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BRENDA D. BELL
Register Of Deeds

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
THE POINT**

Drawn by and Mail after Recording to:

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STATE OF NORTH CAROLINA
COUNTY OF IREDELL

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR THE POINT**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (this "Declaration") is made this 31st day of August, 1998, by **THE POINT ON NORMAN, LLC**, a North Carolina limited liability company (the "Declarant"). All capitalized terms used herein shall have the meanings set forth in Article I or elsewhere in this Declaration.

W I T N E S S E T H:

Declarant is the owner of that certain real property located in Iredell County, North Carolina, and more particularly described on Exhibit "A" attached hereto and incorporated hereby by reference (the "Property"), which Property is being developed by Declarant (and one or more affiliates of Declarant) as an exclusive residential community and club facility as a portion of the development known as The Point.

Declarant desires to provide for the preservation of the property values, amenities and opportunities in the Project and for the maintenance of the Property and improvements thereon, and to this end desires to subject the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and/or described.

Although Declarant contemplates that separate easements, covenants, conditions and restrictions (which may include easements, covenants, conditions and restrictions similar to those herein contained) may be imposed with regard to the various phases or sections of the Project and that separate owners' associations may be established for some or all of the various phases of the Project, Declarant desires to impose pursuant hereto easements, covenants, conditions and restrictions upon all of the Property, with the understanding that, at the option of Declarant, additional restrictions may be imposed with regard to the various phases or sections of the Project.

NOW, THEREFORE, Declarant hereby subjects the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and hereby declares that (subject to certain rights of amendment, as hereinafter described) all of the Property shall be held, sold and conveyed subject to such easements, covenants, conditions, restrictions, charges and liens, all of which are for the purpose of protecting the value, desirability and attractiveness of the Project. Subject to the above-described rights of Declarant, such easements, covenants, conditions, restrictions, charges and liens shall run with the Property and be binding on all parties having or acquiring any right, title or interest in the Property, or any part thereof and shall inure to the benefit of each owner of the Property or any part thereof.

ARTICLE I

DEFINITIONS

Section 1. “Additional Declaration” shall mean and refer to any Declaration of Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Iredell County, North Carolina, with regard to a certain Phase, section or portion of the Property, as more particularly described in Article II, Section 2 hereof.

Section 2. “Additional Property” shall mean and refer to additional real estate near or contiguous to the Property which may be made subject to the terms of this Declaration in accordance with the provisions of Article II of this Declaration.

Section 3. “Architectural Changes Committee” shall have the meaning set forth in Article VIII hereof.

Section 4. “Architectural Control Committee” shall mean and refer to the committee appointed by the Board to oversee the development and enforcement of architectural control standards and restrictions with respect to the Project and to perform certain other functions described in the Declaration.

Section 5. “Architectural and Landscape Guidelines” shall have the meaning as set forth in Article VIII hereof.

Section 6. “Articles of Incorporation” shall mean and refer to the Articles of Incorporation for the Association attached as Exhibit “B” hereto and incorporated herein by reference.

Section 7. “Association” shall mean and refer to THE POINT OWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and assigns.

Section 8. “Board” or “Board of Directors” shall mean and refer to the Board of Directors of the Association, which shall be elected and shall serve pursuant to the Bylaws.

Section 9. “Boatslip Lease” or “Boatslip Leases” shall have the same meaning as set forth in Article IV hereof.

Section 10. “Boatslip Lots” shall mean and refer to those Lots in the Project which have, as an appurtenance to the Lot, an assigned Common Boatslip in accordance with and as more particularly set forth in Article IV of this Declaration.

Section 11. “Boatslip Maintenance and Operation Costs” shall have the meaning set forth in Article IV hereof.

Section 12. “Bylaws” shall mean and refer to the Bylaws for the Association attached as Exhibit “C” hereto and incorporated herein by reference.

Section 13. "Certificate of Occupancy" shall mean and refer to any required certification issued by the appropriate governmental authorities as a prerequisite to occupancy of any structure on the Property.

Section 14. "Club" shall mean and refer to the recreational and social club to be known as The Point Lake & Golf Club to be located on the Club Property, as more particularly described in Article X of this Declaration.

Section 15. "Club Facilities" shall have the meaning set forth in Article X hereof.

Section 16. "Club Owner" shall mean and refer to the entity owning the Club and the Club Property, which, as of the date hereof is The Point Lake & Golf Club, Inc., a North Carolina non-profit corporation.

Section 17. "Club Property" shall mean and refer to the portion of the Property on which the Club will be developed and located, the boundary lines of which Club Property shall be shown on a Plat or Plats and shall contain the Golf Course.

Section 18. "Common Area" or "Common Areas" shall mean and refer to the Lake Access Areas (and other similar areas used to access Common Boatslips), Piers, Common Boatslips, Parking Area(s), Street Lights and the Roadways, including sidewalks, drainage facilities and other improvements located therein (prior to their acceptance for maintenance by the North Carolina Department of Transportation or other governmental entity), collectively, and any other property specifically shown and designated on any Plat as "Common Area," "Common Open Area," "Common Open Space" or "COS." The Common Areas shall be owned by the Association (except as otherwise provided herein) for the common use, benefit and enjoyment of the Owners. Provided, however, and notwithstanding any other provision in this Section 18 or in this Declaration to the contrary, only the Owners of Boatslip Lots shall be entitled to the exclusive rights applicable to the use, benefit and enjoyment of the Lake Access Areas, Piers and Common Boatslips, pursuant and subject to individual Boatslip Lot Owners' rights under their respective Boatslip Leases to use specified Common Boatslips. The Declarant reserves the right, but not the obligation, to provide additional Common Areas within the Project. In no event shall the Club Property or any portion thereof be considered part of the Common Area.

Section 19. "Common Boatslip" or "Common Boatslips" shall mean and refer to the Off Water Lot Boatslips and the Water Access Lot Boatslips, together with any additional Common Boatslips which Declarant may cause or permit to be constructed in accordance with the terms of Article II of this Declaration.

Section 20. "CPI" shall have the meaning set forth in Article V hereof.

Section 21. "Declarant" shall mean and refer to The Point on Norman, LLC, a North Carolina limited liability company, its successors in title and assigns, provided that any such successor-in-title or assign shall acquire for the purpose of development and/or sale all or substantially all of the remaining undeveloped or unsold portions of the Property and, provided

further, that in the instrument of conveyance to any such successor-in-title or assign, such successor-in-title or assign is designated as the "Declarant" hereunder by the grantor of such conveyance, which grantor shall be the "Declarant" hereunder at the time of such conveyance. Provided further, that upon such designation of such successor Declarant, all rights, duties and obligations of the former Declarant in and to such status as "Declarant" hereunder shall cease, it being understood that as to all of the Property, there shall be only one person or legal entity entitled to exercise the rights and powers of the "Declarant" hereunder at any time.

Section 22. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions as same may be amended and/or supplemented from time to time as herein provided.

Section 23. "Dwelling Unit" shall mean and refer to a portion of the Project, whether developed or undeveloped, intended for development, use and occupancy as an attached or detached dwelling for a single family, excluding any cottage, villa or other similar dwelling located on the Club Property. Each Lot or Tract containing vacant land intended for development or land on which improvements are under construction shall be deemed to contain one (1) Dwelling Unit. Upon issuance of one or more Certificate(s) of Occupancy for a structure or structures constructed on a Lot or Tract, however, the Lot or Tract on which such structure(s) are constructed shall be deemed to have the number of Dwelling Units as Certificates of Occupancy issued for such structure(s). The Club Property does and shall be deemed to contain no Dwelling Units.

Section 24. "Entrance Monument Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association in Article XI hereof over, across and under certain areas of the Property, for the installation and maintenance of entrance monuments, landscaping and related improvements for the Project, all as more particularly described in Article XI.

Section 25. "Golf Course" shall mean and refer to the golf course facility to be constructed within the Club Property, the boundary lines of which shall be defined by a Plat or Plats showing such golf course facility.

Section 26. "Featured Builder" shall have the same meaning as set forth in Article VIII hereof.

Section 27. "Guidelines" shall mean and refer to the Architectural and Landscape Guidelines.

Section 28. "Improvement" shall have the same meaning as set forth in Article VIII hereof.

Section 29. "Lake" shall mean and refer to that certain body of water commonly known as Lake Norman, located adjacent to the Project.

Section 30. "Lake Access Areas" shall mean and refer to the portions of the Property designated as "Lake Access Area" (or the like) on any Plat, to be used exclusively by Boatslip Lot Owners for purposes of providing pedestrian access to and from their assigned Common Boatslips.

Section 31. "Lot" shall mean and refer to any numbered or lettered tract of land (excluding any Common Area) shown on any Plat which is a part of the Property and which shall be restricted for such uses as are consistent with this Declaration and any other restrictions covering the area wherein the tract of land is located. No tract of land shall become a "Lot" as that word is used herein until a Plat of the area in which the same is located is recorded in the Office of the Register of Deeds of Iredell County, North Carolina. In no event shall the Club Property or any portion thereof be considered a Lot.

Section 32. "Maintenance Areas" shall have the meaning as set forth in Article XI hereof.

Section 33. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 34. "Mortgage" shall mean any mortgage or deed of trust constituting a first lien on a Lot, Tract or Dwelling Unit.

Section 35. "Mortgagee" shall mean the owner and holder of a Mortgage at the time such term is being applied. 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, Tract and/or Dwelling Unit.

Section 36. "Non-Boatslip Lots" shall mean and refer to those Lots in the Project which do not have as an appurtenance thereto an assigned Common Boatslip.

Section 37. "Occupant" shall mean and refer to any person occupying all or any portion of a Lot, Tract or the Property for any period of time, regardless of whether such person is a tenant of the Owner of such Lot, Tract or portion of the Property.

Section 38. "Off Water Lot Boatslips" shall mean and refer to those certain boatslips located in and over the waters of the Lake and identified as "Off Water Lot Boatslips" on any Plat, together with any additional Off Water Lot Boatslips which Declarant may cause to be constructed in accordance with the terms of Article II of this Declaration.

Section 39. "Off Water Lots" shall mean and refer to all Lots designated as "Off Water Lots" on any Plat.

Section 40. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot, Tract or other portion of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Section 41. "Parking Area" shall mean and refer to the parking lot or lots which may be constructed over certain portions of the Common Area(s) for the common use, benefit and enjoyment of the Owners, their families, guests and invitees.

Section 42. "Person" shall mean and refer to any natural person, corporation, joint venture, partnership (general or limited), limited liability company, association, trust or other legal entity.

Section 43. "Phase" shall mean and refer to any phase, section or portion of the Property for which a separate Plat or Plats are recorded in the Office of the Register of Deeds of Iredell County, North Carolina.

Section 44. "Plat" shall mean and refer to any plat of the Property or any part of it which is recorded from time to time in the Office of the Register of Deeds of Iredell County, North Carolina.

Section 45. "Pier" or "Piers" shall mean and refer to the pier or piers containing the Common Boatslips, which will be constructed in and over the waters of the Lake, together with any additional piers which Declarant may cause or permit to be constructed in accordance with the terms of Article II of this Declaration.

Section 46. "Project" shall mean and refer to the residential development and private membership recreational and social club facility being developed by Declarant (and one or more affiliates of Declarant) on the Property and commonly known as The Point.

Section 47. "Property" shall mean and refer to that certain real property located in Iredell County, North Carolina, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, as well as such additional property as may be made subject to the provisions of this Declaration pursuant to the provisions of Article II hereof.

Section 48. "Roadways" shall mean and refer to the roads, streets, entranceways and cul-de-sacs in the Project, as shown on the Plats, and any other roads, streets, entranceways and cul-de-sacs on the Property, all to be privately maintained by the Association until accepted for maintenance by the North Carolina Department of Transportation or other governmental entity, as set forth herein.

Section 49. "Septic Easement" or "Septic Easements" shall mean and refer to the septic easement or septic easements reserved over the Septic Easement Areas for the benefit of certain Lot Owners, as more particularly described in Article VII hereof.

Section 50. "Septic Easement Areas" shall mean and refer to those certain strips of land described on the Plat(s) as "Septic Easement Areas" or other similar designation.

Section 51. "Septic Lots" shall mean and refer to those Lots utilizing the Septic Easement Areas to drain sewage from such Lots through a Septic System. The Owner of a Septic Lot shall be hereinafter referred to as a "Septic Lot Owner."

Section 52. "Septic System" shall mean and refer to all pipes related to the transportation of sewage from certain Lots designated by Declarant to the Septic Easement Areas and all drainage fields and equipment and apparatus installed within the Septic Easement Areas.

Section 53. "Street Lights" shall mean and refer to those certain street lights which may be constructed upon, along and/or over the rights-of-way of the Roadways, Parking Area(s) (if any), Maintenance Areas and Common Areas.

Section 54. "Supplemental Declaration" shall mean and refer to any Supplemental Declaration of Covenants, Conditions and Restrictions filed in the office of the Register of Deeds of Iredell County, North Carolina, to bring additional property within the coverage of this Declaration and the jurisdiction of the Association, as more particularly described in Article II hereof.

Section 55. "Tract" shall mean and refer to any separate and identifiable tract of land which is a part of the Property, whether or not shown on a Plat, which is not a Lot or a part of the Club Property or the Well Sites.

Section 56. "Turnover Date" shall have the meaning set forth in Article IV hereof.

Section 57. "Water Access Lot Boatslips" shall mean and refer to those certain boatslips located in and over the waters of the Lake and identified as "Water Access Lot Boatslips" on any Plat, together with any additional Water Access Lot Boatslips which Declarant may cause to be constructed in accordance with the terms of Article II of this Declaration.

Section 58. "Water Access Lots" shall mean and refer to all Lots designated as "Water Access Lots" on any Plat, which have, as an appurtenance to the Lot, the right to use an assigned Common Boatslip in accordance with and as more particularly set forth in Article IV of this Declaration.

Section 59. "Water System" shall have the meaning set forth in Article VII hereof.

Section 60. "Waterfront Lots" shall mean and refer to all Lots designated as "Waterfront Lots" on any Plat.

Section 61. "Well Sites" shall mean and refer to those certain parcels labeled "Well Sites" (or the like) on the Plat(s), upon which may be constructed and conveyed to a utility company (regulated by the North Carolina Utilities Commission) one or more wells for the ownership, operation and maintenance of same by said utility company as part of the Water System, all as more particularly described in Article VII of this Declaration.

ARTICLE IIPROPERTY SUBJECT TO THIS DECLARATION
AND WITHIN THE JURISDICTION OF
THE ASSOCIATION

Section 1. Property Made Subject to this Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association, each Owner and each party owning record title to any of the Property subject to this Declaration and the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration.

Section 2. Additions to the Property.

(a) Declarant may cause Additional Property (including Common Areas) to be made subject to the terms and scheme of this Declaration by filing one or more Supplemental Declarations in the Office of the Iredell County Register of Deeds, containing a description of the Additional Property and a statement by the Declarant of its intent to extend the operation and effect of this Declaration to the Additional Property. Declarant may also cause additional Piers and/or Common Boatslips (including Off Water Lot Boatslips and/or Water Access Lot Boatslips) to be constructed and made subject to the terms and scheme of this Declaration by the filing of one or more Supplemental Declarations describing the location and number of Piers and/or Common Boatslips to be added and containing a statement by Declarant of its intent to extend the operation and effect of this Declaration to the additional Piers and/or Common Boatslips. Notwithstanding the foregoing, the covenants and restrictions established herein as applied to, or imposed upon, the Additional Property may be altered or modified by the filing of one or more Supplemental Declarations as provided in Subparagraph (b) below.

(b) Any Supplemental Declaration may contain complementary additions to the covenants and restrictions contained herein as may be necessary in the judgment of the Declarant to reflect the different character of the Additional Property. In no event, however, shall any Supplemental Declaration revoke, modify or add to the covenants and restrictions contained herein with respect to the Property, nor revoke, modify, change or add to the covenants and restrictions established by previously filed Supplemental Declarations, without meeting the requirements for amendment set forth in this Declaration.

(c) In addition to the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration, Declarant shall have the right, at its election without the consent of any Owner or Owners, to subject any Phase, section or portion of the Property owned by Declarant to additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens, by filing an Additional Declaration in the Office of the Register of Deeds of Iredell County covering only such Phase, section or portion of the Property. Such an Additional

Declaration may or may not provide for the establishment of a property owners' association to govern the ownership and/or maintenance of the Property affected by and the enforcement of the provisions of such Additional Declaration. Whether or not a property owners' association is formed pursuant to such Additional Declaration, the Association shall have the right and authority to enforce all controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens imposed by such Additional Declaration and any amendments thereto, whether or not such right and authority is expressly provided for in such Additional Declaration.

(d) Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that, so long as Declarant owns any part of the Property, the prior written consent of Declarant shall be required for any parties to modify, change and/or amend, in whole or in part, the terms and provisions of this Declaration, any Supplemental Declaration and/or any Additional Declaration or to impose new or additional covenants, conditions, restrictions or easements on any part of the Property.

ARTICLE III

PROPERTY RIGHTS

Section 1. Ownership of Common Areas. Except as otherwise provided herein, Declarant shall convey to the Association the Common Areas to be owned and maintained by the Association. The Declarant reserves the right (but shall not be obligated) to construct within the Common Areas, among other things, (i) the Common Boatslips, Piers, Parking Area(s) (if any) and pathways and other improvements within the Lake Access Areas and other similar Common Areas used to access Common Boatslips, (ii) the Street Lights and other lighting, signage and irrigation facilities, (iii) the Water System, (iv) the Roadways (including sidewalks, drainage facilities and other improvements), and (v) certain recreational amenities and facilities, for the use and enjoyment of the Owners who are entitled to the use of such Common Areas as provided in this Declaration. Notwithstanding the recordation of any Plat or any other action by Declarant or the Association, all Common Areas shall remain private property and shall not be considered as dedicated to the use and enjoyment of the public (with the exception of the Roadways, which may eventually be accepted for public dedication and maintenance by the North Carolina Department of Transportation or other governmental entity).

Section 2. Owners' Rights to Use and Enjoy Common Areas. Each Owner shall have the non-exclusive easement and right to use and enjoy the Common Areas, and such right shall be appurtenant to and conveyed with title to such Owner's Lot, subject to the following:

(a) the right of the Association and the Board to promulgate and enforce reasonable regulations governing the use of the Common Areas to insure the availability of the right to use the Common Areas to the Owners and the safety of all Owners within the Common Areas;

(b) the right of the Association to suspend the voting rights of an Owner in the Association and the right of the Association to suspend the right to use certain or all of the Common Areas by an Owner for any period during which any assessment or charge against said Owner's Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Declarant or the Association to grant or reserve utility, drainage and other easements across the Common Areas;

(d) the Piers, Common Boatslips and Lake Access Areas may be used only by those Owners specifically entitled thereto under this Declaration; and

(e) any and all other applicable provisions of this Declaration.

Section 3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his or her right of enjoyment to the Common Areas and facilities located thereon to the members of his or her family, his or her guests, invitees, or his or her tenants.

ARTICLE IV

THE ASSOCIATION

Section 1. Membership. Every Owner of a Dwelling Unit shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Dwelling Unit, and shall be governed by the Bylaws attached as Exhibit "C" hereto. In addition, as long as Declarant owns any part of the Property, Declarant shall be a Member of the Association.

Section 2. Classes of Voting Members. The Association shall have two (2) classes of voting membership:

(a) Class I. The Class I Association Members shall be all Association Members with the exception of Declarant. Class I Association Members shall be entitled to one (1) vote for each Dwelling Unit owned by such Association Member. When more than one Person owns an interest (other than a leasehold or security interest) in any Dwelling Unit, all such Persons shall be Members and the voting rights appurtenant to said Dwelling Unit shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Dwelling Unit.

(b) Class II. The Class II Association Member shall be Declarant. The Class II Association Member shall be entitled to ten (10) votes for each Dwelling Unit owned by Declarant.

Section 3. Relinquishment of Control. Notwithstanding anything contained herein to the contrary, the Class II Association Membership shall cease and be converted to the Class I

Association Membership upon the earliest to occur of (a) the date on which Declarant no longer owns any part of the Property; (b) the date Declarant shall elect, in its sole discretion, that the Class II membership cease and be converted to the Class I membership (which election may be made, if at all, upon Declarant giving written notice of its election to the Board); or (c) December 31, 2030. The earliest to occur of (a), (b) or (c) above shall herein be referred to as the "Turnover Date." After the Turnover Date and for so long as Declarant owns any part of the Property, Declarant shall be a Class I Association Member.

Section 4. Availability of Documents. The Association shall maintain current copies of the Declaration, the Bylaws and other rules concerning the Project as well as its own books, records, and financial statements available for inspection by all Owners, Mortgagees and insurers and guarantors of Mortgages that are secured by Lots. All such documents shall be available upon reasonable notice and during normal business hours. In addition, any Mortgagee may, at its own expense, have an audited statement prepared with respect to the finances of the Association.

Section 5. Management Contracts. The Association is authorized and empowered to engage the services of any person, firm or corporation to act as managing agent of the Association at a compensation level to be established by the Board and to perform all of the powers and duties of the Association. Provided, however, that the term of any such agreement with a managing agent shall not exceed one (1) year and shall only be renewed by agreement of the parties for successive one (1) year terms. Any such contract shall be terminable by the Association with or without cause upon ninety (90) days prior written notice to the manager without payment of a termination fee.

