a minimum pitch of 8:12 except with the written consent of the Board of Directors (or Architectural Control Committee, if established).

(d) Driveways. All driveways shall be paved in concrete and shall be no less than ten feet in width and four inches in depth. All driveway culverts are to be installed according to North Carolina Department of Transportation specifications.

(e) Swimming Pools. No above ground swimming pools (including temporary or portable swimming pools of any type) shall be constructed, installed or maintained upon any Lot.

(f) Fuel Tanks. All propane tanks and other fuel tanks shall be buried in the ground, or screened from view so as not to be noticeable or apparent from the abutting street(s) or lots immediately adjacent thereto and shall be installed and maintained in accordance with all applicable regulations. Any above ground tanks must be located on the rear of the dwelling or on the side of the dwelling at least fifteen (15) feet to the rear of the front corner of the dwelling.

(g) Fencing. No portion of any fence shall be erected or maintained on any Lot which is closer to the street (which the main structure faces) than the rear building line of the structure. No fence shall exceed five (5) feet in height. All fences (including composition of materials and manner of construction) must be approved in writing in advance of construction by the Board of Directors (or Architectural Control Committee, if established). Without limiting the generality of the foregoing approval requirement, no chain link fencing of any kind shall be allowed, which shall include pet kennels. The Board of Directors (or Architectural Control Committee, if established) shall have the power and authority to determine if a structure constitutes a "fence" as referred to in this paragraph.

(h) Play Equipment. No basketball backboards, swings, sliding boards or other child's play apparatus may be affixed or placed in the front yard of any Lot.

(i) Mailboxes. Mailboxes shall be of a uniform design pursuant to the specifications of the Board of Directors (or Architectural Review Committee, if established).

(j) Decks. Decks are considered a part of the structure and must be approved as provided in Article VII. Any deck must be located on the rear of the dwelling or on a side of the dwelling extending not more than ten feet from the side of the dwelling and no closer than fifteen feet from the front corner of the dwelling, as reasonably interpreted by the Board of Directors (or Architectural Control Committee, if established).

Section 7. Maintenance. Each Lot shall be maintained and preserved by the Owner in a clean, orderly, and attractive manner within the spirit of the development. Each owner of a Lot shall be responsible for maintenance of the portion of the street right-of-way between his Lot and the street and for the portion of any sidewalk on the Owner's lot or between the Owner's Lot and the street (if not maintained by a governmental entity). The Declarant or its agent and the Association shall have the right to enter upon any

Lot or area to remove such waste or cut and remove any construction material, grass, weeds, trees, etc., on any Lot or area deemed by public authority or the Declarant or its agent or the Association, to be unsightly. If the Declarant or Association performs the work to comply with this restriction then the cost shall be borne by the Lot owner and the cost shall be a lien upon the Lot until paid as with other assessments. Trash, garbage, or other waste shall be kept in sanitary containers, either in a garage or at the rear of the dwelling, in such manner that such containers shall be screened from view from any immediately adjacent lot or street except on day of collection, and promptly removed from the street after collection.

All landscaping shall be done in such a manner that erosion and sedimentation shall be stabilized and controlled in accordance with applicable state and county regulations. Landscaping must be in harmony with other homes within the subdivision. Until the end of the Development Phase, the Declarant shall have the final decision as to whether the property has been landscaped in accordance with these restrictions.

All driveways, drainage tiles located under driveways, and drainage ditches and culverts along any streets, (specifically including the portions of the driveway, and any drainage tiles and drainage ditches which are located within the right of way of any public or private street), shall be constructed and maintained by each Lot owner in conformity with any requirements of the North Carolina Department of Transportation or any other governmental office having jurisdiction over roadways. No owner of any Lot shall construct or install, or permit to be constructed or installed any improvement (including any trees or plants) within the right of way of any street which would cause such street to not be accepted into the State or other local governmental roadway maintenance system. Each Lot owner shall indemnify the Association and the Declarant for any expenses, including reasonable attorneys fees, which the Association or the Declarant incurs because a Lot owner has not complied with the provisions of this paragraph. Any expense incurred by the Association to remedy an Owner's noncompliance with this paragraph, including the Association's reasonable attorney fees, shall be an additional assessment against the applicable Lot and enforceable as with other assessments.