Section 6. Maintenance. Prior to their acceptance for public maintenance, the Roadways shall be maintained by the Association, provided that the Declarant, in its sole discretion, has the right to reimburse the Association for maintenance costs until the Roadways are accepted for maintenance by the North Carolina Department of Transportation or other governmental entity. Such maintenance shall include repair and reconstruction, when necessary. Maintenance of the Roadways shall conform to the standard of maintenance (if one is ascertainable) which would be required by the North Carolina Department of Transportation or other governmental entity before it would accept such Roadways for maintenance.

The Common Areas and the Maintenance Areas, together with all utilities, easements and amenities located therein and not otherwise maintained by public entities or utilities or any other party as provided herein, shall be maintained by the Association as more particularly described below:

- (a) Maintenance of the entryways to the Project shall include maintenance, repair and reconstruction, when necessary, of the entrance monuments, signage, irrigation, planters and lighting located thereon and providing and paying for landscaping, utility charges for irrigation and lighting of the entrance monuments and signage located thereon.

(b) Maintenance of the Parking Area(s) (if any) shall include repair, maintenance and reconstruction, when necessary, of the pavement and payment of the costs of lighting.

(c) Maintenance of the Piers and Common Boatslips, in the event the Association exercises its rights under Article IV, Section 8, shall include the maintenance, repair and reconstruction, when necessary, of the Piers and Common Boatslips, including all lighting, water lines and other fixtures, wire, railings and other facilities located thereon, and providing and paying for utility charges therefor.

(d) To the extent not maintained by the North Carolina Department of Transportation or other governmental entity, as the case may be, the Association shall maintain or cause to be maintained the swales and medians and associated landscaping and related improvements along and within the Roadways.

(e) The Common Areas and Maintenance Areas shall be clean and free from debris and maintained in a safe and orderly condition, together with the landscaping thereon (if any), in accordance with the highest standards for first-class residential developments located in the Charlotte, North Carolina, metropolitan area, including any removal and replacement of any landscaping, utilities, or improvements located thereon.

(f) Maintenance of the Lake Access Areas and other similar Common Areas used to access Common Boatslips shall be limited to maintaining the paths constructed thereon (if any) in passable condition for pedestrian use, and in accordance with the construction standards and materials as the original paths constructed by Declarant (if any), reasonable wear and tear excepted. Owners of Lots which abut Lake Access Areas and/or other similar Common Areas used to access Common Boatslips shall not block, impede access over or place or construct any fence or other natural or artificial barricade or impediment over all or any portion of such areas.

(g) Maintenance and operation of the Water System, should the Association exercise its rights under Article VII below.

(h) The Association shall not be responsible for the maintenance of any Lot or any portion of any Lot or the improvements within the boundaries thereof, including, without limitation, any Dwelling Unit or any dock, pier or boatslip located within the Pier Zone (as defined in Article VII hereof) adjacent to any Waterfront Lot. The Owners of such Lots shall be solely responsible for same.

Section 7. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of all or a portion of the Common Areas or Maintenance Areas and in order to fund unanticipated expenses of the Association or to acquire equipment or services deemed necessary or desirable by the Board of Directors. Such reserve fund shall be collected and maintained out of the Annual Assessments, as hereinafter defined. Assessments collected as reserves shall not be considered to be advance payments of Annual Assessments.

Section 8. Piers and Boatslips. Subject to and contingent upon the approval of the Federal Energy Regulatory Commission, Duke Energy Corporation and any other regulatory body having jurisdiction, Declarant and the Association shall have the exclusive right to construct some or all of the Piers and Common Boatslips (including all improvements located thereon), in the approximate locations shown on the Plat(s) or as otherwise shown in any Supplemental Declaration or other document which may be filed pursuant to the provisions of this Declaration. Neither Declarant nor the Association shall construct more Common Boatslips than are approved by Duke Energy Corporation, or its successors and assigns, pursuant to Declarant's boatslip permit request for the Project.

(a) Following the construction of the Piers and Common Boatslips as set forth above, Common Boatslips shall be leased by Declarant to the Owners of certain Lots and transferred among Owners as follows:

(i) Pursuant to that certain boatslip lease form provided by Declarant (the "Boatslip Lease"), Declarant shall lease one (1) Water Access Lot Boatslip to the Owner of each Water Access Lot (for purposes of allowing such Owner to dock only one (1) boat at such Water Access Lot Boatslip). Each Boatslip Lease (relative to a Water Access Lot Boatslip) shall be appurtenant to and may not be separated from the ownership of the applicable Water Access Lot.

(ii) Pursuant to the Boatslip Lease form, Declarant, in its sole discretion, may lease an Off Water Lot Boatslip to the Owner of any Off Water Lot (for purposes of allowing such Owner to dock only one (1) boat at such Off Water Lot Boatslip). Each Boatslip Lease (relative to an Off Water Lot Boatslip) shall be appurtenant to the ownership of the applicable Off Water Lot and shall only be assigned as provided below.

(iii) The Lot to which a Boatslip Lease is entered into as an appurtenance shall thereafter be a Boatslip Lot subject to the provisions of subparagraph 8(a)(iv) below. Once entered into between Declarant and the Boatslip Lot Owner, the relevant Boatslip Lease shall not be separated from the ownership of the Boatslip Lot to which it is appurtenant, but, rather, shall run with the title to such Boatslip Lot unless and until such Boatslip Lease is assigned by the Boatslip Lot Owner to another Lot Owner in accordance with subparagraph 8(a)(iv). In this regard, provided the applicable Boatslip Lease has not been previously assigned in accordance with subparagraph 8(a)(iv), any conveyance by a Boatslip Lot Owner of its ownership interest in a Boatslip Lot shall automatically assign to the transferee of such ownership interest all rights and duties of said Boatslip Lot Owner under the Boatslip Lease; provided, however, in such event, the Boatslip Lot Owner and the transferee of the Boatslip Lot Owner's ownership interest in the Boatslip Lot shall immediately execute and record an instrument in the Iredell County Public Registry sufficient to provide record evidence of such assignment (a filed copy of which instrument shall be provided to Declarant, as lessor, and the Association following recordation). Any deed of

trust, mortgage or other encumbrance of a Boatslip Lot shall also encumber the Boatslip Lease appurtenant thereto, even if not expressly included therein. Provided, however, no mortgagee, trustee or other person claiming by, through or under any instrument creating any such encumbrance shall by virtue thereof acquire any greater rights in the relevant Common Boatslip than the Boatslip Lot Owner may have under the Boatslip Lease at the time of such encumbrance; and provided further, such deed of trust, mortgage or other instrument of encumbrance, and the indebtedness secured thereby, shall at all times be and remain subordinate and subject to all of the terms and conditions of the Boatslip Lease and to all of the rights of Declarant (as lessor) thereunder. Any successor to a Boatslip Lot Owner's interest in a Boatslip Lease, whether such interest is acquired by sale, assignment, foreclosure, deed in lieu of foreclosure, power of sale, execution or otherwise, shall take such interest subject to all of the terms, covenants, conditions, duties, and obligations of such Boatslip Lot Owner under the Boatslip Lease, shall be deemed to have attorned to Declarant (as lessor) and shall execute an attornment agreement upon the request of Declarant (as lessor).

(iv) Any Boatslip Lease which pertains to an Off Water Lot Boatslip may be assigned by the relevant Off Water Lot Owner only to another Off Water Lot Owner. Upon such assignment, the Off Water Lot Owner and the assignee of such Off Water Lot Owner's interest in the Boatslip Lease shall immediately execute and record an instrument in the Iredell County Public Registry (a filed copy of which shall be provided to Declarant, as lessor, and the Association) sufficient to provide record evidence of such assignment. Following such assignment, the assignor's Off Water Lot shall automatically cease to be a Boatslip Lot and the assignee's Off Water Lot shall thereafter be a Boatslip Lot (until further assignment of said assignee's lease rights), in which case the relevant Boatslip Lease shall then run with the title to such Boatslip Lot as set forth in subparagraph 8(a)(iii). No Boatslip Lease shall be separated from the ownership of any Off Water Lot and assigned to anyone or any entity other than another Owner in accordance with this subparagraph 8(a)(iv) and the Declaration.

(b) All Boatslip Lot Owners leasing Common Boatslips within a particular Pier shall have the duty and responsibility, at such Boatslip Lot Owners' sole cost and expense (all such costs and expenses being referred to herein as the "Boatslip Maintenance and Operation Costs"), to operate, use and maintain (or cause to be maintained, as the case may be) such Pier and all Common Boatslips and other improvements located therein in a well-maintained, safe, clean and attractive condition at all times, all in accordance with the rules and regulations promulgated by the Board of Directors pursuant to subparagraph 8(e) below. In this regard, each Boatslip Lot Owner shall be responsible for the timely payment in each case of the proportion of such Boatslip Maintenance and Operation Costs as the number of Common Boatslips being leased by such Boatslip Lot Owner within such Pier bears to the total number of Common Boatslips within such Pier. Notwithstanding the foregoing, in the event any Boatslip Lot Owner(s) fail in any of the duties or responsibilities of such Boatslip Lot Owner(s) as set forth in this subparagraph 8(b), then the Board of Directors and

Declarant, either jointly or severally, may give such Boatslip Lot Owner(s) written notice of such failure and such Boatslip Lot Owner(s), within ten (10) days after receiving such notice (which notice shall be deemed to have been received on the first business day after such notice is deposited in an official depository of the United States mail, addressed to the party(ies) to whom it is intended to be delivered, and sent by certified mail, return receipt requested), must cure any failure perform the duties and responsibilities of such Boatslip Lot Owner(s) as described in this subparagraph 8(b). Should any such Boatslip Lot Owner(s) fail to fulfill this duty and responsibility within such ten (10) day period, then the Association, acting through its authorized agent or agents, or Declarant (so long as it owns any portion of the Property), acting through its authorized agent or agents, either jointly or severally, shall have the right and power to enter onto the applicable Pier and perform such duties and/or responsibilities without any liability for damages for wrongful entry, trespass or otherwise to any Person. The Boatslip Lot Owner(s) for whom such duties and/or responsibilities are performed shall be liable for the cost of such performance, together with interest on the amounts expended by the Association or Declarant in connection with same computed at the highest lawful rate as shall be permitted by law from the date(s) such amounts are expended until repayment to the Association or Declarant, as the case may be, and for all costs and expenses incurred in seeking the compliance of such Boatslip Lot Owner(s) with the duties and responsibilities hereunder, and such Boatslip Lot Owner(s) shall reimburse the Association or Declarant, as the case may be, on demand for such costs and expenses (including interest as above provided). If such Boatslip Lot Owner(s) shall fail to reimburse the Association or Declarant, as the case may be, within thirty (30) days after the mailing to such Boatslip Lot Owner(s) of statement(s) for such costs and expenses, then, without limitation of any other rights of the Association or Declarant, the Association may impose a Special Individual Assessment against such Boatslip Lot Owner(s).

(c) Declarant shall have the right to use Common Boatslips not leased to another Owner and shall have the obligation to pay its prorata share of the applicable Boatslip Maintenance and Operation Costs relative to any Common Boatslips constructed by Declarant and not leased to another Owner. In addition, notwithstanding any term or provision herein to the contrary, Declarant shall have the right to lease to any third party not owning a Lot any Common Boatslip which has not theretofore been leased to an Owner, pursuant to terms and conditions specified by Declarant. At Declarant's option, Declarant shall be entitled to assign all rights and duties of Declarant under any Boatslip Lease and/or the Duke Lease (as defined below) to any person or entity, including, without limitation, the Association, whereupon Declarant shall have no further rights, duties, obligations or liabilities thereunder.

(d) Except as expressly provided in subparagraph (c) above, in the event that a Pier contains a Common Boatslip which has not been leased as an appurtenance to a Boatslip Lot, said Common Boatslip may be retained by Declarant and the Association for the common use and enjoyment of only the Owners of Boatslip Lots, their families, guests and invitees, for the purpose of temporarily docking boats, and said Common Boatslip may not be used by the public. Except as approved in writing by Declarant, no

boat or other recreational vehicle shall be permitted to remain overnight in any unleased Common Boatslip.

The use of the Piers and Common Boatslips is and shall be subject to each of the following:

- (i) rules and regulations for use promulgated by Declarant and/or the Association;
- (ii) all laws, statutes, ordinances and regulations of all federal, state and local governmental bodies having jurisdiction thereon;
- (iii) rules and regulations for use established by Duke Energy Corporation, its successors and assigns; and
- (iv) the terms and provisions of that certain Lease Agreement between Duke Energy Corporation and Declarant (the "Duke Lease") pertaining to the lease of the lake beds underlying the Common Boatslips (a copy of said Duke Lease is attached to the Boatslip Lease form).
- (e) The Board of Directors, pursuant to the Bylaws attached hereto as Exhibit "C", shall adopt rules and regulations governing the maintenance, operation and use of the Piers and Common Boatslips and the personal conduct thereon of the Members owning Boatslip Lots and their families, guests, tenants and invitees.
- (f) Except as expressly provided in subparagraph (c) above, piers may only be used by Owners of Boatslip Lots, their families, guests and invitees. Except as expressly provided in subparagraph (c) above, each Common Boatslip may only be used by the Owner(s) of the Boatslip Lot to which such Common Boatslip is appurtenant, their families, guests, tenants and invitees.

Section 9. Liability Limitations. Neither Declarant, nor any Association Member, nor the Board, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Association Member, whether or not such other Association Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other person, firm or association making such repairs or maintenance shall not 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 premises, improvements or portions thereof. The Association shall, to the extent permitted by applicable law, indemnify and defend 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.

ARTICLE V

COVENANT FOR ANNUAL AND SPECIAL ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Annual, Supplemental Annual, Special and Special Individual Assessments. Each Owner of any Lot or Tract other than Declarant, by acceptance of a deed therefor, and the Club Owner, by acceptance of a deed or other conveyance document conveying the Club Property to the Club Owner, whether or not it shall be so expressed in any such deed or other conveyance document, is deemed to covenant and agrees to pay to the Association Annual Assessments, Supplemental Annual Assessments, Special Assessments and Special Individual Assessments, as hereinafter defined, established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot, Tract or Club Property, as the case may be, against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner, at the time when the assessment fell due, of the Lot, Tract or Club Property, as the case may be, against which such assessment or charge is made. The personal obligation for delinquent assessments or charges shall not pass to an Owner's successors in title unless expressly assumed by them, provided such assessments or charges, together with interest, costs, and reasonable attorneys' fees, shall, as set forth above, be a continuing lien upon the Lot, Tract or Club Property, as the case may be, against which such assessments or charges are made. Notwithstanding anything to the contrary contained in this Declaration, Declarant shall be exempt from all assessments relating to any portion of the Property owned by Declarant.

Section 2. Purpose of Annual Assessments. The assessments to be levied annually by the Association ("Annual Assessments") shall be used as follows:

(a) to repair, maintain, reconstruct (when necessary) and keep clean and free from debris the Common Areas and the Maintenance Areas and any improvements located thereon (excluding the Piers and Common Boatlips and all improvements located therein which shall be operated, used and maintained by the Boatlip Lot Owners, as provided in Article IV hereof), and to maintain the landscaping in accordance with the highest standards for first-class residential developments located in the Charlotte, North Carolina, metropolitan area, including any necessary removal or replacement of landscaping;

(b) to maintain and repair the Roadways to the standards of the maintenance (if one is ascertainable) which would be required by the North Carolina Department of Transportation or other governmental entity before it would accept such Roadways for maintenance;

(c) to maintain, operate, repair and reconstruct, when necessary, the entryways to the Project, including the entrance monuments, signage, irrigation, planters, landscaping and lighting located thereon;

(d) to maintain and repair the swales and medians and associated Street Lights, landscaping and related improvements along and within the Roadways to the extent not maintained by the North Carolina Department of Transportation or other governmental entity, as the case may;

(e) to pay all costs associated with the lease and operation of the Street Lights, including, but not limited to, monthly lease payments and utility costs;

(f) to pay all ad valorem taxes levied against the Common Areas and any other property owned by the Association (excluding taxes attributable to the Piers and Common Boatslips and all improvements located therein, which taxes shall be paid by the Boatslip Lot Owners as part of the Boatslip Maintenance and Operation Costs in accordance with Article IV hereof);

(g) to pay the premiums on all insurance carried by the Association pursuant hereto or pursuant to the Bylaws, except for such insurance carried specifically in connection with the Piers and Common Boatslips and all improvements located therein, which premiums shall be paid by the Boatslip Lot Owners as part of the Boatslip Maintenance and Operation Costs in accordance with Article IV hereof;

(h) to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws, except for such fees incurred specifically in connection with the Piers and Common Boatslips and all improvements located therein, which fees shall be paid by the Boatslip Lot Owners as part of the Boatslip Maintenance and Operation Costs in accordance with Article IV hereof;

(i) to carry out all other purposes and duties of the Association, the Board of Directors and the Architectural Control Committee as stated in the Articles, the Bylaws and in this Declaration; and

(j) to maintain contingency reserves for the purposes set forth in Article IV hereof in amounts as determined by the Board of Directors.

Section 3. Payment of Annual Assessments; Due Dates. Each Owner of a Lot or Tract and the Club Owner shall pay to the Association Annual Assessments as hereinafter set forth.

(a) Annual Assessments provided for herein shall commence as to any Lot or Tract as of the date of the conveyance by Declarant to an Owner (other than Declarant) of such Lot or Tract. The Annual Assessment for the first year in which a Lot or Tract is subject thereto shall be prorated based upon the number of days remaining in the

applicable billing period from the date of such conveyance. The Annual Assessment amount for the calendar year beginning January 1, 1999, shall be Eight Hundred Ten and No/100ths Dollars (\$810.00) per Dwelling Unit. The Annual Assessment amount for each and every year thereafter shall be in an amount as set by the Board of Directors, in accordance with the terms of this Article V. Annual Assessments shall be due and payable in advance in equal installments on a semi-annual basis commencing on January 1 of each calendar year. The Board of Directors shall fix the amount of the Annual Assessment as to each Dwelling Unit and the Club Property for any calendar year and shall send written notice of the amount of and due date of each installment of such Annual Assessment to each Owner at least thirty (30) days prior to January 1 (as to the first installment) and July 1 (as to the second installment) of such calendar year. The failure of the Association to send, or of an Owner to receive, such notice shall not relieve any Owner of the obligation to pay Annual Assessments. Notwithstanding the foregoing, for calendar years beginning prior to the Turnover Date, in lieu of payment of Annual Assessments, Declarant shall be responsible for paying for each such calendar year that portion of the annual expenses of the Association (excluding any reserves) which exceeds the total amount of the Annual Assessments paid by the Owners other than Declarant.

(b) The Annual Assessment to be levied against the Club Property for a calendar year shall be determined by the Board of Directors annually in its sole discretion; provided, however, such Annual Assessment shall in no event be greater than ten percent (10%) of the annual budget of the Association for such calendar year. Annual Assessments provided for herein as to the Club Property shall commence as of July 1, 1999.

Section 4. Maximum Annual Assessment.

(a) For calendar year 2000 and thereafter, the Board of Directors, by a vote in accordance with the Bylaws, without a vote of the Members, may increase the Annual Assessment applicable to each Lot or Tract by a maximum amount equal to the previous year's Annual Assessment times the greater of (i) ten percent (10%) or (ii) the annual percentage increase in the Consumer Price Index, All Urban Consumers, United States, All Items (1982-84 = 100) (hereinafter "CPI") issued by the U.S. Bureau of Labor Statistics for the most recent 12-month period for which the CPI is available. If the CPI is discontinued, then the index most similar to the CPI (published by the United States Government indicating changes in the cost of living) shall be used. If the Annual Assessments are not increased by the maximum amount permitted under the terms of this provision, the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the Annual Assessments may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for such future year, by a vote of the Board of Directors, without a vote of the Members.

(b) For calendar year 2000 and thereafter, the maximum annual assessment applicable to each Lot or Tract may be increased above the maximum amount set forth in subparagraph (a) of this Section 4 by a vote of a majority of the votes appurtenant to the

Dwelling Units which are then subject to this Declaration, plus the written consent of Declarant (so long as Declarant owns any part of the Property).

(c) The Board of Directors may fix the Annual Assessment applicable to each Lot or Tract at an amount not in excess of the maximum set forth in Subparagraph (a) of this Section 4 (the "Maximum Annual Assessment"). If the Board of Directors shall levy less than the Maximum Annual Assessment for any calendar year and thereafter, during such calendar year, determine that the important and essential functions of the Association cannot be funded by such lesser assessment, the Board may, by vote in accordance with the Bylaws, levy a supplemental Annual Assessment ("Supplemental Annual Assessment"). In no event shall the sum of the Annual and Supplemental Annual Assessments for any year exceed the applicable Maximum Annual Assessment for such year other than as set forth herein.

(d) With respect to any Lot or Tract conveyed by Declarant, the purchaser of such Lot or Tract shall pay to the Association at closing the amount of the Annual Assessment for the installment period in which the closing occurs on such Lot or Tract, prorated based upon the number of days remaining in such installment period. With respect to any Lot or Tract conveyed by any Owner other than Declarant, the amount of the Annual Assessment applicable to such Lot or Tract for the installment period in which such closing occurs shall be prorated between the buyer and seller thereof as of the date of closing of such conveyance.

(e) Declarant shall have the authority to reduce the Annual Assessment (i) on any Lot on which no structure has been completed (i.e., no Certificate of Occupancy has been issued), or (ii) on any Lot owned by a Featured Builder (as defined below) until such time as the Featured Builder sells or otherwise transfers ownership of its Lot.

Section 5. Special Assessments. In addition to the Annual Assessment authorized above, the Association may levy, in any assessment year, a special assessment ("Special Assessment") applicable to that year only for the purpose of defraying, in whole or in part, the cost of (i) the construction of any Common Area and/or Maintenance Area improvements which are not originally constructed by Declarant or (ii) the reconstruction, repair or replacement of the Common Areas and/or Maintenance Areas, including any improvements located thereon. Provided, however, (a) Declarant shall not be obligated to pay any Special Assessments on Lots or Tracts owned by Declarant except with Declarant's prior written approval, and (b) any Special Assessment must be approved by Declarant (so long as Declarant owns any part of the Property) and by a vote of a majority of the votes appurtenant to the Dwelling Units which are then subject to this Declaration. Notwithstanding the foregoing, the amount of any Special Assessment levied against the Club Property shall not be greater than ten percent (10%) of the total Special Assessment to be levied against the Property.

Section 6. Special Individual Assessments. In addition to the Annual Assessments and Special Assessments authorized above, the Board of Directors shall have the power to levy a special assessment applicable to any particular Owner ("Special Individual Assessment") (i) for the purpose of paying for the cost of any construction, reconstruction, repair or replacement of

any damaged component of the Common Areas and/or Maintenance Areas, including any improvements located thereon, whether occasioned by any act or omission of such Owner(s), members of such Owner's family or such Owner's agents, guests, employees, tenants or invitees and not the result of ordinary wear and tear; or (ii) for payment of fines, penalties or other charges imposed against any particular Owner relative to such Owner's failure to comply with the terms and provisions of this Declaration (including, without limitation, the failure to pay in a timely manner any Club dues assessed by the Club Owner pursuant to Article X hereof), the Bylaws or any rules or regulations promulgated by the Association or the Declarant pursuant to this Declaration or the Bylaws. Provided, however, Declarant shall not be obligated to pay any Special Individual Assessment except with Declarant's prior written approval. The due date of any Special Individual Assessment levied pursuant to this Section 6 shall be fixed in the Board of Directors resolution authorizing such Special Individual Assessment. Upon the establishment of a Special Individual Assessment, the Board shall send written notice of the amount and due date of such Special Individual Assessment to the affected Owner(s) at least thirty (30) days prior to the date such Special Individual Assessment is due.

Section 7. Collection Agent. At the option of the Board of Directors, any person or entity designated by the Board of Directors, including, without limitation, the Club Owner, may act as collection agent for any and all assessments imposed by the Association and/or the Board against the Owners.

ARTICLE VI

GENERAL ASSESSMENT PROVISIONS

Section 1. Certificate Regarding Assessments. 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, Tract or the Club Property have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot, Tract or the Club Property is binding upon the Association as of the date of its issuance.

Section 2. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment (or installment thereof) not paid by its due date as set forth herein shall bear interest from such due date at the rate of eighteen percent (18%) per annum or the highest rate then permitted by law, whichever is less. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors to defray the costs arising because of late payment. The Association may bring an action at law against the delinquent Owner (or foreclose the lien against the applicable portion of the Property), and interest, late payment charges, costs and reasonable attorney's fees related to such action or foreclosure shall be added to the amount of such assessment and assessment lien. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of his or her property or the Common Areas or otherwise.

Section 3. Subordination of the Lien to Mortgages. The lien of the assessments provided for in Article V and in Article VII of this Declaration shall be subordinate to the lien of

any first Mortgage on a Lot or Tract, any mortgage or deed of trust constituting a first lien on the Club Property or any mortgage or deed of trust to Crescent Resources, Inc. or any affiliated entity. Sale or transfer of any Lot, Tract or the Club Property shall not affect the assessment lien. The sale or transfer of any Lot, Tract or the Club Property pursuant to a mortgage foreclosure under any first Mortgage on a Lot or Tract, any mortgage or deed of trust constituting a first lien on the Club Property or any mortgage or deed of trust to Crescent Resources, Inc. or any affiliated entity, or any proceeding in lieu thereof, however, shall extinguish the lien (but not the personal obligation of the mortgagor or any prior Owner) of such assessments as to payments which became due prior to such sale or transfer; provided, however, that the Board of Directors may in its sole discretion determine such unpaid assessments to be an Annual, Special or Special Individual Assessment or a Special Septic System Assessment (as the case may be), as applicable, collectable pro rata from all Owners, including the foreclosure sale purchaser. Such pro rata portions are payable by all Owners notwithstanding the fact that such pro rata portions may cause the Annual Assessment to be in excess of the Maximum Annual Assessment permitted hereunder. No sale or transfer shall relieve the purchaser of such Lot, Tract or the Club Property from liability for any assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be subordinate to the lien of any first Mortgage on a Lot or Tract, any mortgage or deed of trust constituting a first lien on the Club Property or any mortgage or deed of trust to Crescent Resources, Inc. or any affiliated entity as above provided.

ARTICLE VII

RESTRICTIONS

Section 1. Residential Restrictions. Each Lot shall be used exclusively for single-family, non-transient residential purposes; provided, however, Declarant shall have the right to use the Lots designated from time to time by Declarant for the purpose of construction and operation of construction offices and sales/marketing offices (and for related uses) for the Project. No trade, business or business activity of any kind shall be conducted upon a Lot or any part thereof except by Declarant as described hereinabove or except with the written approval of the Board. Provided, however, the Board may permit a business or business activity to be conducted on a Lot so long as such business, in the sole discretion of the Board, does not otherwise violate the provisions of this Declaration, does not create a disturbance and does not unduly increase traffic flow or parking congestion on the Property or in the Project. The Board may issue rules regarding permitted business activities. Leasing of a residence on a Lot shall not be considered a business or business activity.

Except those to be utilized by Declarant as described hereinabove, no structure shall be erected, placed, altered, used or permitted to remain on any Lot other than one attached or detached single-family private Dwelling Unit and one private garage for not less than two (2) vehicles and only such other accessory structures as are approved in advance in writing by the Architectural Control Committee pursuant to the Guidelines. No Lot and no Improvements may be used for hotel or other transient residential purposes. Each lease relating to any Lot or any Improvements thereon (or any part of either thereof) must be for a term of at least six (6) months,

must be in writing, and must provide that the tenant is obligated to observe and perform all of the terms and provisions hereof applicable to such Lot and/or Improvements. Nothing herein contained shall be construed to prohibit or prevent the construction, operation and use of any cottage, villa or other similar dwelling on the Club Property intended to be used for overnight stay by guests of the Club.

Subject to the requirements set forth herein and in the Guidelines, fixed piers and floating boat dock facilities incidental to the residential use of Waterfront Lots are expressly permitted only within the Pier Zone (as defined below) of Waterfront Lots upon the condition that they are not rented, leased or otherwise used for remuneration. Furthermore, no boat (including a houseboat), whether existing on a Lot, docked at a Pier or docked at a fixed pier or floating boat dock appurtenant to any Waterfront Lot in the Project, may at any time be used as a residence.

Section 2. Dwelling Unit Size. The square footage requirements set forth below are for enclosed heated floor area, are measured from the ground level up (said ground level being the first level of any Dwelling Unit as viewed from the Roadway fronting same) and are exclusive of the areas in heated or unheated basements, vaulted ceiling areas and attics, unheated porches of any type, attached or detached garages, porte-cocheres and unheated storage areas, decks and patios.

Any Dwelling Unit erected upon any Lot shall contain not less than the following heated floor areas:

	<u>Minimum Total Heated Area</u>	<u>Minimum Ground Floor Heated Area</u>
1 Story	2,500	2,500
1½ story, split level, tri-level and others	2,500	1,800
2 story, 2½ story	2,700	1,500

Notwithstanding the foregoing requirements, the Architectural Control Committee shall have the right (but not the obligation), because of restrictive topography, lot shape, dimensions or unusual site related conditions or other reasons, to allow variances from such minimum square footage requirements of up to ten percent (10%) of such minimum square footage requirements by granting a specific written variance.

No Dwelling Unit erected upon a Lot shall contain more than two and one-half (2½) stories above ground level (said ground level being the first level of any Dwelling Unit as viewed from the Roadway fronting same). Notwithstanding the foregoing, the Architectural Control Committee shall have the right (but not the obligation), because of steep topography, unique Lot configuration or dimensions, unusual site related conditions or other similar reasons, to allow Dwelling Unit heights greater than two and one-half (2½) stories as viewed from rear and side elevations.

Section 3. HVAC Equipment. No air conditioning or heating equipment or apparatus shall be installed on the ground in front of, or attached to any front wall of, any Dwelling Unit on a Lot. Additionally, air conditioning and heating equipment and apparatus shall be screened from view from Roadways and the Golf Course by landscape improvements, as more particularly provided in the Guidelines.

Section 4. Exterior Lighting. Exterior lighting on Lots shall be subject to the applicable requirements and limitations in the Guidelines. Night lighting of tennis courts and other recreational facilities on Lots is not permitted.

Section 5. Fences and Walls. In addition to the restrictions contained elsewhere in this Declaration and except as expressly provided below, no fence or wall (including densely planted hedges, rows or similar landscape barriers) (i) shall be erected, placed, maintained or altered on any Lot nearer to any Roadway fronting such Lot than the front building corner of the main Dwelling Unit constructed on such Lot (unless otherwise approved by the Architectural Control Committee) and (ii) shall not exceed six (6) feet in height, except fences enclosing approved tennis courts may be up to ten (10) feet in height if located at least twenty-five (25) feet from all Lot boundary lines. Provided, however, and notwithstanding the foregoing, in order to accentuate certain architectural styles within the Project, Declarant and/or the Architectural Control Committee, in their sole and absolute discretion, may allow the construction and use of fencing along or near the front, side and/or rear boundary lines of certain designated Lots within the Project. All fences and walls shall be maintained in a structurally sound and attractive manner. No fence or wall shall be erected on any Lot until the Architectural Control Committee has given its prior written approval of the color, size, design, materials and location for such fence or wall.

Section 6. Mail and Newspaper Boxes; House Numbers. Declarant shall provide to each Lot Owner a standard mailbox/newspaper box for such Owner's use on such Owner's Lot. No other mailbox or newspaper box shall be erected or maintained on any Lot. The location of the mailbox/newspaper box on a Lot must be approved in writing by the Architectural Control Committee. House numbers may be displayed on the Dwelling Unit and/or mailbox only as approved by the Architectural Control Committee.

Section 7. Animals. No animals, livestock or poultry shall be raised, bred or kept on any portion of the Property except that dogs, cats or other household pets may be kept, but not for any commercial purposes, provided that they do not create a nuisance (in the judgment of the Board) such as, but without limitation, by noise, odor, damage or destruction of property or refuse. Any excrement deposited by an animal on any portion of the Property shall be promptly removed and appropriately disposed of by the owner of such animal. The number of household pets kept or maintained outside the Dwelling Unit on a Lot shall not exceed three (3) in number, except for newborn offspring of such household pets which are all under nine (9) months in age. Dogs shall at all times whenever they are outside of a Dwelling Unit be on a leash or otherwise confined in a manner acceptable to the Board. Animal control authorities shall be permitted to enter the Project and the Property to patrol and remove pets and wild animals. All pets shall be registered, licensed and inoculated as required by law. No fenced dog enclosure or other

structure for pets may be constructed or maintained on any Lot unless the same has been approved in writing by the Architectural Control Committee.

Section 8. Signs. No sign of any kind shall be displayed on any Lot except for sign(s) provided by Declarant. Declarant shall be entitled to erect and maintain signs and billboards advertising the Property, the Project or portions of either, or for any other purpose, on any portion of the Property owned by Declarant or in the Common Areas or Maintenance Areas.

Section 9. Temporary Structures; Structure Materials. No residence or building of a temporary nature, including a construction trailer, shall be erected or allowed to remain on any Lot, and no metal, fiberglass, plastic or canvas tent, barn, carport, garage, utility building, storage building or other metal, fiberglass, plastic or canvas structure shall be erected on any Lot or attached to any residence. Provided, however, nothing herein shall prohibit Declarant or a Featured Builder (subject to the prior written approval of Declarant) from erecting or moving temporary buildings onto Lots owned by Declarant or such Featured Builder to be used for storage, or for construction or sales offices.

Section 10. Sight Line Limitations. To the extent that governmental requirements shall not impose a stricter standard, no fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above Roadways shall be placed or permitted to remain on any corner Lot within the triangular areas shown on the Plat as "Sight Triangles." The same sight line limitations shall apply on any Lot within the triangular area formed by (i) the line that runs from the point of intersection of (A) the edge of a Roadway's pavement and (b) the edge of the pavement of the driveway on such Lot for a distance of ten (10) feet along such Roadway pavement away from such driveway pavement, (ii) the line that runs from said point of intersection for a distance of ten (10) feet along such driveway pavement away from such Roadway pavement, and (iii) the straight line that connects the ending points of the lines described in the foregoing clauses (i) and (ii). No tree shall be permitted to remain within such triangular areas unless the foliage line is maintained at an appropriate height to prevent obstruction of sight lines.

Section 11. Utilities. All utilities and utility connections shall be located underground, including electrical, telephone and cable television lines. Transformers, electric, gas or other meters of any type, or other apparatus shall be located at the rear of the buildings constructed on Lots or, if approved by the Architectural Control Committee in writing, located elsewhere on the Lot provided they are adequately screened as required by the Architectural Control Committee in accordance with the provisions of this Declaration.

Section 12. Sediment Control. Sufficient sediment control measures, including, but not limited to, installation and maintenance of silt fences, straw bale fences, storm water inlet protection and temporary seeding, to the extent deemed reasonably necessary by Declarant or the Architectural Control Committee, shall be taken by the Owner or Owner's builder to ensure that all sediment resulting from any land disturbance or construction operation is retained on the Lot in question. All sediment control measures must be maintained until such Lot has been permanently stabilized with respect to soil erosion.

Section 13. Building Envelope. No building or other Improvement on any Lot (including any stoops or porches, patios, decks, terraces, etc.) shall be erected or permitted to remain outside of the "Building Envelope" for that particular Lot as established by the Architectural Control Committee (as to each Lot, the "Building Envelope"). The Building Envelope approved for any Lot will be available from the Architectural Control Committee on an unrecorded map. Provided, however, and notwithstanding the foregoing to the contrary, (i) docks, piers and boatslips are exempt from this Building Envelope restriction, provided they are approved by the Architectural Control Committee in accordance with the applicable provisions of the Guidelines, (ii) exterior steps at the front and rear of a Dwelling Unit may project into the setback area established by the Building Envelope up to a distance of five (5) feet, and (iii) fireplace chimney structures projecting from the side of a Dwelling Unit may encroach no more than eighteen (18) inches into the side yard setback established by the Building Envelope. The Architectural Control Committee shall have the right in its sole discretion to make exceptions to any Building Envelope to recognize any special topography, vegetation, Lot shape or dimension, or other site-related conditions. In the event any zoning or subdivision ordinance, floodway regulation or other ordinance, law or regulation applicable to a Lot shall prescribe greater setbacks, then all buildings erected during the pendency of such requirements shall conform thereto.

Section 14. Waste. No Lot shall be used or maintained as a dumping ground for rubbish, trash or garbage. During construction of Improvements on a Lot, all rubbish and debris shall be stored and disposed of in accordance with the rules and established by the Architectural Control Committee.

Section 15. Combination or Subdivision of Lots. Should the Owner of a Lot own an adjacent Lot(s) and desire that two (2) or more such Lots be considered as one Lot, then such Lots shall (except in connection with the payment of assessments and except as provided herein) be considered as one Lot for the purposes of this Article VII upon the recordation in the Office of the Register of Deeds of Iredell County, North Carolina, of an instrument by such Owner expressing such intent (such instrument to refer specifically to this section in this Declaration and to identify the Lots to be considered as one Lot for purposes of this Article VII, and a copy of such recorded instrument shall be promptly delivered by such Owner to the Architectural Control Committee); and in each such case, Building Envelopes, setback lines, and easements reserved in this Declaration shall be adjusted accordingly by the Architectural Control Committee. The Owner of any Lot which combines with all or a portion of a contiguous Lot shall be solely responsible for any costs which may result from such combination, including the costs of relocating any existing easements. No Lot shall be subdivided by sale, lease or otherwise without the prior written consent of Declarant. Provided, however, Declarant reserves the right to change the size, boundaries or dimensions of any Lot owned by Declarant for any reason.

Section 16. Restricted Activities in Common Areas and Maintenance Areas. No cutting of vegetation, dumping, digging, filling, destruction or other waste shall be committed on the Common Areas or the Maintenance Areas. There shall be no obstruction of the Common Areas or the Maintenance Areas, nor shall anything be kept or stored in the Common Areas or the Maintenance Areas, nor shall anything be altered, or constructed or planted in, or removed from, the Common Areas or the Maintenance Areas, without the prior written consent of the

Declarant and the Association. Each Owner shall be liable to the Association and/or Declarant for any damage to any Common Area and/or the Maintenance Area caused by the negligence or willful misconduct of the Owner or his family, tenants, guests, agents, employees, or invitees. Provided, however, the provisions in this paragraph shall not apply to Declarant in connection with Declarant's construction activities on the Property.

Section 17. Unsightly or Unkempt Conditions. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken on any Lot, other than in enclosed garages.

Section 18. Rules of the Board. All Owners of any Lot shall abide by all rules and regulations adopted by the Board from time to time. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association and/or Declarant for all damages and costs, including attorneys' fees.

Section 19. Recreational and Other Equipment.

(a) No recreational equipment (including, but not limited to, basketball backboards and hoops, trampolines, swing sets, tree houses, children's climbing or play apparatus and other equipment associated with either adult or juvenile leisure or recreation) shall be attached to the exterior of any Dwelling Unit or otherwise placed or kept on any Lot, except in accordance with the requirements as set forth in the Guidelines.

(b) No such recreational equipment shall be located in such a manner as to constitute a nuisance or unsightly condition to adjoining Owners or to persons using the Golf Course.

(c) No such recreational equipment shall be located within fifty (50) feet of the Golf Course or the Lake.

(d) Children's play toys and other moveable equipment of any type (such as lawn mowers, garden tools, etc.) shall not remain repeatedly overnight within any front yard of any Lot, or within the side yards of any Lot located on a Roadway corner, in such number or for such a long period of time as to create a continuing, unsightly condition.

Section 20. Parking; Off-Water Boat Storage.

(a) No vehicles, trucks, vans, cars, trailers, construction equipment, etc. may be parked overnight on any Roadway within the Property.

(b) Commercial-use vehicles and trucks not involved with construction activity on the Property and having a carrying capacity and/or size designation greater

than or equal to three-fourths (3/4th) ton shall not be permitted to park overnight on the Roadways, driveways or otherwise within the Property, unless stored in an enclosed garage. No vehicle of any size which transports inflammatory or explosive cargo may be kept within the Property at any time. No vehicles that are not in a condition to be normally operated or that do not have a current registration tag may be stored or situated on any Lot for more than thirty (30) days unless stored in an enclosed garage.

(c) The Owner of each Lot will be responsible for providing on such Owner's Lot a sufficient paved parking area for all vehicles normally parked and/or situated on or in regard to such Lot.

(d) No recreational vehicles or related equipment, including any boat, houseboat, trailer, motor home or "camper" vehicle may be maintained, stored or kept on any portion of the Property, except in enclosed garages or in an enclosure specifically approved for such maintenance or storage by the Architectural Control Committee.

(e) No construction office trailers may be placed, erected or allowed to remain on any Lots during construction, except as approved in writing by the Architectural Control Committee. Provided, however, nothing herein shall prohibit Declarant from erecting or moving temporary buildings onto Lots owned by Declarant to be used as construction or sales offices. Other construction vehicles (trucks, vans, cars, construction equipment, equipment trailers, etc.) may be left overnight on the Property (including any Lot or Roadway) only in accordance with such rules as may be established by the Architectural Control Committee.

Section 21. Sewage Disposal; Septic Easements. Every Lot shall either be served by a septic system approved by Declarant for the disposal of sewage or connected to a private or public sewage disposal system, at the option of and as required by Declarant. Declarant makes no representations regarding the future availability of municipal sewer service. All septic systems or other private sewage disposal systems shall be approved by, and constructed and maintained in accordance with all the regulations and requirements of, the Architectural Review Committee (including all requirements set forth in the Guidelines) and all governmental authorities and regulatory agencies having jurisdiction. All Owners, by purchasing property subject to this Declaration, acknowledge that any governmental permit or approval allowing for the construction and operation of a septic system or other private sewage disposal system may be limited in duration in accordance with the terms thereof, and neither Declarant, nor the Association, nor the Architectural Control Committee, nor the officers, directors, members, employees, agents or affiliates of any of them, shall have any liability arising directly or indirectly out of the inability of an Owner to obtain any such permit or approval (including an extension or continuation) following the initial expiration thereof.

Non-exclusive easements for the purposes of providing septic service and for use as septic drainage fields (the "Septic Easements") are hereby reserved by Declarant and granted, over, across and under the Septic Easement Areas to and for the benefit of the Association and the Septic Lot Owners, as more specifically provided herein. Each of the Septic Easements shall be an appurtenance to and run with the title to the Lot it services and for which it is reserved.