Section 8. Nuisances. No activity deemed noxious or offensive by the Board of Directors or the Architectural Control Committee, if any, shall be carried on upon any Lot or within the Common Area, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood as determined by said Board or Committee. Examples of such offensive activities shall include, but not be limited to, the origination or emission of any loud or disturbing noise or vibrations, failure of occupants to insure that garage doors are closed at all times except when automotive traffic is moving in or out; the maintenance of an auto repair site; the maintenance of unsightly outdoor storage of personal property (including toys, motorcycles or other motor vehicles, tricycles, bicycles, wood piles or other miscellaneous items) on porches, patios, terraces or yards; and similar unsightly activity (such as use of outdoor clothes drying lines) not in keeping with the aesthetic character and high level of appearance of the community.

No potentially hazardous or toxic materials or substances shall be used or stored on any Lot other than normal household, lawn and garden products which shall be used by Owner in a manner that will not permit spills or runoff of such materials anywhere within the Properties. No activity shall be allowed which violates local, state or federal laws or regulations and the Board shall have the right, but not the obligation, to take enforcement action in the event of a violation.

Section 9. Animals. No animals, livestock, or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes. The number of household pets generally considered to be outdoor pets, such as dogs and cats, shall not exceed two (2) in number, except for newborn offspring of such household pets which are under six (6) months in age. Notwithstanding the foregoing, pitbulls and rottweilers, are expressly prohibited, and the Association shall have the right to prohibit, or require the removal of, any dog or other animal which the Association, in its sole discretion, deems to be

undesirable, a nuisance or a safety hazard after consideration of factors such as size, breed and disposition of the animal, likely interference by the animal with the peaceful enjoyment of the Properties by Owners and the security measures taken by the Owner with respect to such animal.

Section 10. Temporary Structures. No residence or other improvement of a temporary nature shall be erected or allowed to remain on any Lot, and no trailer, basement, shack, tent, garage, barn or any other building of a similar nature shall be used as a residence on any Lot, either temporarily or permanently.

Section 11. Vehicles. Except during construction or for temporary loading and unloading of household goods, no truck or commercial vehicle in excess of one ton load capacity may be parked on or permitted to remain on any Lot or the Common Area.

No "junked motor vehicle" shall be stored, parked or kept in the Common Area nor shall any such vehicle be stored, parked or kept on any Lot if it can be seen from any other Lot or from any street or neighboring Lot within the Properties. For purposes of this Declaration, a "junked motor vehicle" shall mean a motor vehicle that cannot be self-propelled or moved in the manner which it originally was intended to move, and to which at least one of the following also applies: (a) is partially dismantled or wrecked; (b) is more than five years old and appears to be worth less than \$500.00; or (c) does not display a current license plate; or (d) does not display a current vehicle safety inspection sticker. It shall be presumed that a motor vehicle that has not been moved for thirty (30) days, and which cannot be cranked and moved is a "junked motor vehicle." No automobiles or other mechanical equipment may be dismantled or parts thereof stored on any said Lot. No vehicles of any type shall be parked on the sidewalk or within a street right-of-way, nor shall vehicles of any type be parked or stored on any part of a Lot not improved for that purpose (a garage, driveway or parking pad). This prohibition shall not preclude occasional, overnight or temporary daytime overflow parking within the street right-of-way by guests of an Owner, or tenant of an Owner, as long as no inconvenience is imposed upon one or more Owners of other Lot(s).

The provisions of this Article shall not preclude the parking of construction trailers within the Properties or the construction, maintenance and use by a builder of temporary buildings and other structures while there is new construction and/or sales activities within the Properties. Daytime and overnight parking of trucks and other construction vehicles shall also be permitted throughout the Lot development and construction periods.

No trailers of any type, mobile house trailers, on or off wheels, recreational vehicles ("RVs"), motorcycles, scooters, motor homes, vehicles or enclosed bodies of the type which may be placed on or attached to a vehicle (known generally as "campers"), commercial vehicles of any kind (including buses) or boats or boat trailers shall be permitted, parked or stored in the Common Area, or on any street, or within any Lot unless garaged; provided that the temporary parking of commercial vehicles will be permitted while the driver thereof is on business delivering goods or services to a customer within the Properties.

Mini-bikes, golf carts, go-carts, ATVs and similar vehicles are prohibited from being used or operated on or with the Properties.

Section 12. Signs. No signs or other advertising devices shall be erected upon or displayed or otherwise exposed to view on any Lot, or any improvement thereon, without the prior written consent of the Association, except that "For Sale" signs not exceeding 20" x 35" may be placed upon a Lot and provided, further, that Declarant may post temporary "For Sale" and other advertising signs anywhere on the Properties until such time as all Lots owned by Declarant have been sold and conveyed.

Section 13. Control of Dogs. Every person owning or having possession, charge, care, custody or control of a dog shall keep such dog exclusively upon his or her Lot; provided, that such dog may be off

premises if it is under the control of a competent person and restrained by a chain, leash or other means of adequate physical control.