Any deed, deed of trust, mortgage, transfer or other conveyance of any of said Lots shall also transfer or convey the Septic Easement appurtenant to such Lot, even if not expressly included therein. Each Septic Easement shall grant to the Association (but not any Septic Lot Owner) and shall reserve in favor of Declarant the right to construct, install, excavate, dig, build, maintain, operate, remove and reinstall a septic system and related lines, equipment and apparatus in and upon the Septic Easement Area over which such Septic Easement is reserved, and to clear (and continue to clear as necessary) all trees, brush and other plants and to remove all rocks if necessary for the proper construction, installation and maintenance of said septic system and related lines, equipment and apparatus. Provided, however, the Owner(s) of the Lot(s) which any septic system is to service shall promptly pay to the Association (or Declarant, as the case may be) all costs incurred by the Association (or Declarant, as the case may be) in connection with such installation, operation, maintenance and/or removal of said septic system (and all such costs shall constitute Special Septic System Assessment(s), as defined below).

The Association shall maintain all portions of any septic system located within a Septic Easement Area [and each Lot Owner shall maintain, in accordance with all rules and regulations and requirements of the Architectural Review Committee (including, without limitation, all requirements set forth in the Guidelines) all portions of any septic system or other sewage disposal system located on such Lot] (i) in an orderly condition, clean and free from debris, together with the landscaping thereon (if any), in accordance with the highest standards for residential developments, including any upkeep, repair, removal and replacement of any landscaping, utilities, or improvements located thereon, and (ii) in a good operating condition in compliance with any requirements imposed by the Declarant, the Association, or any governmental authority. If any septic system or other sewage disposal system located on a Lot is not maintained by the applicable Lot Owner as set forth herein, the Declarant or the Association, in its sole discretion, may enter such Lot to perform such maintenance and may levy a special septic system assessment ("Special Septic System Assessment") upon the Lot Owner for the purpose of maintaining, repairing or replacing the septic system or other sewage disposal system serving such Lot. In addition to the foregoing, the Association (or its designee) shall have the right to enter any Lot from time to time for purposes of inspecting and/or maintaining any septic system or other sewage disposal system and may levy a Special Septic System Assessment to pay for any costs incurred in connection with such inspection and/or maintenance. In this regard, each Owner of a Lot (other than Declarant) 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 (in addition to other assessments provided for herein) Special Septic System Assessments as levied in the discretion of the Association. Any such assessment or charge, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot effective at the time when the assessment fell due.

Declarant hereby reserves unto itself, its successors and assigns, and grants to the Association, a non-exclusive easement burdening each Lot to which a Septic Easement is appurtenant for the purpose of connecting any residence(s) upon such Lot(s) to any public or private sewer line providing service accessible to such Lot, including access across such Lot and the right to install any pipes and apparatus as may be necessary to connect any such residence(s)

to such sewer line (the "Sewer Connection Easement"). By reserving the Sewer Connection Easement, Declarant has not obligated itself, its successors or assigns, or the Association, to connect any public or private sewer line to the above-described Lots and the exercise of such rights under the Sewer Connection Easement shall be at the sole discretion of Declarant, its successors or assigns, or the Association, as the case may be.

Section 22. Nuisances. It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her property. No Lot or Tract shall be used, in whole or in part, for the deposit, storage or burial of any property or thing that will cause such property to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on within any Lot or Tract, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Project. There shall not be maintained on any Lot or Tract any plants or animals or device or thing of any sort whose activity or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Project. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of any Dwelling Unit or any unimproved Lot or Tract unless required by law.

Section 23. Diligent Construction. All construction, landscaping or other work which has been commenced on any Lot or Tract must be continued with reasonable diligence to completion and no partially completed Dwelling Units or other Improvements shall be permitted to exist on any Lot or Tract, except during such reasonable time period as is necessary for completion. All construction must be completed within one (1) year after the date upon which it commenced, unless a longer time is approved by the Architectural Control Committee. Any damage to the Roadways, curbs or sidewalks or any part of any Common Area, Maintenance Area or any utility system caused by an Owner or Owner's builder or his subcontractors shall be repaired by such responsible Owner. Any builder of Improvements and his subcontractors on any portion of the Property shall keep such portion of the Property free of unsightly construction debris, in accordance with the construction rules established by the Architectural Control Committee (or, in the absence of such rules, in accordance with standard construction practices), and shall similarly keep contiguous public and private areas free from any dirt, mud, garbage, trash, or other debris which is occasioned by construction of Improvements. The Board may levy a Special Individual Assessment against an Owner's property in the Project to pay for the cost of repairing any damage to Roadways, curbs or sidewalks or any part of any Roadway, Common Area, Maintenance Area or utility system, to pay for the cost of cleaning public and private areas, including the Roadways in the Project, and to pay for the cost of the removal of garbage, trash or other debris, which are occasioned by the activities of an Owner or Owner's builder or his subcontractors during the construction of Improvements.

Section 24. No Change in Use of Club Property. The Club Property shall be used only for a golf course facility, club village and/or clubhouse and other uses consistent with a club

facility, including, without limitation, a swim/tennis complex, and no structure or other Improvement shall be erected, altered, placed or permitted thereon except as is consistent with the use of such property as a club facility.

Section 25. Grassed Areas to be Sodded. Unless the Architectural Control Committee shall first agree otherwise in writing, the grassed areas in the front yard of each Lot shall be covered with sodded grass promptly following the completion of construction of a Dwelling Unit on each such Lot (unless an extension is granted with respect thereto by the Architectural Control Committee pursuant to the Guidelines). With regard to corner Lots, the side yard fronting on the side Roadway also shall be covered with sodded grass promptly following the completion of construction of a Dwelling Unit on each such corner Lot (unless an extension is granted with respect thereto by the Architectural Control Committee pursuant to the Guidelines).

Section 26. Community Water System; No Private Individual Wells; Irrigation Restrictions. Declarant shall cause to be constructed a water system in order to provide water supplies necessary to serve the Project (the "Water System"). All community wells, water mains, pipes and other equipment necessary for the operation and maintenance of the Water System shall be located upon the Well Sites and within the utility easements described herein or within the Common Areas, Maintenance Areas and/or Roadways. Upon completion, the Water System and all mains, pipes and equipment and other personal property which are part thereof shall become the property of a private utility company duly licensed and operating under the authority granted by the North Carolina Department of Public Utilities Commission. The Well Sites may be conveyed (by the Declarant) to and owned by such utility company, subject to the use restriction hereby imposed that said Well Sites be used only for the operation of the Water System and subject to Declarant's right to repurchase the Well Sites as specified in the deed(s) from Declarant to such utility company. Declarant hereby reserves for itself, its successors and assigns, and hereby grants to the Association, a perpetual, exclusive right and easement to enter upon and occupy the Well Sites (for the purpose of operating the Water System) in the event the owner thereof should ever fail to operate the Water System in a manner sufficient to provide an adequate supply of potable water to the Project. Such easement may be transferred to any person or entity later charged with operating the Water System. The Water System shall be the sole source of water supplies to the Project, and no well may be dug or constructed on any Lot for the purpose of providing domestic water supply. Provided, however, and notwithstanding the foregoing, in the event that any Owner of a Waterfront Lot operates or uses any type of irrigation system to service the landscaping and/or other exterior areas on such Waterfront Lot, all water necessary for the operation and use of such irrigation system shall be obtained from the Lake through lines and/or other equipment approved by Declarant and any regulatory body having jurisdiction.

Section 27. Marine Toilets. No water craft equipped with a marine toilet having a fixed or portable holding tank shall be permitted at any Waterfront Lot Owners' docks or piers or the Piers or Common Boatlips. In addition, no water craft shall be moored at any Waterfront Lot Owners' docks or piers or the Piers or Common Boatlips if equipped with a through hull or overboard discharge toilet which has not been certified by the United States Coast Guard as an approved marine sanitation device.

Section 28. Docks and Piers. Only the Owner of a Waterfront Lot may construct one (1) pier (containing only one (1) boatslip) within the Pier Zone adjacent to said Waterfront Lot (in accordance with the applicable provisions of the Guidelines), provided that such Lot is not located in an area where the narrowness of a cove precludes construction of a dock or pier as determined by Duke Energy Corporation and/or any governmental entity having jurisdiction at the time such improvements are to be constructed. Any waterfront improvement shall have a low profile and open design to minimize obstruction of neighbors' views. Roof-covered or enclosed docks or boat houses will not be allowed. Furthermore, no dock shall contain any solid or other roof-like surface at any level beyond three (3) feet above the dock floor area.

The placement, construction, or use of any pier, dock, boatslip structure or other improvement within or upon the waters of the Lake is and shall be subject to each of the following:

(a) easements, restrictions, rules and regulations for construction and use promulgated by the Board and/or the Association;

(b) all laws, statutes, ordinances and regulations of all Federal, State and local governmental bodies having jurisdiction thereon, including without limitation the Federal Energy Regulatory Commission; and

(c) rules and regulations, privileges and easements affecting the Property and the waters and submerged land of the Lake established by Duke Energy Corporation, its successors and assigns. (Duke Energy Corporation controls access to, and the use and level of, the waters of the Lake. All Owners, the Association, the Declarant and Featured Builders must receive a permit from Duke Energy Corporation [or a successor manager of the Lake, under authority from the Federal Energy Regulatory Commission] prior to any alterations therein.)

No pier, dock, boatslip structure or other similar improvement shall be constructed by Waterfront Lot Owners outside of the area designated as "Pier Zone" on the Plat(s) or in any Supplemental Declaration or other document which may be filed pursuant to the provisions of this Declaration. Additionally, no boat (including a houseboat) docked at a fixed pier or a floating boat dock (appurtenant to any Waterfront Lot) shall be located outside the Pier Zone. Furthermore, each Waterfront Lot Owner shall be entitled to construct only one (1) boatslip within the applicable Pier Zone, and in no event shall any additional boatslips, mooring posts or similar improvements be constructed within such Pier Zone. It is the intent of the immediately preceding sentence that no more than one (1) boat be docked or otherwise stored within any Pier Zone at any one time. ALL WATERFRONT LOT OWNERS, BY PURCHASING PROPERTY SUBJECT TO THIS DECLARATION, ACKNOWLEDGE THAT THEY SHALL BE RESPONSIBLE FOR OBTAINING (AND FOR CONDUCTING ALL REQUIRED ACTIVITIES, INCLUDING ANY DREDGING, NECESSARY IN CONNECTION WITH OBTAINING) ANY PERMIT, LICENSE OR LEASE ALLOWING FOR THE CONSTRUCTION AND USE OF ANY PIER, DOCK, BOATSLIP STRUCTURE OR OTHER SIMILAR IMPROVEMENT WITHIN OR UPON THE WATERS OF THE LAKE AND THAT SUCH PERMIT, LICENSE OR LEASE SHALL BE LIMITED IN DURATION, AND

NEITHER DECLARANT, NOR THE ASSOCIATION, NOR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS OR AFFILIATES OF EITHER OF THEM, SHALL HAVE ANY LIABILITY ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN ANY WAY RELATED TO ANY SUCH PERMIT, LICENSE OR LEASE.

Section 29. Boat Ramps. No boat ramps of any kind shall be permitted on any Lot, and no boat shall be placed in (or removed from) the waters of the Lake from any Lot; provided, however, small watercraft such as canoes, dinghies, and jet skis may be launched from any Lot if launched without a ramp. All other watercraft shall be launched at a public boat ramp outside the Project, or at a boat ramp (if any) located within the Common Area. Finally, all boats shall be refueled and maintained at a public boat ramp outside the Project, or at a boat ramp (if any) located within the Common Area.

Section 30. Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Lot and all applicable governmental requirements or restrictions relative to the construction of Improvements on and/or use and utilization of any Lot shall continue to be applicable and shall be complied with in regard to the Lots. Each Owner shall comply with all laws, regulations, ordinances and other governmental rules and restrictions in regard to the Lot(s), Tract(s) or other portion of the Property owned by such Owner (including, without limitation, applicable zoning and watershed laws, rules, regulations and ordinances).

Section 31. Occupants Bound. All provisions of this Declaration, any Additional or Supplemental Declaration and the Bylaws and any and all rules and regulations, use restrictions or Architectural and Landscape Guidelines promulgated pursuant hereto or thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all Occupants even though Occupants are not specifically mentioned.

ARTICLE VIII

ARCHITECTURAL AND LANDSCAPING CONTROL

Section 1. General. Notwithstanding anything contained in this Declaration to the contrary, no Improvements, including, without limitation, site preparation on any Lot or Tract, change in grade or slope of any Lot or Tract, or erection of buildings or exterior additions or alterations to any building situated upon the Property, erection of or changes or additions in fences, hedges, walls and other structures, any landscaping, or any cutting of trees on any Lot or Tract, shall be commenced, erected or maintained on any portion of the Property, subject to the provisions of Article VIII, Section 7 hereof, until: (a) the Architectural Control Committee, appointed as hereinafter provided, has approved the plans and specifications therefor and the location of such Improvements and has given its written approval for commencement of construction, all in accordance with the terms and requirements in the Architectural and Landscape Guidelines; (b) the fees set forth in or contemplated in this Article VIII have been paid; and (c) the contracts identified in this Article VIII have been executed. In addition to any standards established pursuant to this Declaration, Declarant may establish, by Additional

Declarations, architectural and landscaping control standards, guidelines and restrictions in regard to various Phases or sections of the Property. Except as otherwise expressly provided herein, the provisions of this Article VIII shall not apply to the construction of any Improvements commenced, erected or maintained by Declarant on any Lot or Tract or upon any of the Common Areas or Maintenance Areas.

The Board may delegate to the Architectural Control Committee any powers or authority reserved or granted to the Board under this Article VIII.

Section 2. Composition of Architectural Control Committee. So long as Declarant owns any Lot, Tract or other portion of the Property, the members of the Architectural Control Committee shall be appointed by Declarant. At such time as Declarant no longer owns any Lot, Tract or other portion of the Property or at such earlier date as Declarant releases its right to appoint the members of the Architectural Control Committee, the members of the Architectural Control Committee shall thereafter be appointed by the Board. The members of the Architectural Control Committee shall be appointed annually and will be composed of at least three (3) and not more than seven (7) individuals, the exact number of members of the Architectural Control Committee to be designated from time to time by the body then having the authority to appoint such members (Declarant or the Board, as the case may be). The members of the Architectural Control Committee need not be Owners of property in the Project. In the event of the death or resignation of any member of the Architectural Control Committee, the party or body then having the authority to appoint members to the Architectural Control Committee shall have full authority to designate and appoint a successor. Members of the Architectural Control Committee may be removed and replaced at any time, with or without cause, and without prior notice, by the party or body then having the authority to appoint such members. Notwithstanding anything contained herein to the contrary, the Architectural Control Committee shall have the right, power and authority to employ and/or use the services of any architects, engineers, attorneys or other professionals as it deems necessary or advisable, in its sole discretion, to carry out the duties and obligations of the Architectural Control Committee as described in this Article VIII.

Section 3. Architectural and Landscape Guidelines.

(a) The Architectural Control Committee shall, from time to time, publish and promulgate architectural and design guidelines (the "Architectural and Design Guidelines"). The Architectural and Design Guidelines shall be explanatory and illustrative of the general intent of the development of the Property and are intended as a guide to assist the Architectural Control Committee in reviewing plans and specifications for Improvements (excluding only landscape Improvements, which are addressed in Article VIII, Section 3(b) hereof). The Architectural and Design Guidelines shall also set out, among other things, the procedures for submission, review and approval of plans and specifications (for the construction of non-landscape Improvements) to the Architectural Control Committee and the fees to be imposed by the Architectural Control Committee, as more specifically described in Article VIII, Section 8 hereof; and the Architectural and Design Guidelines shall address the Featured Builders, as more specifically described in Article VIII, Section 9 hereof. In any event, the Architectural and Design Guidelines

shall not be binding upon the Architectural Control Committee, may be revised and amended at any time by the Architectural Control Committee, in its sole discretion, and shall not constitute, in every event, the basis for approval or disapproval of plans, specifications and other materials (for the construction of non-landscape Improvements) submitted to the Architectural Control Committee for approval.

(b) The Architectural Control Committee shall, from time to time, publish and promulgate landscape guidelines (the "Landscape Guidelines"). The Landscape Guidelines shall be explanatory and illustrative of the general intent of the landscape development of the Property and are intended as a guide to assist the Architectural Control Committee in reviewing plans and specifications for landscape Improvements. The Landscape Guidelines shall also set out, among other things, the procedures for submission, review and approval of landscape plans and specifications to the Architectural Control Committee and the fees to be imposed by Architectural Control Committee, as more specifically described in Article VIII, Section 8 hereof. In addition, the Landscape Guidelines shall establish approved standards, methods and procedures for landscaping, landscape management and landscape maintenance in the Property, including the removal of trees. Such authorized standards, methods and procedures shall be utilized by Owners and their contractors and subcontractors, and the approval by the Architectural Control Committee of any landscaping plan or other landscaping improvement in connection with landscaping on a Lot, Tract or other portion of the Property shall be based upon the conformity of such plan or improvement with the Landscape Guidelines. In any event, the Landscape Guidelines shall not be binding upon the Architectural Control Committee, may be revised and amended at any time by the Architectural Control Committee, in its sole discretion, and shall not constitute, in every event, the basis for approval or disapproval of landscaping plans, specifications and other materials submitted to the Architectural Control Committee for approval.

(c) The Architectural Control Committee is also hereby authorized to publish and promulgate from time to time, and revise and amend at any time in its sole discretion, construction rules to be followed by all Owners and builders performing work or constructing or installing Improvements (including landscape Improvements) on the Property.

(d) The Architectural and Design Guidelines described in Article VIII, Section 3(a) hereof, the Landscape Guidelines described in Article VIII, Section 3(b) hereof and the construction rules described in Article VIII, Section 3(c) hereof shall herein collectively be referred to as the "Architectural and Landscape Guidelines." The Architectural Control Committee may issue and amend the Architectural and Landscape Guidelines from time to time and may publish and promulgate different Architectural and Landscape Guidelines for different Phases, sections or portions of the Property.

Section 4. Definition of "Improvements". The term "Improvement" or "Improvements" shall mean and include any and all man-made changes or additions to a Lot or Tract, including, but not limited to, the location, materials, size and design of all buildings (including any exterior devices attached to or separate from buildings, such as heating and air

conditioning equipment, solar heating devices, antennae, satellite dishes, etc.); storage sheds or areas; piers, docks and boatslips; roofed structures; parking areas; fences; "invisible" pet fencing; pet "runs," lines and similar tethers or enclosures; walls; irrigation equipment, apparatus and systems; landscaping (including cutting of trees); hedges; mass plantings; poles; driveways; ponds; lakes; changes in grade or slope; site preparation; swimming pools; hot tubs; jacuzzis; tennis courts; tree houses; basketball goals; skateboard ramps; and other sports or play apparatus; signs; exterior illumination; and changes in any exterior color or shape. The definition of Improvements includes both original Improvements and all later changes to Improvements. The definition of Improvements, however, does not include the replacement or repair of Improvements previously approved by the Architectural Control Committee, provided such replacement or repair does not change exterior colors, materials, designs or appearances from that which were previously approved by the Architectural Control Committee.

Section 5. Enforcement.

(a) It is Declarant's intent that the architectural control provisions of this Declaration and any Additional Declarations are to permit control of the architectural design and landscaping and to establish quality standards for construction and construction activity in the Project and to help preserve values of properties in the Project. All Owners, by purchasing property subject to this Declaration, acknowledge that a violation of any such provisions could result in irreparable harm and damage to other Owners of property in the Project and to Declarant, and to the values of their respective properties in the Project, a monetary measure of which harm and damage would be difficult to establish. Accordingly, the Association shall have the specific right (but not the obligation) to enforce and/or to prevent any violation of the provisions contained in this Article VIII by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions. Declarant hereby specifically reserves and grants unto the Architectural Control Committee, the Board and any agent or member thereof, the right of entry and inspection upon any portion of the Property for the purpose of determination by the Architectural Control Committee or the Board whether there exists any construction of any Improvement which violates the terms of any approval by the Architectural Control Committee, the terms of the Architectural and Landscape Guidelines, the terms of this Declaration or any Additional Declaration, or the terms of any amendments hereto or thereto.

(b) As to nonconforming or unapproved Improvements, the Association may require any Owner to restore such Owner's Improvements to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved Improvements) if such Improvements were commenced or constructed in violation of this Article. In addition, the Association may, but has no obligation to, cause such restoration, demolition and removal to be performed and to levy the amount of the cost thereof as a Special Individual Assessment against the Lot, Tract or portion of the Property upon which such Improvements were commenced or constructed. In the event that it becomes necessary to resort to litigation to determine the propriety of any constructed Improvement, to remove any unapproved Improvement or otherwise to remedy a violation of the Architectural and Landscape Guidelines, the Association shall

be entitled to recover court costs, attorneys' fees and expenses incurred by the Association and/or the Architectural Control Committee in connection therewith, which costs, fees and expenses may be levied as a Special Individual Assessment against the Lot, Tract or other portion of the Property upon which such Improvement was commenced or constructed.

Section 6. Failure of the Architectural Control Committee to Act. If the Architectural Control Committee fails to approve or disapprove any plans and specifications and other submittals which conform (and which relate to Improvements which will conform) with the requirements hereof and of the Architectural and Landscape Guidelines or to reject them as being inadequate or unacceptable within thirty (30) business days after receipt thereof, and provided such submittal was a full and complete submittal, in accordance with the Architectural and Landscape Guidelines, of all items that were to have been submitted to the Architectural Control Committee, and provided the Architectural Control Committee shall again fail to approve or disapprove of such plans, specifications and other submittals within ten (10) business days after additional written request to act on such items is delivered to the Architectural Control Committee following the passage of such first above-described thirty (30) business day period, it shall be conclusively presumed that the Architectural Control Committee has approved such conforming plans and specifications and other submittals, EXCEPT that the Architectural Control Committee has no right or power, either by action or failure to act, to waive or grant any variances relating to any mandatory requirements specified in this Declaration or any Additional Declaration, and EXCEPT FURTHER, that the Architectural Control Committee shall not be deemed to have waived any of the requirements set forth in Article VIII, Section 8, Section 9 or Section 10 hereof. If plans and specifications or other submittals are not sufficiently complete or are otherwise inadequate, the Architectural Control Committee may reject them as being inadequate or may approve or disapprove part, conditionally or unconditionally, and reject or approve the balance. The Architectural Control Committee is authorized to request the submission of samples of proposed construction materials.

Section 7. Variances. Upon submission of a written request for same, the Architectural Control Committee may, from time to time, in its sole discretion, permit Owners to construct, erect or install Improvements which are at variance with restrictions, requirements or provisions of this Declaration or any Additional Declaration from which a variance is permitted, pursuant to the terms hereof or thereof. In any case, however, such variances shall be in basic conformity with and shall blend effectively with the general architectural style and design of the community and shall not materially change the scheme of restrictions herein set forth. Written requests for variances shall be deemed to be disapproved in the event the Architectural Control Committee has not expressly and in writing approved such request within thirty (30) business days of the submission of such request. No member of the Architectural Control Committee shall be liable to any Owner for any claims, causes of action, or damages arising out of the grant or denial of any variance to any Owner. Each request for a variance submitted hereunder shall be reviewed separately and apart from other such requests and the grant of a variance to any Owner shall not constitute a waiver of the Architectural Control Committee's right to strictly enforce the covenants, restrictions and architectural standards provided hereunder or under any Additional Declaration against any other Owner.

Section 8. Fees Required by the Architectural Control Committee. The Architectural Control Committee, in its sole discretion, may require that each Person submitting plans and specifications for Improvements to the Architectural Control Committee pay one or more fees to the Architectural Control Committee or to Declarant as a condition to commencement of construction of such Improvements. Such fee(s), including the amount(s), payee and purpose(s) thereof, shall be established by, and may be increased from time to time by, the Architectural Control Committee and shall be set forth in the Architectural and Landscape Guidelines.

Section 9. Featured Builders.

(a) The Architectural Control Committee may require, in its sole discretion, that each Person submitting plans and specifications to the Architectural Control Committee for the construction of Improvements also submit to the Architectural Control Committee a copy of a fully signed contract (for the construction of such Improvements) between the Owner of the relevant Lot and a builder who is featured by the Board or the Architectural Control Committee, in their sole discretion (herein, a "Featured Builder"; collectively, the "Featured Builders"), as a condition to the commencement of construction of any such Improvements.

(b) The Architectural Control Committee shall provide a list of Featured Builders in accordance with the provisions of the Architectural and Landscape Guidelines. To qualify as a Featured Builder, a builder must satisfy certain criteria and requirements established by the Architectural Control Committee and Declarant. However, the criteria and requirements established by the Architectural Control Committee and Declarant for a builder to qualify as a Featured Builder are solely for the Architectural Control Committee's and Declarant's protection and benefit and are not intended to, and shall not be construed to, benefit any Owner or any other party whatsoever. The Architectural Control Committee and Declarant make no representation, express or implied, to any Owner or any other party whatsoever with regard to the Featured Builders, including, without limitation, the existence, nature and extent (including coverage amounts and deductibles) of insurance policies that may be maintained by the Featured Builders from time to time, the solvency or financial status of the Featured Builders from time to time, the nature and amount of any bonds that may be maintained by the Featured Builders from time to time, the performance (or the ability to perform) by the Featured Builders of their contractual obligations (including any contractual obligations of any of the Featured Builders in favor of any Owner or any other party whatsoever), the compliance by the Featured Builders with building codes and other requirements, rules, laws and ordinances of federal, state and local governmental and quasi-governmental bodies and agencies relating to the construction of homes and other activities engaged in by the Featured Builders from time to time, the use of any substance or material, including, without limitation, any stucco or synthetic material by the Featured Builders in connection with the construction of homes, the compliance by any Featured Builder with any licensing requirements imposed by federal, state and local governmental and quasi-governmental bodies and agencies from time to time, including, without limitation, the maintenance of any required builder's and/or contractor's license, and the failure or alleged failure of any Featured Builder to comply

with any industry standard or any other reasonable standard or practice with respect to such builder's work or materials used in the construction of houses and other activities engaged in by such Featured Builder at The Point. Furthermore, neither the Architectural Control Committee nor Declarant, nor the officers, directors, members, employees, agents or affiliates of either of them, shall have any responsibility whatsoever for any sum that any Owner or any other party may deposit with a Featured Builder, including, without limitation, any earnest money or other deposit that any Owner may deliver to a Featured Builder. The selection of a Featured Builder by an Owner shall be conclusive evidence that such Owner is independently satisfied with regard to any and all concerns such Owner may have about the Featured Builder's work product and/or qualifications. Owners shall not rely on the advice or representations of the Architectural Control Committee, Declarant or the officers, directors, members, employees, agents or affiliates of either of them in that regard.

Section 10. No Construction Without Payment of Fees and Use of a Featured Builder. Notwithstanding anything contained in this Article VIII to the contrary, plans and specifications for Improvements to be constructed on a Lot, Tract or other portion of the Property shall not be deemed to have been properly submitted unless and until any and all fees required by the Architectural Control Committee to be paid in connection with such Improvements, as provided in Article VIII, Section 8 above, shall have been paid to the Architectural Control Committee or Declarant as required. In addition, such plans and specifications shall not be deemed to have been properly submitted unless a copy of a fully signed contract between the Owner of the relevant Lot and a Featured Builder for construction of such Improvements (if required by the Architectural Control Committee), as provided in Section 9 above, shall have been submitted to the Architectural Control Committee.

Section 11. Club Improvements. Notwithstanding the provisions of this Article VIII, construction and installation of any Improvements in connection with the development of the Club and the Club Facilities, including the construction and development of the clubhouse and/or club village, swimming pools, tennis courts and other Improvements on the Club Property, but excluding the construction of or modification to the Golf Course, shall be subject to the provisions of this Article VIII, and plans and specifications for any such Improvements shall be submitted, reviewed and approved by the Architectural Control Committee in the same manner and in accordance with the same terms and conditions as any other Improvements on the Property.

Section 12. Notices and Submittals. Notices and submittals to the Architectural Control Committee shall be in accordance with the notice provisions set forth from time to time in the Architectural and Landscape Guidelines.

Section 13. Separate Committee for Changes to Existing Improvements. The Board shall have the right, power and authority, in its sole discretion, to appoint a committee separate and apart from the Architectural Control Committee to review plans and specifications for any and all renovations, changes and additions to existing Improvements located on a Lot, Tract or other portion of the Property (herein, the "Architectural Changes Committee"). Should the Board appoint such an Architectural Changes Committee, then the Architectural Control

Committee shall relinquish to the Architectural Changes Committee its authority to review plans and specifications for any such changes to existing Improvements, and the Architectural Changes Committee shall be solely responsible for review and approval of the same. The composition of the Architectural Changes Committee shall be determined by the Board in its sole discretion and the procedure for submission, review and approval of plans and specifications to and by the Architectural Changes Committee shall be set forth in the Architectural and Landscape Guidelines. Notwithstanding the foregoing, nothing herein shall be deemed to obligate the Board to appoint an Architectural Changes Committee, and until an Architectural Changes Committee is appointed, the Architectural Control Committee shall be responsible for reviewing and approving or disapproving all plans and specifications for renovations, changes and additions to existing Improvements in accordance with the provisions of this Article VIII and the Architectural and Landscape Guidelines.

Section 14. Limitation of Liability. No member of the Architectural Control Committee or the Architectural Changes Committee shall be liable for claims, causes of action or damages (except where occasioned by willful misconduct of such member) arising out of services performed pursuant to this Article VIII. Neither the Architectural Control Committee, nor the Architectural Changes Committee (if applicable), nor the members thereof, nor the Association, nor Declarant, nor any officers, directors, members, employees, agents or affiliates of any of them, shall be liable for damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval of, or the failure to approve or disapprove of, any plans and specifications. The approval of plans and specifications by the Architectural Control Committee or the Architectural Changes Committee (if applicable) shall not be deemed or construed as a representation or warranty of the Architectural Control Committee or the Architectural Changes Committee (as the case may be), Declarant, or any officer, director, member, employee, agent or affiliate of any of them, (i) that Improvements constructed in accordance with such plans and specifications will comply with applicable zoning ordinances, building codes, or other governmental or quasi-governmental laws, ordinances, rules and regulations or (ii) as to the structural soundness, quality, durability, suitability, fitness or proper functioning of Improvements constructed in accordance with such plans and specifications; and any responsibility or liability therefor is hereby disclaimed. Every person who submits plans and specifications, and every Owner, agrees that he will not bring any action or suit against Declarant, the Association, the Architectural Control Committee, the Architectural Changes Committee (if applicable), the Board, or the officers, directors, members, employees, agents or affiliates of any of them, to recover any such damages and hereby releases, demises, and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given. Declarant shall be the sole party responsible for the performance of Declarant's obligations under this Declaration, and no other person, firm or entity, including, without limitation, any entity affiliated with Declarant, shall have any obligation or liability for Declarant's obligations under this Declaration.

Section 15. Miscellaneous. Members of the Architectural Control Committee and, if applicable, the Architectural Changes Committee, in the sole discretion of the party or body

appointing such members (i.e., either Declarant or the Board, as the case may be) may be compensated for their services. The Association shall reimburse members of the Architectural Control Committee and the Architectural Changes Committee (if applicable) for reasonable out-of-pocket expenses associated with their activities hereunder. All costs, expenses and attorneys' fees of the Architectural Control Committee and the Architectural Changes Committee (if applicable), including those incurred in connection with the exercise of their enforcement or other powers as provided herein, shall be borne by the Association; provided, however, nothing herein shall be deemed to negate the Association's right to an award of court costs, attorneys' fees and expenses in accordance with Article VIII, Section 5 hereof.

ARTICLE IX

INSURANCE; REPAIR AND RESTORATION; CONDEMNATION

Section 1. Board of Directors. The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in no less than the amounts set forth below:

(a) Fire. All improvements and all fixtures and personal property included in the Common Areas and Maintenance Areas and all personal property and supplies belonging to the Association shall be insured in an amount equal to the current replacement cost (exclusive of land, foundation, excavation and other normally excluded items) as determined annually by the Board with the assistance of the insurance company providing coverage. The Board shall, at least annually, review the insurance coverage required herein and determine the current replacement cost of such improvements and fixtures and personal property and supplies. Such coverage shall provide protection against loss or damage by fire or other hazards covered by a standard extended coverage endorsement, windstorm and water damage, vandalism and malicious damage and all perils covered by a standard "all risk" endorsement. In addition to the provisions and endorsements set forth in Article IX, Section 3 and Section 4, the fire and casualty insurance described herein shall contain the following provisions:

- (1) standard "Agreed Amount" and "Inflation Guard" endorsements;
- (2) construction code endorsements if the Common Area becomes subject to a construction code provision which would require changes to undamaged portions of any building thereby imposing significant costs in the event of partial destruction of such building by an insured peril;
- (3) a waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, the Owners and their employees, agents, tenants and invitees; and
- (4) a provision that the coverage will not be prejudiced by act or neglect of one or more Owners when said act or neglect is not within the control of the Association or by any failure of the Association to comply with any

warranty or condition regarding any portion of the Property over which the Association has no control.

The fire and casualty insurance policy shall not contain (and the insurance shall not be placed with companies whose charters or bylaws contain) provisions whereby: (1) contributions or assessments may be made against the Association or the Owners; (2) loss payments are contingent upon action by the carrier's directors, policy holders or members; and (3) there are limiting clauses (other than insurance conditions) which could prevent Owners from collecting the proceeds.

(b) Public Liability. The Board shall also be required to obtain and maintain, to the extent obtainable, public liability insurance and officer's and director's liability insurance in such limits as the Board may, from time to time, determine to be customary for projects similar in construction, location and use as the Project, covering each member of the Board, the managing agent, if any, and each Owner with respect to his liability arising out of the ownership, maintenance, or repair of the Common Areas and Maintenance Areas, or from service on the Board; provided, however, in no event shall the amounts of such public liability insurance ever be less than \$2,000,000 per occurrence against liability for bodily injury, including death resulting therefrom, and damage to property, including loss of use thereof, occurring upon, in or about, or arising from or relating to, the Property or any portion thereof, nor shall the amount of such officer's and director's insurance be less than \$2,000,000 unless such coverage is determined by the Board to be unreasonably expensive. Such insurance shall include endorsements covering cross liability claims of one insured against another, including the liability of the Owners as a group to a single Owner. The Board shall review such limits annually. Until the first meeting of the Board following the initial meeting of the Association Members, such public liability insurance shall be in amounts of not less than \$2,000,000 per occurrence for claims for bodily injury and property damage and such officer's and director's liability insurance shall be in amounts not less than \$2,000,000.

(c) Fidelity Coverage. The Board shall also be required to obtain fidelity coverage against dishonest acts on the part of all persons, whether officers, directors, trustees, employees, agents or independent contractors, responsible for handling funds belonging to or administered by the Association. The fidelity insurance policy shall be written in an amount sufficient to provide protection which is in no event less than one and one-half times the Association's estimated annual operating expenses and reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

(d) Other. Such other insurance coverages, including flood insurance and worker's compensation, as the Board shall determine from time to time desirable.

Section 2. Premium Expense. Premiums upon insurance policies purchased by the Board shall be paid by the Board and charged as a common expense to be collected from the Owners pursuant to the terms of this Declaration. Provided, however, the portion of such premiums attributable to the insurance carried in connection with the operation and use of the

Piers and Common Boatslips and all improvements located therein shall be charged to and collected from the Boatslip Lot Owners in accordance with Article IV hereof.

Section 3. Special Endorsements. The Board shall make diligent efforts to secure insurance policies that will provide for the following:

- (a) recognition of any insurance trust agreement entered into by the Association;
- (b) coverage that may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the named insured and any insurance trustee; and
- (c) coverage that cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board without prior demand in writing that the Board cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association or any Owner.

Section 4. General Guidelines. All insurance policies purchased by the Board shall be with a company or companies licensed to do business in the State of North Carolina and holding a rating of "A VIII" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Association and shall be issued in the name of and provide that all proceeds thereof shall be payable to the Association. Notwithstanding any of the foregoing provisions and requirements relating to insurance, there may be named as an insured, on behalf of the Association, the Association's authorized representative, who shall have exclusive authority to negotiate losses under any policy providing such insurance.

Section 5. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Association shall use the net proceeds of casualty insurance covered by it to repair and/or replace any damage or destruction of property, real or personal, covered by such insurance. Any balance from the proceeds of casualty insurance paid to the Association remaining after satisfactory completion of repair and replacement shall be retained by the Association as part of the general reserve fund for repair and replacement of the Common Area and/or Maintenance Areas.

Section 6. Insufficient Proceeds. If the insurance proceeds received by the Association are insufficient to reimburse, to repair and/or replace any damage or destruction to person or property, the Board may levy a Special Assessment against the Owners to cover the deficiency.

Section 7. Owner's Personal Property. Neither the Association nor Declarant shall be liable in any manner for the safekeeping or condition of any personal property belonging to or used by any Owner or his family, tenants, guests or invitees, located on or used at the Common Areas. Further, neither the Association nor Declarant shall be responsible or liable for any damage or loss to any personal property of any Owner, his family, tenants, guests or invitees

located on or used at the Common Areas. Each Owner shall be solely responsible for all personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase of, at such Owner's sole cost and expense, any liability or other insurance for damage to or loss of such property. Neither the Association nor Declarant shall be responsible or liable for any damage or loss to or of any boat, its tackle, gear, equipment or other property located thereon, or any other personal property of any Owner, his family, tenants, guests or invitees located on or used at the Piers, Common Boatslips, Parking Area or other Common Areas. Each Owner shall be solely responsible for all such boats and other personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase, at such Owner's sole cost and expense, of any liability or other insurance for damage to or loss of such property. Every Boatslip Lot Owner shall submit to the Association a certificate of insurance showing proof of boat liability insurance coverage at the time of initiating the use of the Piers or Common Boatslips.

Section 8. No Obligation to Insure Owners' Property. By virtue of taking title to a Lot or Tract within the Project, each Owner acknowledges that neither the Association nor Declarant has any obligation to provide any insurance for any portion of such Lot or Tract or any Dwelling Unit or other property located thereon.

Section 9. Security. The Association may, in its sole discretion, but shall not be obligated to, provide certain security and fire protection measures, and maintain or support certain other activities within the Project designed to make the Project safer than it might otherwise be. Provided, however, should the Association provide, maintain or support any such measures or activities, then neither the Association, Declarant, nor any successor of Declarant shall in any way be considered insurers or guarantors of security or fire protection within the Project, and neither the Association, Declarant nor any successor of Declarant shall be held liable for any loss or damage by reason or failure to provide or take any security or fire protection measures or for the ineffectiveness of any such measures undertaken. Each Owner and Occupant of any Lot, Tract or Dwelling Unit and each tenant, guest and invitee thereof acknowledges and understands that neither the Association, Declarant nor any successor of Declarant are insurers, and each such Owner, and Occupant of a Lot, Tract or Dwelling Unit and their tenants, guests and invitees hereby assume all risks for loss or damage to persons, property or contents belonging to any such persons.

Section 10. Condemnation. Whenever all or part of the Common Area shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for and on account of such taking shall be paid to the Association. The Association, acting through the Board, shall have the right to negotiate and litigate the issues with respect to the taking and compensation affecting the Common Area, without limitation on the right of the Owners to represent their own interests. Each Owner, by his acceptance of a deed to a Lot, Tract, or other portion of the Property, hereby appoints the Association as his attorney-in-fact to negotiate, litigate or settle on his behalf all claims arising from the condemnation of the Common Area. All compensation and damages paid to the Association on account of such a taking shall be used to restore the Common Area, provided such restoration is possible, with the excess, if any, to be retained by the Association and applied to future operating expenses by the Board, in its sole discretion. Nothing herein is to prevent Owners whose Lots or other property are

specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for consequential damages relating to loss of value of the affected Lots, Tracts or other property, or improvements, fixtures or personal property thereon, exclusive of damages relating to the Common Area. In the event that the condemnation award does not allocate consequential damages to specific Owners, but by its terms includes an award for reduction in value of Common Area, Lots, Tracts or other property without such allocation, the award shall be divided between affected Owners and the Board, as their interests may appear, by the Board in its sole discretion.

ARTICLE X

THE CLUB AND GOLF COURSE

Section 1. Owners' Covenants. With respect to the Club, the Club Property and the Golf Course, the Owners of property in the Project shall be subject to the additional covenants that are set forth in this Article X. Every Owner of a Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, shall automatically become a community member of the Club (hereinafter referred to as a "Community Member") and shall be deemed to covenant and agree to pay in a timely manner (from the acquisition until the subsequent conveyance of such Lot, as the case may be) any and all applicable Club dues, fees, assessments and other charges associated with such Community Membership imposed, assessed or levied by the Club Owner, all in accordance with and subject to the terms of this Declaration and any Club bylaws and/or other governing documentation. Such community membership in the Club (a "Community Membership") shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. The Club. The Club Property is being developed by Declarant (and one or more affiliates of Declarant) as a club and recreational area in conjunction with the development of the Property. Declarant or other parties may from time to time develop club facilities within the Club Property (including, without limitation, the Golf Course, a club village and/or clubhouse, club villas and/or cottages, tennis courts and swimming pools) (the "Club Facilities"). The Club Facilities shall be developed and provided at the discretion of Declarant (and one or more affiliates of Declarant). The Club Owner at any particular time shall have the exclusive right to determine from time to time, in its sole discretion and without notice or approval of any change, how and by whom the Club Facilities shall be used, if at all. By way of example, but not limitation, the Club Owner shall have the right to approve users and determine eligibility for use of the Club Facilities, to reserve use rights for future purchasers of property in the Project, to terminate any or all use rights, to change, eliminate or cease operation of any or all of the Club Facilities, to transfer any or all of the Club Facilities or the operation thereof to anyone (including, without limitation, a member-owned or equity club) and on any terms, to limit the availability of use privileges, and to require the payment of a purchase price, a membership contribution, an initiation fee, dues and other charges for use privileges.