Section 14. Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish, and all trash, garbage and other waste shall be stored in sanitary containers in accordance with the rules and regulations of the Association and of any health or public safety authority having jurisdiction over the Properties. No trash, garbage or other waste may be placed within the Common Area, except in containers approved by the Association.

Section 15. Subdivision of Lots. No Lot shall be subdivided into a lot smaller than or different from the Lot shown on the recorded plat and no street shall be laid out across or through any Lot, except with the written consent of the Declarant during the Development Phase and thereafter by the Board of Directors (or Architectural Control Committee, if established).

Section 16. Waiver. Declarant reserves the right to waive, in whole or in part, minor violations of any of the foregoing restrictions and Declarant may appoint a successor by an instrument filed in the Rockingham County Registry who shall also have the right during such period to waive, in whole or in part, any minor violations of the foregoing restrictions. After the Development Phase has ended, minor violations of the restrictive covenants contained herein may be waived by the Board of Directors (or the Architectural Control Committee, if established) and immediately adjacent Lot owners by an instrument signed by those parties.

#### ARTICLE X EASEMENTS

Section 1. Existing Easements. All of the Properties, including Lots and Common Areas, shall be subject to such easements for water lines, septic lines, Private Sewer Line and Maintenance Easements, drainage easements, storm drainage facilities, gas lines, telephone lines, electric power lines and other private and public utilities as shall be established by the Declarant by designation on the plat or plats of the Properties, or otherwise established. In addition, there is hereby reserved in the Declarant and its agents and employees an easement and right of ingress, egress, and regress across all Common Areas and easements now or hereafter owned by the Association, for the purpose of development of the Properties and construction of improvements within the Properties.

Section 2. Establishment of Easements. The Declarant shall have the power and authority to grant and establish, to terminate, or to relocate, upon, over, under and across the Common Areas such further easements as are in the opinion of the Declarant requisite for the convenient use, development and enjoyment of the Properties. After the conveyance of the Common Areas to the Association, but during the Development Phase, the Declarant shall also have the right to cause the Association to effect the Declarant's rights under this section. Once both the Common Area is conveyed to the Association and the Development Phase has ended, the Association shall have succeed to the powers under this section.

Section 3. Sign Easements. The Association may maintain, within the Common Area, subdivision signs and landscaping and lighting surrounding such signs. The costs of all such maintenance, repair and replacements of the signs, landscaping and lighting shall be part of the common expenses of the Association, payable by the Owners as set out in Article V of this Declaration. In addition, easements for the maintenance of subdivision signs and landscaping and lighting surrounding the signs are reserved as indicated on recorded plats. The Declarant hereby grants, gives and conveys to the Association a perpetual, nonexclusive easement over the portions of Lots designated as "sign easement" or similar designation on the plats, to maintain, repair and replace the subdivision signs which may be located thereon from time to time, and the lighting fixtures and landscaping surrounding the signs. In addition to the easement granted above,



the Declarant hereby gives, grants and conveys to the Association the right of ingress, egress and regress over other portions of such Lots as shall be reasonably necessary to effectuate the purposes stated above.

Section 4. Walking Trail and Well Access Easements. The Declarant hereby grants, gives and conveys to the Association a perpetual, nonexclusive easement over the portions of Lots designated as "walking trail," "all-weather trail" or "access and maintenance easement" or similar designation on the plats of the Properties, for use as a walking trail, or to provide access to walking trails or the community well system. Notwithstanding any provision to the contrary in this Declaration, the Association shall have the right to convey, temporarily or permanently, any easements or other rights relating to walking trails located within the Properties or the community well system located within the Properties to any governmental entity or private utility which shall assume responsibilities related to the walking trails or community well system.

Section 5. General. The easements reserved or granted under this Declaration shall run with the land in perpetuity and be binding upon and inure to the benefit of all persons and entities now owning or subsequently acquiring all or a part of the Properties.

#### ARTICLE XI INDEMNIFICATION OF DIRECTORS AND OFFICERS

Neither Declarant, nor any member of Declarant, nor any Member, nor the Board of Directors (individually or collectively), nor any officers, directors, agents or employees of the Association, shall be personally liable for debts contracted for, or otherwise incurred by, the Association or for a tort of a Member, whether such Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents, members or employees, shall be liable for any incidental or consequential damages for failure to inspect the Lots, the Common Areas or any other portion of the Properties, or any improvements thereon, or for failure to repair or maintain the same. Neither Declarant, the Association nor any other person, firm or entity making such repairs or maintenance shall be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any Properties or improvements.