The Club Property is a part of the Property and is hereby made subject to the covenants, conditions, restrictions, easements, charges and liens contained in this Declaration as more

particularly set forth herein. The Club, the members of the Club, their tenants, visitors, guests and invitees shall have certain perpetual non-exclusive easements over the Property as set forth in Article XI hereof; provided, however, such easements, as they relate to the use of the Common Areas by the Club or its members, their visitors, guests and invitees, shall be only as to those portions of the Common Areas necessary for such persons' use. Each Owner acknowledges that the use of the Common Areas by the Club or its Members, their visitors, guests and invitees may increase the number of people using the Common Areas. Any disputes as to what constitutes a normal purpose or what portions of the Common Areas are necessary for such persons' use shall, during the term of this Declaration, be determined by Declarant in its sole and absolute discretion. Declarant reserves the right, in its sole discretion and with no other approval being required, to impose upon the Common Areas such other easements which are required for the use and enjoyment of the Club Property. The location of a Lot, Tract or Dwelling Unit within the Property may result in nuisances or hazards to such Lot, Tract or Dwelling Unit, or to persons on, making use of or in transit to or from such Lot, Tract or Dwelling Unit, or to property on such Lot, Tract or Dwelling Unit, as a result of normal Club operations. Each Owner covenants for itself, its successors in interest and assigns, and its contractors, subcontractors, tenants, guests and invitees that it shall assume all risks associated with such location, including, but not limited to, the risk of property damage or personal injury arising from stray golf balls or actions incidental to such Club activities, and shall indemnify and hold harmless the Association, Declarant, the Club Owner, the Club, the Golf Course Architect, any other entity owning or managing the Golf Course or the Club, and any of their officers, directors, agents or employees, from any and all liabilities, claims or expenses, including attorneys' fees and expenses, arising from such property damage or personal injury. Nothing in this Section 2 shall restrict or limit any power of Declarant, the Club Owner or any entity owning or managing the Golf Course to change the design of the Golf Course, and such changes, if any, shall not nullify, restrict or impair the covenants contained herein.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NEITHER THE CLUB NOR ANY OF THE CLUB FACILITIES WILL BE COMMON AREA UNDER THIS DECLARATION, AND, EXCEPT AS EXPRESSLY PROVIDED HEREIN, THE OWNERSHIP OF A LOT OR TRACT AND/OR MEMBERSHIP IN THE ASSOCIATION DOES NOT CONFER ANY OWNERSHIP INTEREST IN OR ANY EASEMENT OR RIGHT TO USE THE CLUB, THE CLUB PROPERTY OR ANY CLUB FACILITIES OR AMENITIES, AND, EXCEPT AS EXPRESSLY PROVIDED HEREIN, NO SUCH INTEREST, RIGHT, EASEMENT OR RIGHT OF USE IS CREATED UNDER THIS DECLARATION BY IMPLICATION OR OTHERWISE. THE CLUB MAY HAVE MEMBERS WHO ARE NOT OWNERS OR MEMBERS OF THE ASSOCIATION.

Section 3. Golf Course. While Owners shall have the right of quiet enjoyment to their portion of the Property, there shall be no activity on any Lot or other portion of the Property which is contiguous to the Golf Course or within a distance of fifty feet (50') from any boundary of the Golf Course that unreasonably disturbs play, or the enjoyment of the Golf Course, by members and guests thereof, including, without limitation, undue noise, unsightly trash and debris, or any other noxious or offensive activity. Typical noises and activities associated with

normal construction activities on Lots or other portions of the Property shall, however, be permitted except during the Golf Tournament, as herein defined.

Section 4. Golf Tournament. In addition to the restrictions set forth in Section 3 above which shall apply at all times, during any tournament on the Golf Course sponsored or sanctioned by the Club Owner ("Golf Tournament"), there shall be no unusual construction or any activity on any portion of the Property, whether or not contiguous to the Golf Course, that, in the reasonable judgment of the Club Owner, disturbs play in, or conduct of, the Golf Tournament, including the enjoyment thereof by spectators. Provided they comply with applicable governmental laws, rules and regulations, the Club Owner and its designees shall be entitled to restrict the public rights-of-way and access to other public areas contiguous to or near the Golf Course during the period of any Golf Tournament, provided, however, Owners, their tenants, guests and invitees, shall at all times have at least one means of ingress and egress from their property in the Project to a public right-of-way. All Owners acknowledge that during the Golf Tournament, parking facilities for spectators and guests may be located off the premises of the Golf Course, including within the Property, and traffic congestion and other inconveniences may occur.

Section 5. Construction Limits. With respect to portions of the Property which are contiguous to the Golf Course:

(a) Reasonable efforts shall be made to screen locations of construction material storage areas, chemical toilets, dumpsters and other unsightly items from the line of sight of the Golf Course;

(b) All construction areas shall be kept in good order; all debris shall be placed in dumpsters which shall be emptied as necessary during construction in order to prevent spillage of debris on the ground, or handled as otherwise directed by the Architectural Control Committee; and

(c) Except for drainage required by governmental authorities, no permanent open trenches will be located adjacent to the Golf Course. Any trenches required by governmental authorities shall be designed so as to minimize any adverse aesthetic impact on the Golf Course and the Property.

Section 6. Daily Construction Operations. During any Golf Tournament no exterior work will be allowed on any portion of the Property if such work, in the reasonable judgment of the Club Owner, would disturb play in, or conduct of, the Golf Tournament, including the enjoyment thereof by spectators. For purposes of illustration only, such prohibited construction work during any Golf Tournament shall include pile driving, hammering, jack-hammering, sawing (by means of a power or chain saw), and similar noisy activities.

Section 7. Excavation. Any trenches located within a distance of ten feet (10') from any boundary of the Golf Course must be closed overnight unless effectively barricaded, lighted and marked to indicate a hazardous condition.

Section 8. Construction Vehicles and Parking. Construction parking will be restricted to the Roadway side of any property contiguous to the Golf Course (i.e., away from the common boundary with the Golf Course).

Section 9. Construction Access Across or Over Golf Course. In order to prevent damage to the Golf Course, at no time will access be allowed across or over the Golf Course for storage or transportation of labor or materials or location of construction equipment other than in connection with construction easements approved in advance in writing by the Club Owner.

Section 10. Noise. No radios, tape or record players, musical instruments, telephones, horns or bells shall be operated in an unreasonably loud manner on any portion of the Property which, in the reasonable judgment of the Club Owner, would disturb play on or the use of the Golf Course.

Section 11. Signage. No signs will be allowed on the Golf Course side of any Lot, Tract or Common Area contiguous to the Golf Course other than emergency or warning signs established by Declarant, the Club Owner or the Board.

Section 12. Additional Construction Restrictions on Portions of the Property Adjacent to the Golf Course. The following additional restrictions shall also apply to construction activity on portions of the Property contiguous to the Golf Course:

(a) The contractor shall schedule and perform his work in a good and workmanlike manner and use reasonable efforts to minimize any detrimental impact on play in, or the conduct of, any golfing activity or Golf Tournament, including the enjoyment thereof by spectators;

(b) No work will be allowed that will restrict access to the Golf Course (except in the event of an emergency) unless such work is coordinated with, and approved by, the Club Owner, which approval shall not be unreasonably withheld; and

(c) The contractor shall exercise reasonable care to restore any area affected by his construction activities to its original condition.

Section 13. Pets. Any pet shall be kept on a leash whenever such pet is not on its owner's property and shall be kept off the Club Property and the Golf Course at all times.

Section 14. Enforceability; Limitations on Amendments. The rights and obligations to implement the enforcement of the provisions of this Article X and of those portions of the other covenants, conditions and restrictions herein contained that are directed to the protection of and enjoyment of the Club Property, the Golf Course and the orderly conduct of the Golf Tournament shall be and are hereby delegated to and become the sole responsibility of the Club Owner, its successors and assigns; provided, however, the Board and the Declarant, acting either jointly or severally, shall also have the right, but not the obligation, to enforce any of the provisions of this Article X. In addition, in recognition of the fact that the provisions of this Article X are for the benefit of the Club Property, no amendment to this Article X, and no

amendment in derogation of any other provisions of this Declaration benefitting the Club Property, may be made without the written approval of the Club Owner, its successors and assigns. The foregoing sentence shall not apply, however, to amendments made by Declarant.

ARTICLE XI

EASEMENTS AND OTHER RIGHTS

Declarant, in addition to any other easements granted or reserved herein, hereby reserves unto itself, its successors and assigns, and grants to the Association and any other persons or entities hereinafter set forth, the following non-exclusive easements on, upon, over, across, through and under the Property. In addition, Declarant hereby reserves unto itself, its successors and assigns, the right, on behalf of itself and the Association, to grant additional easements on, upon, over, across, through and under the Common Areas and any portion of the Property owned by Declarant as deemed to be in the best interests of and proper for the Project, including, but not limited to, easements in favor of Declarant, the Association, the Club, the Club Owner, any designees of the foregoing, the Owners, and all their family members, guests, invitees and tenants and to various governmental and quasi-governmental authorities and agencies and private concerns for the purposes and uses hereinafter specified.

Section 1. Easements and Cross-Easements on Common Areas. Declarant, for itself, its designees and the Association, reserves the right to impose upon the Common Areas henceforth and from time to time such easements and cross-easements for ingress and egress, installation, maintenance, construction and repair of utilities and facilities including, but not limited to, electric power, telephone, cable television, master antenna transmission, surveillance services, governmental and quasi-governmental purposes, sewer, water, gas, drainage, irrigation, lake maintenance, storm water management, lighting, television transmission, garbage and waste removal, emergency services, and the like as it deems to be in the best interests of, and necessary and proper for, the Project or any portion thereof.

Section 2. Use of Common Areas. Subject to any limitation or restriction set forth in this Declaration, Declarant declares that the Common Areas are subject to a perpetual nonexclusive easement in favor of Declarant, the Association and their designees, the Owners and all their family members, guests, invitees and tenants, and appropriate governmental and quasi-governmental agencies to use the Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and utilities and for such use of the facilities as the same are reasonably intended in accordance with the terms of this Declaration and any Additional Declaration. If ingress or egress to any Lot or other portion of the Property is through any Common Area, any conveyance or encumbrance of such area is subject to this easement.

Section 3. Right-of-Way Over Roadways. Declarant hereby reserves, for the benefit of itself, its agents, employees, lessees, invitees, designees, successors and assigns, and grants to the Association, its agents, employees, tenants, invitees, designees, successors and assigns, and to each Owner of a Lot or Tract, their family members, tenants, guests, invitees, successors and

assigns, and to each Occupant of a Lot or Tract, and to all governmental and quasi-governmental agencies and service entities having jurisdiction over the Property while engaged in their respective functions, a perpetual non-exclusive easement, license, right and privilege of passage and use, both pedestrian and vehicular, over and across the Roadways for the purpose of providing access, ingress and egress to and from, through and between the Property.

Section 4. Right of the Association and Declarant to Enter Upon the Common Areas and Maintenance Areas. Declarant hereby reserves for the benefit of itself, its successors in interest and assigns, and grants to the Association and all agents, employees or other designees of Declarant or the Association an easement for ingress, egress and access to enter upon or over the Common Areas and Maintenance Areas for the purposes of inspecting any construction, proposed construction, or Improvements or fulfilling the rights, duties and responsibilities of ownership, administration, maintenance and repair of Declarant or the Association, as appropriate. Such easement includes an easement in favor of the Association and Declarant to enter upon the Common Areas and Maintenance Areas now or hereafter created to use, repair, maintain and replace the same for the purposes for which they are initially designated or for such purposes as they are hereafter redesignated or as Declarant otherwise determines them to be reasonably suited. Notwithstanding the foregoing, nothing contained herein shall be interpreted as imposing any obligation upon the Association or Declarant to maintain, repair, or construct Improvements which an Owner is required to maintain, construct or repair.

Section 5. Easement for Encroachments. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, the Owners, their successors and assigns, and to the Occupants of Lots or Tracts, easements for encroachments, to the extent necessary, in the event any portion of the Improvements located on any portion of the Property now or hereafter encroaches upon any of the remaining portions of the Property as a result of minor inaccuracies in survey, construction or reconstruction, or due to settlement or movement. Any easement(s) for encroachment shall include an easement(s) for the maintenance and use of the encroaching Improvements in favor of Declarant, the Association, the Owners and all their designees.

Section 6. Easement Regarding Golf, Tennis, or Other Recreational Use. Declarant, the Club's members, and visitors to the Club shall have a perpetual, non-exclusive easement in their favor to use the Roadways and entranceways and other Common Areas as necessary during any use of the Club golf, tennis or other facilities or as a spectator, worker or purveyor at or for any tournament or activity in connection therewith for the purposes of ingress, egress and access to such facilities. In addition, Declarant hereby dedicates and reserves for the benefit of the Club, its members, visitors, agents and employees, nonexclusive perpetual easements over, across and under certain portions of the Property, indicated and shown on the Plats as being reserved as easements for the benefit of the Club or the Golf Course (for example, labeled as "Golf Course Easement" or "Easement for Golf Cart Tunnel"), for the following purposes, including the installation, maintenance, repair and removal thereof:

- (i) rights-of-way for pedestrian access, ingress and egress to and from the Golf Course; and

- (ii) rights-of-way for golf cart, golfing individuals and maintenance vehicle access, ingress and egress to and from the Golf Course.

Any disputes as to the extent of any of the above-described easements during the term of this Declaration shall be determined by Declarant in its sole and absolute discretion. Declarant reserves the right to impose upon the Property such other easements as are required for the enjoyment of the Club, golf, tennis or other facilities.

Section 7. Easements for Errant Golf Balls; Limitation of Liability. Every Lot, Tract, Common Area and all other portions of the Property are hereby burdened with an easement in favor of any golfer for the purpose of retrieving errant golf balls. The Association shall not be responsible or liable in any way for any disputes between an Owner and any person using the Golf Course. All Owners, by acceptance of delivery of a deed to the respective Lot, Tract or other portion of the Property, for themselves, their contractors, subcontractors, tenants, guests and invitees, successors in interest and assigns, assume all risks associated with errant golf balls, and all Owners agree and covenant for themselves, their contractors, subcontractors, tenants, guests and invitees, successors in interest and assigns, not to make any claim or institute any action whatsoever against Declarant, the Association, the Club, the Club Owner, the architect of the Golf Course, or any officers, directors, employees, agents or affiliates of any of them, or their respective assigns, arising or resulting from any errant golf balls or any damages that may be caused thereby.

Section 8. Maintenance Areas.

Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, its successors and assigns, the following nonexclusive perpetual easements over certain areas of the Property as hereinafter described for the purposes hereinafter described:

(i) Easements for the purposes of landscaping and maintaining entryways and erecting and maintaining entrance monument(s) for the Project, over, across and under those portions of the Property shown and designated as "Entry Easement" on the Plats (herein referred to as the "Entrance Monument Easements"). Declarant and/or the Association shall have the right to landscape and maintain the areas of the Property so designated as entryways to the Project, to erect and maintain entrance monument(s) thereon bearing the name of the Project, and to erect and maintain lighting for such monument(s), plantings, landscaping, irrigation systems and other improvements typically used for entryways.

(ii) Easements for the installation, maintenance, repair and removal of landscaping and landscaping amenities, including signage, lighting, monuments and irrigation systems, over, across and under those portions of the Property shown and designated as "Landscape Easements" on the Plats (herein referred to as "Landscape Easements").

(iii) Easements for the installation, maintenance, repair and removal of sidewalks, over, across and under those portions of the Property shown and designated as "Sidewalk Easements" on the Plat (herein referred to as the "Sidewalk Easements").

All of the above-described areas and items shall herein be referred to as the "Maintenance Areas." The Association shall maintain the Maintenance Areas to a consistent standard of maintenance typical of a first-class development.

Section 9. Easements for Common Driveways. Certain groups of Lots in the Project may be served by Common Driveways, as herein defined, which will run over and across certain areas of the Property, as hereinafter described. The Lots which are part of a group which will be served by a Common Driveway and are therefore subject to the provisions of this Section 9 will be specified in the Additional Declarations for the Phases in which such Lots are located. Provided, however, the Owners of certain Lots shall have the right, but not the obligation, to have such Lots be served by a Common Driveway and therefore included within the designated group of Lots using such Common Driveway, which Lots will also be specified in the Additional Declarations for the Phases in which such Lots are located and which Lots shall herein be referred to as "Optional Lots." All Lots served by one Common Driveway, including those Optional Lots whose Owners have chosen to be served by such Common Driveway, shall herein be referred to as a "Group."

Declarant hereby reserves, for the benefit of itself, its agents, employees, designees, successors and assigns, and grants to the Association, its agents, employees, designees, successors and assigns, and to each Owner of a Lot in a particular Group, their successors and assigns, a perpetual non-exclusive easement over, across and under the area of the Property shown and designated as "Common Driveway and Utility Easement" (herein referred to as such) on the Plat of such Group and running to such particular Group. The above-described easement is hereby reserved and granted for the purposes of (a) paving, maintaining and repairing a Common Driveway to be erected on such easement area (the "Common Driveway"), and (b) laying, maintaining, repairing and replacing utility lines over, under and across such easement area, which non-exclusive easement shall include the right to go upon such easement area and any portion of the Property in the area of or adjacent to such easement area necessary to perform such work; provided, however, and notwithstanding the foregoing, no utility lines or equipment shall be placed or maintained within the Common Driveway area without the express prior written approval of the Architectural Control Committee, and absent such approval, utility lines servicing the Common Drive Lots shall access those Lots exclusively from publicly dedicated rights-of-way. In addition, Declarant hereby grants to each Owner of a Lot in a Group, their successors and assigns, a perpetual, non-exclusive easement over and across any areas of the Property necessary for such Owner to tie his Lot into the Common Driveway and Utility Easement serving his Lot (the "Tie-In Easement"), which Tie-In Easement may also be used for the above-described purposes.

Declarant hereby reserves, for the benefit of itself, its agents, employees, designees, successors and assigns, and grants to the Association, its agents, employees, designees, successors and assigns, and to each Owner of a Lot in a particular Group, their family members,

guests, invitees, successors and assigns, and to each Occupant of a Lot in a particular Group, a perpetual, non-exclusive easement, license, right and privilege of passage and use, both pedestrian and vehicular, over and across the above-described Common Driveway and Utility Easement serving such Group, and over and across any Tie-In Easement necessary, for the purpose of providing access, ingress and egress to and from the Lots in such Group.

Any Owner or Occupant of a Lot within a Group may and must use only the Common Driveway and Utility Easement serving such Group as its means of access to a public Roadway. Within the Common Driveway and Utility Easements and the Tie-In Easements, no structure, planting or other material shall be placed or permitted to remain which could interfere with the use of the Common Driveway and Utility Easements and the Tie-In Easements for the above-stated purposes.

The Owner of each Lot within a Group shall pay for its attributable share of the construction of that Group's Common Driveway in accordance with the provisions of the Architectural and Landscape Guidelines.

Each Owner of a Common Drive Lot shall pay annually to the Association, within ten (10) days of the Board sending notice thereof to Owner, an amount (the "Common Drive Reserve Assessment") to be held in escrow and used by the Board to pay for maintenance and repair of the Common Driveway. The Common Drive Reserve Assessment shall be set annually by the Board in its discretion. If at any time the amount in reserve is insufficient for the Board's then contemplated or actual expenses for repair or maintenance of the Common Drive, the Board may make a Special Assessment as to the Owners of Common Drive Lots pursuant to the provisions of this Declaration to pay for such repair or maintenance and replenish the reserve.

The Owner of each Lot in a Group shall have the right to lay, maintain, repair and replace within the Common Driveway and Utility Easement, and within any Tie-In Easement as necessary, utility lines servicing its Lot, provided, that any such work shall be carried out in such a way so as not to interfere with the other Owners' reasonable use of the Common Driveway, and provided further that any Owner performing such work and causing disturbance to the pavement, concrete, landscaping or other features of the Common Driveway and Utility Easement, or to other property in the Project, shall repair the same to its condition prior to such work.

Section 10. Utility and Drainage Easements. The Property shall be subject to all easements and rights-of-way for utilities and drainage shown on the Plats, including, but not limited to, those certain easements shown and designated on the Plats as:

- (a) "Utility Easement";
- (b) "Public Storm Drainage Easement";
- (c) "Sanitary Sewer Easement"; and
- (d) "Sanitary Sewer Right-of-Way."

Such easements are hereby reserved for the use of Declarant, its successors and assigns, and are hereby established for the use of the Association, its successors and assigns.

Additionally, Declarant hereby reserves, for the benefit of itself, its successors and assigns, and grants to the Association, its successors and assigns, a non-exclusive easement and right-of-way over, under and along (a) a 10-foot strip of land adjacent to the front, side and rear boundary lines of all Lots within the Property and (b) all Landscape Easements, for the installation and maintenance of lines, conduits, pipes and other equipment necessary for furnishing electric power, gas, telephone service, cable service, water, irrigation, septic system, sanitary sewer and drainage facilities, storm drainage and/or other utilities. Within the above-described easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation of utilities or which may change the direction or flow of drainage channels in the easements. This reservation of easements shall not prohibit the construction of driveways, at locations approved by the Architectural Control Committee, over such easements.

Section 11. Irrigation Easements. Declarant hereby reserves, for the benefit of itself, its successors and assigns, and grants to the Association and the Club Owner, their successors and assigns, non-exclusive perpetual easements over, across and under those portions of the Property shown and designated as "Irrigation Easement" on the Plats for the installation, maintenance, repair and removal of irrigation systems to service the landscaping to be installed and maintained in the Landscape Easement areas and on the Golf Course (herein referred to as the "Irrigation Easements"). Within the Irrigation Easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation, repair and maintenance of irrigation systems. This reservation of easements shall not prohibit the construction of driveways, at locations approved by the Architectural Control Committee, over such easements.

Section 12. Declarant's Right to Assign Easements; Maintenance of Easement Areas. Declarant shall have the right to assign and convey, in whole or in part, the easements reserved by it hereunder. The areas burdened by the easements and rights-of-way reserved by Declarant on each Lot or other portion of the Property pursuant hereto, including any Improvements in such areas, which are not to be maintained by the Association or a public authority or utility, shall be maintained continuously by each Owner of such Lot or other portion of the Property, but no structures, plantings or other material shall be placed or permitted to remain upon such areas or other activities undertaken thereon which may damage or interfere with the installation or maintenance of utilities or other services, or which may retard, obstruct or reverse the flow of water or which may damage or interfere with established slope ratios or create erosion problems. Notwithstanding the above, the Association and/or Declarant shall have the right, but not the obligation, to maintain the landscaping in the easement areas on any Lot or Tract.

Section 13. Easement Reserved for the Association and Declarant. Full rights of access, ingress and egress are hereby reserved by Declarant for itself and the Association at all times over and upon any Lot or other portion of the Property for the exercise of the easement rights described in this Article XI and for the carrying out by Declarant or the Association of the

rights, functions, duties and obligations of each hereunder; provided, that any such entry by Declarant or the Association upon any Lot or portion of the Property shall be made with the minimum inconvenience to the Owner of such property as is reasonably practical, and any damage caused as a result of the gross negligence of Declarant, the Association or their employees or agents shall be repaired by Declarant or the Association, as the case may be, at the expense of Declarant or the Association, as the case may be.

Section 14. Additional Easements. Declarant shall have the right to grant over, under, across and upon any portion of the Property owned by Declarant, and the Board shall have the authority, in its sole discretion, to grant over, under, across and upon the Common Areas, such easements, rights-of-way, licenses and other rights in accordance with or to supplement the provisions of this Declaration or as may otherwise be desirable for the development of the Project, by the execution, without further authorization, of such grants of easement or other instruments as may from time to time be necessary or desirable. Such easements may be for the use and benefit of persons who are not Association Members or Owners. After such time as the members of the Board are no longer appointed by Declarant, the Board shall cooperate with Declarant and execute such grants of easements over the Common Areas as may be desirable to Declarant for the development of the Project and the preservation and enhancement of Declarant's interest therein.

Section 15. No Merger of Easements. The easements hereby established shall not be terminated by merger or otherwise, except upon execution and recordation of an instrument specifically terminating any such easement.

ARTICLE XII

RIGHT OF FIRST REFUSAL

Section 1. Applicability. Except for sales and conveyances by Declarant, no unimproved Lot may be sold by any Owner except in compliance with the provisions of this Article XII. Notwithstanding the above, nothing in this Article XII shall be construed to make the provisions of this Article XII applicable with respect to the Club Property or any portion thereof.

Section 2. Right of First Refusal. Before any unimproved Lot (or any ownership interest therein) may be sold to any Person other than Declarant or its successors, the Owner or Owners of such Lot shall first offer in writing to sell the Lot to Declarant or its successors at a price equal to: (1) the contract purchase price paid by such Owner for such Lot (excluding all finance charges related to the purchase) increased by the percentage increase, from the closing date of such Owner's purchase of such Lot to the date of such written offer to sell the Lot to Declarant or its successors, in the CPI, less (2) the cost of removing all liens and encumbrances on the Lot and customary seller's closing costs (including, without limitation, the cost of preparing the deed and any documentary or transfer tax stamps to be affixed to said deed). In the event the aforesaid Lot is a Boatslip Lot, the Rental (if any) paid by such Lot Owner pursuant to and as described in the applicable Boatslip Lease shall be added to the contract purchase price

referenced in (1) above. If the CPI is discontinued, then there shall be used the index most similar to the CPI which is published by the United States Government indicating changes in the cost of living. For the purposes of this Article, a Lot shall be considered as unimproved unless and until any proposed Improvements to such Lot have been approved by the Architectural Control Committee and the good faith commencement of the construction of such Improvements (i.e., at a minimum, completion of footings and foundation of the approved residence and bona fide evidence of total expenditures for Improvements to the Lot of at least \$50,000.00) shall have occurred. Upon receipt by an Owner of a bona fide offer to purchase an unimproved Lot, such Owner shall send to Declarant a copy of such bona fide offer along with written notification that such Owner is offering the Lot for sale to Declarant pursuant to this right of first refusal. If Declarant or its successor does not accept or reject in writing said offer of sale within thirty (30) days from the date of receipt of the same, then the Owner or Owners of such Lot shall have the right to sell the Lot to the third party making such bona fide offer pursuant to such bona fide offer, without any further additional obligation to offer the Lot to Declarant. Declarant shall have this right of first refusal with regard to each bona fide offer which an Owner receives for the purchase of an unimproved Lot. Any Owner who buys an unimproved Lot from another Owner shall be governed by the provisions of this Article and the waiver of the right of first refusal with respect to any sale shall not limit Declarant's rights of first refusal with respect to any subsequent sale of any unimproved Lot. Provided, however, the right of first refusal reserved by Declarant pursuant to this Section 2 shall be valid and enforceable with respect to any unimproved Lot only for a period of fifteen (15) years from the date of the first conveyance of such Lot from Declarant to an Owner other than Declarant, and upon the expiration of said fifteen (15) year period, the Owner or Owners of such Lot shall have the right to sell the unimproved Lot to any third party without the obligation to offer the Lot to Declarant. Further provided that this Section 2 shall not be applicable with respect to any foreclosure sale of a first lien deed of trust or first lien mortgage on an unimproved Lot or deed in lieu thereof which is made and delivered in good faith. In each instance where an offer to purchase an unimproved Lot is presented to Declarant by an Owner pursuant to the right of first refusal granted herein, Declarant shall determine in its sole discretion and on a case by case basis whether to exercise its right of first refusal, and such determination may be made on such basis and for such reason as Declarant in its sole discretion shall choose. Should an Owner fail to comply with the provisions of this Section 2 and sell an unimproved Lot without first offering said Lot to Declarant in accordance with the terms hereof, then the purchaser of such unimproved Lot shall purchase such Lot subject to the right of first refusal herein granted, and Declarant shall thereafter at any time have the right to purchase such Lot, whether or not it is subsequently improved, from the purchaser thereof at the price as set forth in this Section 2, and shall also be entitled to any other rights and remedies available at law or in equity for the violation of this Section 2.

Section 3. Death of an Owner; Gift. The personal representative, heirs, successors and assigns of any Owner who dies while owning any unimproved Lot, or the donee of a gift of a Lot from an Owner, shall become an Owner subject to the terms and conditions of this Declaration and any subsequent sale, transfer and conveyance of such Lot shall be governed by the provisions of this Article.

Section 4. Transfers to Declarant. In the event that Declarant exercises its right of first refusal pursuant to Section 2 above, the closing of the conveyance of such Lot shall occur

within sixty (60) days after receipt by the Owner of written notice from Declarant or its successors that it elects to exercise its right of first refusal with respect to such Lot. At the closing, Declarant shall make payment to such Owner of the purchase price as described in Section 2 above, in cash or cash equivalent. The Owner shall deliver to Declarant a special warranty deed conveying fee simple marketable title to the Lot free and clear of all exceptions except those that existed at the time of the acquisition of the Lot by such Owner, the lien of ad valorem taxes for the current year and any other exceptions which may be approved by Declarant. In the event the closing occurs after the death of an Owner, Declarant may, in its discretion, require the personal representative of the Owner to post such bonds or other assurances as Declarant may deem reasonable in order to protect Declarant from any loss which might be caused by the failure to pay any federal or state inheritance tax or the failure to pay the claims of any creditors who may have a lien on the Lot superior to Declarant's rights as a purchaser of said Lot.

Section 5. No Further Documentation Required. The right of first refusal reserved by Declarant in this Article shall run with the title to each Lot in the Project and be binding upon each purchaser of a Lot from Declarant and upon any subsequent Owner of a Lot, whether such Owner purchased such Lot from Declarant or from a third party. The provisions of this Article shall constitute record notice to all purchasers of Lots in the Project of the right of first refusal herein reserved, and no additional language in any deed of conveyance of a Lot and no recording of any additional instrument shall be required to make all Owners of Lots in the Project subject to the provisions of this Article.

ARTICLE XIII

GENERAL PROVISIONS

Section 1. Duty of Maintenance. Except for those portions, if any, of a Lot or Tract which the Association may elect to maintain or repair hereunder, the Owner of any Lot or Tract shall have the duty and responsibility, at such Owner's sole cost and expense, to keep the Lot(s) or Tract(s) owned by such Owner, including Improvements thereon and ground and drainage easements or other rights-of-way incident thereto, in compliance with the covenants, conditions, restrictions and development standards contained in this Declaration (to the extent applicable), and in any applicable Additional Declaration, in accordance with the provisions of the Architectural and Landscape Guidelines, and in a well-maintained, safe, clean and attractive condition at all times. Such maintenance, as to unimproved and improved Lots or Tracts, shall include, but shall not be limited to, the following:

- (1) Prompt removal of all litter, trash, refuse and waste;
- (2) Keeping land, including any lawns and shrub beds, well maintained and free of trash, uncut grass and weeds;
- (3) Keeping all sediment resulting from land disturbance or construction confined to the respective Owner's property; and

- (4) Complying with all governmental health and police requirements.

In addition, such maintenance, as to improved Lots or Tracts, shall include, but shall not be limited to, the following:

- (1) Lawn mowing on a regular basis;
- (2) Tree and shrub pruning;
- (3) Watering by means of a lawn sprinkler system and/or hand watering as needed;
- (4) Keeping exterior lighting and mechanical facilities in working order;
- (5) Keeping lawn and garden areas alive;
- (6) Removing and replacing any dead plant material;
- (7) Maintenance of natural areas and landscaping in accordance with the Architectural and Landscape Guidelines;
- (8) Keeping parking areas and driveways in good repair;
- (9) Repainting of Improvements; and
- (10) Repair of damage and deterioration to Improvements, it being understood and agreed that if any Improvements are damaged or destroyed by fire or other casualty, then within six (6) months following the date such damage or destruction occurs, the Owner of the Lot or Tract on which such Improvements are situated, must repair and restore such damaged Improvements (in accordance with plans and specifications approved by the Architectural Control Committee and otherwise in accordance with the terms and provisions of this Declaration and of each Additional Declaration applicable thereto) or remove such damaged Improvements and restore the Lot or Tract to its condition existing prior to the construction of such Improvements.

Notwithstanding anything contained herein to the contrary, the above-described maintenance responsibilities as to any Lot or Tract shall commence only upon a Plat showing such Lot or Tract being recorded in the Office of the Register of Deeds of Iredell County and upon the conveyance of such Lot or Tract by Declarant. If an Owner of any Lot or Tract has failed in any of the duties or responsibilities of such Owner as set forth herein, then the Board and Declarant, either jointly or severally, may give such Owner written notice of such failure and such Owner must within ten (10) days after receiving such notice (which notice shall be deemed to have been received upon deposit in an official depository of the United States mail, addressed

to the party to whom it is intended to be delivered, and sent by certified mail, return receipt requested), perform the care and maintenance required or otherwise perform the duties and responsibilities of such Owner as described in herein. Provided, however, this cure period shall be extended for a time not to exceed sixty (60) days so long as Owner shall have commenced to cure such nonconformity and shall diligently prosecute the same. Should any such Owner fail to fulfill this duty and responsibility within such period, then the Association, acting through its authorized agent or agents, or Declarant (so long as it owns any portion of the Property), acting through its authorized agent or agents, either jointly or severally, shall have the right and power to enter onto the premises of such Owner and perform such care and maintenance without any liability for damages for wrongful entry, trespass or otherwise to any Person. The Owner of the Lot or Tract on which such work is performed shall be liable for the cost of such work, together with interest on the amounts expended by the Association or Declarant in performing such work computed at the highest lawful rate as shall be permitted by law from the date(s) such amounts are expended until repayment to the Association or Declarant, as the case may be, and for all costs and expenses incurred in seeking the compliance of such Owner with his duties and responsibilities hereunder, and such Owner shall reimburse the Association or Declarant, as the case may be, on demand for such costs and expenses (including interest as above provided). If such Owner shall fail to reimburse the Association or Declarant, as the case may be, within thirty (30) days after the mailing to such Owner of a statement for such costs and expenses, then, without limitation of any other rights of the Association or Declarant, the Association may impose a Special Individual Assessment against such Owner.

Section 2. Duration. This Declaration and the controls, covenants, restrictions and standards set forth herein shall run with and bind the Property and any Owner, and shall inure to the benefit of every Owner of a Lot in the Property and every Owner of any other portion of the Property, including Declarant, and their respective heirs, successors, and assigns, for a term of thirty (30) years beginning on the date this Declaration is recorded in the Office of the Register of Deeds of Iredell County, North Carolina. At the end of such thirty (30) year period, the easements, covenants, conditions and restrictions set forth herein shall automatically be extended for successive period(s) of ten (10) additional years, unless prior to the expiration of a respective period, by two-thirds (2/3) vote of the Association Members, there shall be adopted a resolution to terminate these covenants and restrictions. Owners may vote in person or by proxy at a meeting duly called for such purpose at which a quorum is present, written notice of which shall have been given to all Owners at least thirty (30) days in advance of the date of such meeting, which notice shall set forth the purpose of such meeting. The foregoing shall not limit the right of Declarant to amend and/or supersede, in whole or in part, the terms and provisions hereof, as such right in favor of Declarant is described in Section 3 below.

Section 3. Amendment. Except as otherwise expressly provided herein and subject to the limitations hereinafter contained, this Declaration may be amended or modified at any time by a vote of no less than fifty-one percent (51%) of all votes entitled to be cast by the Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with the Bylaws. Provided, however, if fifty-one percent (51%) of all votes entitled to be cast by the Association Members cannot be obtained at such a meeting, then this Declaration may be amended by obtaining the vote of fifty-one percent (51%) of all votes present at a duly held meeting of the Association Members at which a quorum

is present and by, within ninety (90) days of such vote, obtaining written consent to such amendment by Association Members holding a sufficient number of votes to comprise, along with such voting Association Members, a total of fifty-one percent (51%) of all votes entitled to be cast by Association Members. Further provided, that any amendment or modification to this Declaration must be consented to by Declarant so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. Any amendment or modification upon which the vote of Association Members is required pursuant to this Section 3 shall become effective when an instrument executed by the Association Members voting for such amendment or modification is filed of record in the Office of the Register of Deeds of Iredell County, North Carolina; provided, however, such an amendment or modification, in lieu of being executed by the Association Members voting for such amendment or modification, may contain a certification of the Secretary of the Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Association Members, as provided in this Section 3. In addition, Declarant, without obtaining the approval of any Association Member or any Owner or Owners other than Declarant, may make amendments or modifications hereto which are correctional in nature only and do not involve a change which materially adversely affects the rights, duties or obligations specified herein. In addition to the foregoing rights, Declarant may, at Declarant's option, amend and modify this Declaration and any Additional Declaration without obtaining the consent or approval of any other person or entity if such amendment or modification is necessary to cause this Declaration or any such Additional Declaration to comply with the requirements of FHA, VA, the Federal National Mortgage Association or other governmental agency.

Section 4. Enforcement; Litigation. The Association, Declarant or any Owner shall have the right, but not the obligation, on its own behalf or on behalf of others, to enforce the provisions of this Declaration or any Additional Declaration. Enforcement of the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens for which provision is made in this Declaration shall be by a proceeding at law or in equity (or otherwise, as provided in this Declaration) against any person or persons violating or attempting to violate any such control, covenant, condition, restriction, easement, development guideline, charge or lien, either to restrain such violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Association, Declarant or any Owner to enforce any such control, covenant, condition, restriction, easement, development guideline, charge or lien shall in no event be deemed a waiver of the right to do so thereafter or of any other or future violation of any thereof. Except as otherwise expressly provided in this Declaration, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of no less than two-thirds ($\frac{2}{3}$) of all votes entitled to be cast by the Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with the Bylaws. The immediately preceding sentence shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration, (b) the imposition and collection of assessments, charges or other fees hereunder, (c) proceedings involving challenges to ad valorem taxation, (d) counter-claims brought by the Association in proceedings instituted against it or (e) actions brought by the Association against any contractor, vendor, or supplier of goods or services to the Project. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

Section 5. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses or phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that the remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 6. Notice. Except as otherwise set forth herein expressly, whenever written notice to an Owner or Association Member (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner or Association Member appearing on the records of Declarant or the Association. If notice is given in such manner, such notice shall be conclusively deemed to have been given by placing same in the United States mail properly addressed, with postage prepaid, whether received by the addressee or not. Declarant's address as of the date of recording of this Declaration is P.O. Box 1003, Charlotte, North Carolina 28201-1003.

Section 7. Titles. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

Section 8. No Exemption. No Owner or other party may exempt himself from the coverage hereof or obligations imposed hereby by non-use of such Owner's Lot(s) or other property located within the Project or the Common Area.

Section 9. Changes to Plans for the Project. Nothing contained herein shall be deemed to incorporate, by reference or otherwise, any plans or proposals promulgated by Declarant with respect to the development of the Project, and Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration, reserves the right to change any plans for the Project at any time and from time to time as Declarant may determine to be necessary based upon Declarant's continuing research and design program and/or market conditions, and any plans for the Project shall not bind Declarant or its successors and assigns to adhere to such plans in the development of the Property or any part thereof. In addition, Declarant reserves the right to change, from time to time, the uses and densities that exist on any portion(s) of the Property owned by Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration.

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

THE POINT ON NORMAN, LLC [SEAL]

By: CLT DEVELOPMENT CORP.,
Authorized Member

By: Arthur W. Fields
Name: ARTHUR W. FIELDS
Title: VICE President

CLT DEVELOPMENT CORP.
[CORPORATE SEAL]
ATTEST
Henry C. Lomax Jr.
Secretary

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, KAY H. ARNETTE, a Notary Public for said County and State, do hereby certify that HENRY C. LOMAX JR. personally appeared before me this day and acknowledged that he is Secretary of CLT Development Corp., a North Carolina corporation, authorized member of The Point on Norman, LLC, a North Carolina limited liability company, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by him/her as its Secretary, on behalf of said limited liability company.

Witness my hand and official stamp or seal this 31st day of AUGUST, 1998.

Kay H. Arnette
NOTARY PUBLIC

My Commission Expires:

June 28, 1999

[NOTARIAL STAMP OR SEAL]



The foregoing Certificate(s) of Kay H. Arnette, NP

is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

By Brenda D. Bell REGISTER OF DEEDS FOR Iredell COUNTY
Lillie J. Davis Deputy / Assistant Register of Deeds.

EXHIBIT A
LEGAL DESCRIPTION

All of those certain five (5) tracts of land lying and being in Davidson Township, Iredell County, North Carolina, and being more particularly described as follows:

TRACT 1:

Being all of that certain tract or parcel of land containing approximately 1,177.337± acres as shown on that certain plat of survey entitled "Boundary Survey of 1,177.337 Net Acres" (consisting of nine sheets), prepared by ESP Associates, P.A., dated May 29, 1998, and recorded in Map Book 30, at Pages 110 through 118 in the Office of the Register of Deeds for Iredell County, North Carolina, reference to which is hereby made for a more particular description, LESS AND EXCEPT the tract known as "Outparcel #1" (Rockwell Baptist Church Cemetery) and "Outparcel #2" (Williamson Chapel Methodist Church) and "Outparcel #3" (Property of G.D. Alexander), and LESS the five well sites conveyed to Carolina Water Service, Inc. of North Carolina, in Deed Book 1090, Page 1636, Iredell County Registry.

TRACT 2:

Being all of Lot 134 (58,411± sq. ft.) of THE POINT ON NORMAN, PHASE IA, as shown on that certain plat entitled "Revision of Minor Plat of: Lot 134 of Phase IA/The Point on Norman," prepared by ESP Associates, P.A. dated June 28, 1998, and recorded in Map Book 30 at page 137 in the Office of the Register of Deeds for Iredell County, North Carolina, reference to which is hereby made for a more particular description.

TRACT 3:

Being all of that certain parcel of land containing approximately 0.83± acres, as shown on that certain plat of survey entitled "Revision of Minor Plat of 0.83 Acre Parcel," prepared by ESP Associates, P.A. dated June 18, 1998, and recorded in Map Book 30 at page 136 in the Office of the Register of Deeds for Iredell County, North Carolina, reference to which is hereby made for a more particular description.

TRACT 4:

Being all of the tracts described on Exhibit A and Exhibit B attached to Deed dated December 15, 1997, from Larry W. Howard, et ux., Terry L. Howard, to The Point on Norman, L.L.C., recorded in Book 1053, Page 696, in the Office of the Register of Deeds for Iredell County, North Carolina. The tract described on said Exhibit A contains 1.9427± acres, and the tract described on said Exhibit B contains 5.5940± acres.

TRACT 5:

Being all of the tracts described on Exhibit A and Exhibit B attached to Deed dated December 15, 1997 from J.C. Howard and wife, Mary T. Howard to The Point on Norman, L.L.C., recorded in Book 1053, Page 700, in the Office of the Register of Deeds for Iredell County, North Carolina. The tract described on said Exhibit A contains 3.6513± acres, and the tract described on said Exhibit B contains 5.5940 acres.

EXHIBIT "B"

ARTICLES OF INCORPORATION
OF
THE POINT OWNERS ASSOCIATION, INC.