The Association shall, to the extent permitted by applicable law, indemnify, defend and save harmless all members of the Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Board of its duties and obligations, except for any such loss, cost, expense, damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

The Association shall indemnify every director, officer, former director and former officer of the Association and any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not-for-profit, against expenses (including attorneys' fees) and liabilities actually and reasonably incurred by him or her in connection with the defense of, or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civil or criminal) in which he or she is made a party or was (or is threatened to be made) a party by reason of being, or having been, such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of a duty.

The indemnifications provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, by-law, agreement, vote of members or of disinterested directors, or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.



The Association shall undertake to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article XI, or in the bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

#### ARTICLE XII DECLARANT RIGHTS

The Declarant hereby reserves all special declarant rights as that term is now or hereafter defined by the North Carolina Planned Community Act. Notwithstanding the foregoing, the Declarant shall (a) have the right to complete improvements indicated on plats of the Properties and plans filed with this Declaration; (b) have the right to exercise any development right described in this Declaration; (c) have the right for itself and builders authorized by the Declaration to maintain sales offices, models, management offices, signs and flags advertising the planned community, (d) have the right to use walking trails and easements through the common elements for the purpose of making improvements within the planned community or within real estate which may be added to the planned community; (e) have the right to make the planned community part of a larger planned community or group of planned communities; (f) have the right to make the planned community subject to a master association; and (g) have the right to appoint or remove any officer, board member or committee member of the Association or any master association during any period of Declarant control.

#### ARTICLE XIII GENERAL PROVISIONS

Section 1. Enforcement. The Association, and each Owner, shall have the right to enforce by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions for this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The covenants of the Declarant, the Association and Owners under this declaration are real covenants which run with the land even if not so designated under specific paragraphs of this declaration.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Duration, Renewal and Termination. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless abrogated by a written termination agreement signed by seventy-five (75) percent of the Members and

filed in the Register of Deeds of the county in which the Properties are located within sixty (60) days prior to the beginning of a ten (10) year extension period.

Section 4. Amendments.

(a) Intent. The Declarant intends this Declaration to be freely amendable without undue constraint in order to (i) promote the orderly development of the Property and sale of Lots within the Properties by the Declarant and builders who purchase and improve Lots, in the Declarant's reasonable discretion and (ii) permit the Owners, after the expiration of the Development Phase, to govern their community in a manner which may not have been anticipated by the Declarant at the time of the original Declaration, but in which a clear consensus of the Owners may elect. Considering the nature and scope of this development, the Declarant believes that a sixty-seven percent approval percentage by the Owners evidences a reasonable indicia of a clear consensus of the Owners for an amendment to this Declaration and that such approval process would be a reasonable expectation of the future Owners within this development even if such amendment might expand or curtail the scope of this original Declaration. In order to accomplish these intentions, the Declarant reserves the right to unilaterally amend this Declaration and grants to the Owners the authority to amend this Declaration, upon and subject to the provisions of this Section.

(b) Declarant Amendments. Subject to the limitations in this Declaration, this Declaration may be unilaterally amended, altered, provisions waived or otherwise changed by the Declarant, its successors and assigns. Without limiting the generality of the foregoing, the Declarant may amend this Declaration if such amendment is necessary to (a) bring this Declaration into compliance with any rule, regulation or requirement of the Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, Veterans Administration, or local government; (b) make corrective changes, (c) reflect the relocation of boundary lines between the Common Area and any Lots or among any Lots, provided however, that an approved re-subdivision of the affected property is properly recorded; (d) add all or any portion of the land described in Exhibit A pursuant to Article II, Section 2, and (e) cause the provisions related to Offsite Septic Easements comply with any local or state governmental regulation or guideline.

(c) Owner Amendments. Subject to the limitations in this Declaration, this Declaration may be amended with the approval of the Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated. Such Owners' approval must be evidenced by either (a) one or more a written instruments signed by such Owners, or (b) by an electronic record bearing an electronic signature of such Owners, as permitted under Article 40 of Chapter 66 of the North Carolina General Statutes. The written instruments and/or electronic records indicating the Owners' approval shall be kept with the corporate minute book of the Association if not included with the recorded amendment.

(d) Limitations. Notwithstanding the foregoing, no amendment shall be made with regard to this Declaration unless such amendment is approved by the Rockingham County Board of County Commissioners. In addition, no amendment by the Declarant or the Owners regarding the obligation to maintain permanent water quality ponds shall be effective without the written consent of the governmental authority with jurisdiction over watershed protection. No amendment by the Declarant shall adversely affect the title to any Lot or have a material adverse effect upon any right of an Owner unless the affected Owner consents in writing to the amendment. During the Development Phase, any amendment by the Owners must be approved in writing by the Declarant in order to be effective.