A Nonprofit Corporation

The undersigned incorporator hereby forms a nonprofit corporation (the "Corporation") under the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina entitled the "North Carolina Nonprofit Corporation Act" (the "Act"), and to that end hereby sets forth:

1. The name of the Corporation is "The Point Owners Association, Inc."

2. The street address and county of the initial registered office of the Corporation are Wachovia Building, 400 South Tryon Street, 13th Floor, Charlotte, Mecklenburg County, North Carolina 28202, and the name of the initial registered agent of the Corporation at such address is H. Thomas Webb, III. The mailing address of the initial registered office of the Corporation is the same as the street address.

3. The name and address of the incorporator are Charles O. DuBose, Kennedy Covington Lobdell & Hickman, L.L.P., NationsBank Corporate Center, 100 North Tryon Street, Suite 4200, Charlotte, Mecklenburg County, North Carolina 28202-4006.

4. The Corporation shall have members, divided into such classes, and with such designations, qualifications, rights and obligations, as shall be set forth in the Bylaws.

5. The purposes for which the Corporation is organized are:

(a) To carry on one or more exempt functions of a homeowners association under the Internal Revenue Code of 1986, as amended (the "Code"), including those activities related to the acquisition, construction, management, maintenance, and care of "association property" (as defined in Section 528(c)(4) of the Code), all pursuant to such rules and policies as shall be set forth in its Bylaws; and

(b) To do such other acts and things, and engage in any lawful act or activity, for which corporations may be organized under, and as are authorized and permitted by, the Act and to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Corporation is organized;

provided, however, that in all events and circumstances, no part of any net earnings of the Corporation shall inure (other than by acquiring, constructing, or providing management,

maintenance, and care of association property, and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any member of the Corporation or to the benefit of any private shareholder or individual (as defined in accordance with Treasury Regulations Section 1.528-7 promulgated under the Code), the Corporation being organized to provide, among other things, for the acquisition, construction, management, maintenance, and care of association property.

6. In the event of a dissolution and/or liquidation of the Corporation, all of the residual assets of the Corporation shall be distributed to such organizations that are exempt under Section 501(c)(3) or Section 528(c)(4) of the Code or corresponding sections of any prior or future Internal Revenue Code at the time of dissolution as shall, in the judgment of the directors, be most likely to fulfill the purposes of the Corporation.

7. To the fullest extent permitted by applicable law, no director of the Corporation shall have any personal liability arising out of any action whether by or in the right of the Corporation or otherwise for monetary damages for breach of any duty as a director. This Article shall not impair any right to indemnity from the Corporation that any director may now or hereafter have. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any limitation hereunder on the personal liability of a director with respect to acts or omissions occurring prior to such repeal or modification.

8. The number of directors of the Corporation shall be fixed by the Bylaws. The number of directors constituting the initial Board of Directors shall be four (4) and the names and addresses of the persons who are to serve as directors until their successors are duly elected and qualified are:

<u>Name</u>	<u>Address</u>
Arthur W. Fields	Wachovia Building 400 South Tryon Street, 13th Floor Charlotte, North Carolina 28202
Richard C. Ranson	Wachovia Building 400 South Tryon Street, 13th Floor Charlotte, North Carolina 28202
H. Thomas Webb, III	Wachovia Building 400 South Tryon Street, 13th Floor Charlotte, North Carolina 28202
R. Wayne McGee	Wachovia Building 400 South Tryon Street, 13th Floor Charlotte, North Carolina 28202

IN WITNESS WHEREOF, the incorporator has executed these Articles of Incorporation,
this the _____ day of _____, 199__.

Charles O. DuBose
Incorporator

EXHIBIT "C"**BYLAWS****OF****THE POINT OWNERS ASSOCIATION, INC.****ARTICLE I****NAME AND LOCATION**

Section 1. Name. The name of the corporation is The Point Owners Association, Inc. (the "Association").

Section 2. Location. The principal office of the Association shall be located in Mecklenburg County, North Carolina. The registered office of the Association may be, but need not be, identical with the principal office.

ARTICLE II**DEFINITIONS**

All capitalized terms when used in these By-Laws, or any amendment hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the meanings set forth in that certain Declaration of Covenants, Conditions and Restrictions for The Point entered into by The Point on Norman, LLC, and duly recorded in the Office of the Register of Deeds for Iredell County, North Carolina (hereinafter referred to as the "Declaration").

ARTICLE III**MEETINGS OF ASSOCIATION MEMBERS**

Section 1. Annual Meetings. The first annual meeting of the Association Members shall be held on the third (3rd) Tuesday in _____ of 199__, and each subsequent regular annual meeting of the Association Members shall be held on the third (3rd) Tuesday in _____ each year thereafter, at the hour of 7:00 o'clock, p.m. If the day for the annual meeting of the Association Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Association Members may be called at any time by (a) the President or by the Board or (b) by the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed to be considered at a proposed special meeting upon the delivery to the Association's Secretary of one or more signed and dated written demands describing the purpose or purposes for which it is to be held. Any such special meeting called by the Association Members in the manner described in (b) above shall be held

within thirty (30) days after the delivery of such written demand by the holders of at least ten percent (10%) of the votes entitled to be cast at such meeting.

Section 3. Place of Meetings. All meetings of the Association Members shall be held at such place, within Iredell County, North Carolina, as shall be determined by the Board.

Section 4. Notice of Meetings. Written notice of each meeting of the Association Members shall be given by, or at the direction of, the Association's Secretary or other person authorized to call the meeting, by first class, registered or certified mail, not less than ten (10) days nor more than sixty (60) days before the date of such meeting to each Association Member entitled to vote thereat, addressed to the Association Member's address last appearing on the books of the Association, or supplied by such Association Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 5. Membership in the Association. Each and every Owner of a Dwelling Unit shall automatically become and be an Association Member. In addition, for so long as Declarant owns any part of the Property, Declarant shall be an Association Member.

Section 6. Classes of Voting Right. The Association shall have two (2) classes voting membership:

Class I. Class I Association Members shall be all Association Members with the exception of Declarant. Class I Association Members shall be entitled to one (1) vote for each Dwelling Unit owned by such Association Member. When more than one Person owns an interest (other than a leasehold or security interest) in any Dwelling Unit, all such Persons shall be Members and the voting rights appurtenant to said Dwelling Unit shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Dwelling Unit. At any meeting of the Association Members, a representation by any one such owner that the owners of said Dwelling Unit have agreed to a vote shall be conclusive unless another such owner contests such representation at such meeting prior to the casting of such vote.

Class II. The Class II Association Member shall be Declarant. The Class II Association Member shall be entitled to ten (10) votes for each Dwelling Unit owned by Declarant.

Section 7. Cessation of Class II Membership. Notwithstanding anything contained herein to the contrary, the Class II Association Membership shall cease and be converted to a Class I Association Membership on the earlier to occur of (a) the date on which Declarant no longer owns any part of the Property; (b) the date Declarant shall elect, in its sole discretion, that its Class II Membership cease and be converted to Class I Membership (which election may be made, if at all, upon Declarant giving written notice of its election to the Board); or (c) December 31, 2030. The earliest to occur of (a), (b) or (c) above shall herein be referred to as the "Turnover Date." After the Turnover Date and for so long as Declarant owns any part of the Property, Declarant shall be a Class I Association Member.

Section 8. Quorum and Voting. The presence at the meeting of Association Members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes entitled to be cast by all classes of the Association Members shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws; if, however, such quorum shall not be present or represented at any meeting, subsequent meetings may be called, subject to the same notice requirement, until the required quorum is present. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 9. Proxies. At all meetings of Association Members, each Association Member may vote in person or by proxy. All proxies shall be in writing and filed with the Association's Secretary. Every proxy shall be revocable.

Section 10. Action by Association Members. Except as may be otherwise specifically set forth in the Declaration, the Articles or these Bylaws, the vote of a majority of all votes entitled to be cast by all classes of the Association Members, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be the act of the Association Members. Notwithstanding the above, the affirmative vote of no less than two-thirds (2/3) of all votes entitled to be cast by the Association Members shall be required in order for the Association to (1) file a complaint, on account of an act or omission of Declarant, with any governmental agency which has regulatory or judicial authority over the Project or any part thereof; or (2) assert a claim against or sue Declarant.

Section 11. Waiver of Notice. Any Association Member may, at any time, waive notice of any meeting of the Association Members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by an Association Member at any meeting of the Association Members shall constitute a waiver of notice by him of the time and place thereof except where an Association Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Association Members are present at any meeting of the Association Members, no notice shall be required and any business may be transacted at such meeting.

Section 12. Informal Action by Association Members. Any action which may be taken at a meeting of the Association Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Association Members who would be entitled to vote upon such action at a meeting and filed with the Secretary of the Association to be kept in the Association's minute book.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Appointment. The business and affairs of the Association shall be managed by a Board of four (4) directors who are appointed by Declarant so long as Declarant owns any Lot, Tract or other portion of the Property, and by a Board of at least five (5) directors elected by the Association Members as provided by these Bylaws thereafter. The

directors need not be Association Members. Notwithstanding the foregoing, the Declarant may choose, in its sole discretion, to relinquish its right to appoint the members of the Board prior to the time that it owns no portion of the Property, whereupon the Association Members shall thereafter elect the members of the Board in accordance with these Bylaws.

Section 2. Initial Directors. The initial directors shall be appointed by the Declarant. Such initial directors shall serve from the date upon which the Declaration is recorded in the Office of the Register of Deeds of Iredell County, North Carolina, until such time as their successors are duly appointed or elected and qualified.

Section 3. Nomination. Subject to Section 1 of this Article IV, nominations for the first election of directors on the Board shall be made from the floor at a meeting of the Association Members. After such first election of directors, nominations for election to the Board shall be made by a Nominating Committee. Subject to Section 1 of this Article IV, nominations may also be made from the floor at the annual meeting. Subject to Section 1 of this Article IV, the Nominating Committee shall consist of a Chairman, who shall be an Association Member or a member of the Board, and two (2) or more Association Members. The Nominating Committee shall be appointed by the Board prior to the annual meeting following the first election of directors and each annual meeting of the Association Members thereafter, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 4. Election. Except as otherwise provided in this Article, including Section 1 hereof, directors shall be elected at the annual meeting of the Association Members and said election shall be by written ballot. At such election, the Association Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles, these Bylaws and the Declaration. Cumulative voting is not permitted.

Section 5. Term of Office. Each director shall hold office for the term for which he was appointed or elected, or until his death, resignation, retirement, removal, disqualification or until his successor is appointed or elected and qualified. Subject to Section 1 of this Article IV, at the first election of directors, the Association Members shall elect one (1) member of the Board for a term of three (3) years, who shall be the person receiving the largest number of votes, two (2) members of the Board for a term of two (2) years, who shall be the people receiving the second and third largest number of votes, and two (2) members of the Board for a term of one (1) year, who shall be the people receiving the fourth and fifth largest number of votes. At all annual elections thereafter but subject to Section 1 of this Article IV, director(s) shall be elected by the Association Members to succeed the director(s) whose term(s) then expire(s), and thereafter each director's term shall be three (3) years. Nothing herein contained shall be construed to prevent the election of a director to succeed himself. Votes shall be tallied at the meeting where they are so cast and, in the event of a tie vote, a run-off election shall be conducted at the same meeting.

Section 6. Removal. Subject to Section 1 of this Article IV, any newly elected director may be removed from the Board, with or without cause, by a majority vote of the Association Members. In the event of the death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. The Association Members may elect a director at any time to fill any vacancy not filled by the directors or, if applicable, not appointed by the Declarant.

Section 7. Compensation. No director shall receive compensation for any service he or she may render to the Association; however, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Meetings of the Board shall be held on a regular basis as often as the Board sees fit, but no less often than quarterly, on such days and at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to such action is signed by all of the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5. Chairman. A Chairman of the Board shall be elected by the directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board and serve until a new President is elected.

Section 6. Participation by Conference Telephone. Any one or more directors may participate in a meeting of the Board by means of a conference telephone or similar communications device that allows all directors participating in the meeting to simultaneously hear each other during the meeting, and such participation in a meeting shall be deemed presence in person at such meeting.

ARTICLE VI

POWERS OF THE BOARD

The Board, for the mutual benefit of the Association Members and the Owners, shall have the following specific powers and rights (without limitation of other powers and rights the Board may have):

- (a) To enter into agreements with the appropriate governmental authorities to enable the Association to improve and maintain the Common Areas and Maintenance Areas or portions thereof;
- (b) To make reasonable rules and regulations for the use and operation of the Common Areas and Maintenance Areas, and to amend them from time to time;
- (c) To enter into agreements or contracts with insurance companies with respect to insurance coverage relating to the Common Areas and Maintenance Areas and/or the Association;
- (d) To enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Areas, Maintenance Areas and/or the Association;
- (e) Subject to the affirmative vote of no less than a majority of all votes present, in person or by proxy, at a duly held meeting of the Association Members at which a quorum is present, all in accordance with these Bylaws, to borrow funds to pay costs of operation of the Association, which borrowings may be secured by assignment or pledge of rights against delinquent Owners or by liens on other Association assets, if the Association Members see fit; provided; however, until such time as Declarant no longer owns any portion of the Property, the Board may not mortgage any portion of the Common Area without the prior written approval of Declarant;
- (f) To enter into contracts, maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Association;
- (g) To the extent permitted in the Declaration and these Bylaws, to sue or defend in any court of law in behalf of the Association;
- (h) To levy assessments in accordance with the provisions of the Declaration;
- (i) To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property of the Association and if proceeds are insufficient to repair

damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency;

- (j) To exercise for the Association all powers, duties and authority vested in or delegated by the Declaration, these Bylaws, or the Articles to the Association and not reserved to the Association Members or Declarant by other provisions of the Declaration, these Bylaws or the Articles;
- (k) To declare the office of a member of the Board to be vacant in the event such member shall be absent, without the consent of the Board, from three (3) consecutive regular meetings of the Board;
- (l) To employ a manager or firm to manage the affairs and property of the Association, to employ independent contractors or such other employees as the Board may deem necessary, and to prescribe their duties and to set their compensation;
- (m) To enter into agreements or contracts with builders regarding the construction of Improvements on Lots located in the Project, and to require that all Owners building Improvements on Lots use only a Featured Builder;
- (n) To retain the services of legal and accounting firms;
- (o) To cause all officers or employees having fiscal responsibilities to be bonded, as the Board may deem appropriate;
- (p) To the extent permitted in the Declaration and these Bylaws, to enforce the provisions of the Declaration and any Additional or Supplementary Declaration and any rules made thereunder or hereunder and to enjoin and/or, at its discretion, seek damages or other relief for violation of such provisions or rules and/or by Special Individual Assessments against any Owner for violation of such provisions or rules pursuant to the provisions of the Declaration;
- (q) To contract with any third party or any Association Member (including, without limitation, Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms of the Declaration and these Bylaws, upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association;
- (r) To employ or retain the services of professional architects or other Persons to serve on or advise the Architectural Control Committee and/or the Architectural Changes Committee;
- (s) To grant all necessary easements and rights-of-way over and across the Common Areas when in its sole discretion it deems such an action to be necessary and

appropriate, including, but not limited to, easements for the installation and maintenance of electrical, telephone, cablevision, water, sewerage and other utilities and drainage facilities and any easement to the Club Owner where consistent with the general use and operation of the Club Property; provided, however, until such time as Declarant no longer owns any portion of the Property, the Board may not grant such an easement or right-of-way without the prior written approval of Declarant;

- (t) To convey fee simple title to all or any part of the Common Area when in its sole discretion it deems such an action to be necessary and appropriate; provided, however, until such time as Declarant no longer owns any portion of the Property, the Board may not convey any portion of the Common Area without the prior written approval of Declarant;
- (u) To contract with any third party, including any other property owners association, for the sharing of costs of maintaining Maintenance Areas;
- (v) To take any and all other actions, and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations under the Declaration or these Bylaws or for the operational protection of the Association;
- (w) To contract with the Club Owner to provide for the sharing of the costs of maintaining and operating any shared irrigation systems; and
- (x) To adopt reasonable rules from time to time governing conduct of Owners, the Club Owner and other Persons occupying or otherwise located on the Property.

Notwithstanding anything contained herein to the contrary, none of the above-described rights and powers of the Board shall be obligatory on the part of the Board, and the failure or refusal by the Board to implement any such rights and powers shall not constitute a breach or default by the Board of any duties or obligations arising hereunder or otherwise owing to the Association Members.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Officers. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Association Members.

Section 3. Term. Each officer of the Association shall be elected annually by the Board and each shall hold office for one (1) year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Compensation. No officer shall receive any compensation from the Association for acting as such.

Section 9. Duties. The duties of the officers, unless otherwise stated by a resolution of the Board, are as follows:

(a) President: The President shall be the principal executive officer of the Association, and subject to the control of the Board, shall supervise and control the management of the Association. The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, promissory notes and other written instruments and may co-sign all checks;

(b) Vice-President: The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Association Members, shall keep the corporate seal of the Association and affix it on all papers requiring said seal, shall serve notice of meetings of the Board and of the Association Members, shall keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board; and

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, shall sign all checks and promissory notes of the Association, shall keep proper books of account, and shall prepare an annual report to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Association Members.

ARTICLE VIII

COMMITTEES

Subject to Section 1 of Article IV of these Bylaws, the Board shall appoint a Nominating Committee as provided in Section 3 of Article IV of these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE IX

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Association Member. The Declaration, the Articles and the Bylaws shall be available for inspection by any Association Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE X

ASSESSMENTS

As described more particularly in, and subject in all respects to, the Declaration, each Member is obligated to pay to the Association, among other assessments, charges and amounts, Annual Assessments, Special Assessments, and Special Individual Assessments, all of which are secured by a continuing lien upon each Lot or Tract in the Property. Any Assessments which are not paid when due shall be delinquent. If an Assessment is delinquent, as more particularly described in the Declaration, the Assessment shall bear interest from the due date until the date such Assessment and interest thereon is paid at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. The Association may bring an action at law or in equity against the Owner personally obligated to pay the same or foreclose the lien against the portions of the Property and improvements thereon owned by the defaulting Owner as of the Assessment due date. Additionally, the late charges, costs of collection and reasonable attorneys' fees related to any such action or foreclosure shall be added to the amount of such Assessment, all as more particularly described in the Declaration. No Owner may exempt himself or herself from liability for Assessments or waive or otherwise escape liability from the Assessments by non-use of the Common Areas or abandonment of his or her property.

ARTICLE XI

CORPORATE SEAL

The Association shall have a seal circular in form having within its circumference the name of the Corporation, the state of its incorporation, the year of its incorporation, and the word "SEAL."

ARTICLE XII

AMENDMENTS

Subject to the limitations hereinafter contained, the Articles and these Bylaws may be amended or modified at any time by a vote of no less than fifty-one percent (51%) of all votes entitled to be cast by the Association Members, which vote is taken at a duly held meeting of the Association Members at which a quorum is present, all in accordance with these Bylaws. Provided, however, if fifty-one percent (51%) of all votes entitled to be cast by the Association Members cannot be obtained at such a meeting, then the Articles and these Bylaws may be amended by obtaining the vote of fifty-one percent (51%) of all votes present at a duly held meeting of the Association Members at which a quorum is present and by, within ninety (90) days of such vote, obtaining written consent to such amendment by Association Members holding a sufficient number of votes to comprise, along with such voting Association Members, a total of fifty-one percent (51%) of all votes entitled to be cast by Association Members. Further provided, that any amendment or modification to the Articles and these Bylaws must be consented to by Declarant so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. In addition, Declarant, without obtaining the approval of any other Association Member or any other Owner or Owners other than Declarant, may make amendments or modifications to the Articles and these Bylaws which either (a) are correctional in nature only and do not involve a change which materially adversely affects the rights, duties or obligations specified herein or therein or (b) apply only to the portions of the Property then owned by Declarant. Any amendment or modification effected pursuant to this Article XII shall become effective with respect to these Bylaws when an instrument is filed of record in the Office of the Register of Deeds for Iredell County, North Carolina; provided, however, such an amendment or modification, in lieu of being executed by the Association Members voting for such amendment or modification, may contain a certification of the Secretary of the Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Association Members, as provided in this Article XII and when, with respect to the Articles, any amendment or modification is filed of record in the Office of the North Carolina Secretary of State. In addition to the foregoing rights, Declarant may, at Declarant's option, amend and modify the Articles and these Bylaws without obtaining the consent or approval of any other person or entity if such amendment or modification is necessary to cause the Articles and these Bylaws to comply with the requirements of FHA, VA, the Federal National Mortgage Association or any other governmental agency.

ARTICLE XIII

MISCELLANEOUS

Section 1. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. In the case of any conflict between the Articles and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and the Bylaws or the Articles, the Declaration shall control.

ARTICLE XIV

LIABILITY LIMITS; INDEMNIFICATION OF
DIRECTORS, OFFICERS AND OTHERS

Neither Declarant, nor any Association Member, nor the Board, nor the Association, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Association Member, whether or not such other Association Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other person, firm or association making such repairs or maintenance shall not 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 premises, improvements or portions thereof.

The Association shall, to the extent permitted by applicable law, indemnify and defend 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 any director or officer or former director or officer of the Association or 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) or 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 or she 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 indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, these Bylaws, agreement, vote of Association Members or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, 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 person.

The Association may 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 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 XIV, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.