(e) Recording of Amendments. Amendments to this Declaration shall become effective upon recordation in the land records of each county in which the Property is located, unless a later effective date is specified in the amendment. Amendments to this Declaration shall become effective upon recordation in the land records of each county in which the Property is located, unless a later effective date is specified in the amendment. Amendments to this Declaration by the Association shall be prepared, executed by an officer

of the Association, recorded, and acknowledged in accordance with Chapter 10B and/or Chapter 47 of the North Carolina General Statutes, or their successor statutes. The written instruments or electronic records indicating the Owners' approval need not be included with the recorded amendment, but if not included, the officer of the Association executing the amendment shall certify that the requisite number of Owners approved the amendment. Such certification shall be included with the recorded amendment.

Section 5. Management and Contract Rights of Association. Declarant may enter into a contract with a management company or manager for the purpose of providing professional services in the operation, care, supervision, maintenance, and management of the Properties. However, no such contract shall be binding upon the Association except through express adoption or ratification of the terms and conditions of such contract by the Board of Directors of the Association. Any management contract entered into by Declarant, or by the Association during the Development Phase, shall contain a provision allowing the Association to terminate such contract without justification or penalty after the Development Phase.

Section 6. Rights of Noteholders. Any institutional holder of a first mortgage on a Lot will, upon written request therefor (acknowledged by the Association), be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual financial statement of the Association within ninety (90) days following the end of its fiscal year, (c) receive written notice of all meetings of the Association and the right to designate a representative to attend all such meetings, (d) receive written notice of any condemnation or casualty loss that affects either a material portion of the Properties or the Lot securing its mortgage, (e) receive written notice of any sixty (60) day delinquency in the payment of dues, assessments or charges owed by the Owner of the Lot on which it holds the mortgage, (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association, (g) receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders, and (h) be furnished with a copy of the master insurance policy.

Section 7. Owner's Duty to Notify of Mailing Address. Each Owner shall have the affirmative obligation to notify the Association of the Owner's current mailing address, if different from the address of the Owner's Lot. The Association may prescribe the specific manner in which such notice must be given, but in any event, such notice must be in writing, must be in the form of a letter or memorandum specifically stating that the Owner's mailing address is different from the Lot address, and if the Association has hired a professional property manager, such notice must be given to the property manager. An address contained on envelopes or checks shall not constitute notice to the Association of a mailing address change. The Owner shall have the duty to confirm that the Association has received notice of the Owner's current mailing address. If the Association determines that it does not have a current mailing address for an Owner, the Association shall be entitled to rely on the most recent records of the county tax collector to determine the mailing address of the Owner.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed this 20<sup>th</sup> day of November, 2007.

Collybrooke, LLC

(SEAL)

By: \_\_\_\_\_

Manager

Grofford County, North Carolina

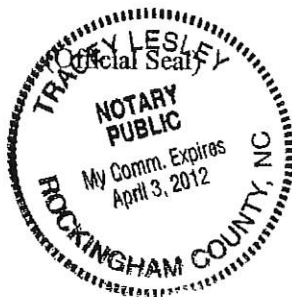
I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Wilfred B. Yarns W

Date: 11/21/07

Tracey Lesley

Print Name: Tracey Lesley

My Commission Expires: 4/3/2012



**Exhibit A**

**Additional Property Which May Be Annexed in the Future**

ALL THAT PROPERTY described in Deed Book 1311, at Page 312, Rockingham County Registry which description is incorporated herein by reference SAVE AND EXCEPT the existing property described in Article II, Section 1 of this Declaration.

ALL THAT PROPERTY described in the following deeds recorded in the Rockingham County Registry which descriptions are incorporated herein by reference:

- Deed Book 675, at Page 788 (owned now or formerly by McCollum)
- Deed Book 810, at Page 2031 (owned now or formerly by Sharpe)
- Deed Book 1031, at Page 835 (owned now or formerly by Porter)
- Deed Book 1034, at Page 945 (owned now or formerly by Young)
- Deed Book 1034, at Page 949 (owned now or formerly by Young)
- Deed Book 1034, at Page 952 (owned now or formerly by Young)
- Deed Book 1170, at Page 1596 (owned now or formerly by Presutti & Blackwell)
- Deed Book 1231, at Page 2206 (owned now or formerly by Porter)
- Deed Book 1231, at Page 2210 (owned now or formerly by Young)
- Deed Book 1261, at Page 75 (owned now or formerly by Sharpe)
- Deed Book 1271, at Page 2569 (owned now or formerly by Valclavik)