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JOYCE M. SWICEGOOD
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PENDER COUNTY, NC

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Joyce M. Swicegood
Register of Deeds
Pender County, NC 

DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
OF THE PALMS AT BELVEDERE



Prepared by WARD AND SMITH, P.A., 127 Racine Drive, Wilmington, NC 28406-7068
Please return to WARD AND SMITH, P.A., PO Box 7068, Wilmington, NC 28406-7068
Attention: W. Daniel Martin, III

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DECLARATION FOR THE PALMS AT BELVEDERE

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This Declaration made and entered into as of the ____ day of November, 2004, by and between JERRY SCOTT, LLC (hereinafter "Declarant"); SOUTHERN HOME BUILDERS, INC., a North Carolina corporation (hereinafter "Southern"); BB&T COLLATERAL SERVICE CORPORATION, Trustee (hereinafter "BB&T Trustee"); BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation (hereinafter "BB&T"); KAMPSCHROEDER CONSTRUCTION, INC., a North Carolina corporation, (hereinafter "Kampschroeder"); WADE H. SPEARS, III, an individual (hereinafter "FNB Trustee"); FNB SOUTHEAST; and ALL PROSPECTIVE PURCHASERS AND OWNERS of real property within the planned unit development generally known as "The Palms at Belvedere," consisting of those parcels of land designated as Lots 57 through 80, inclusive, on that map entitled "THE FOREST AT BELVEDERE PLANTATION - PHASE 6D" recorded in Map Book 37, at Page 098, on Slide 503 in the office of the Register of Deeds of Pender County, North Carolina (hereinafter the "Map").

W I T N E S S E T H:

WHEREAS, Declarant, Southern and Kampschroeder are the owners of all of Lots 57 through 80, inclusive, as shown on the Map, and have elected to subject all of the said Lots to the provisions of Chapter 47F of the General Statutes of North Carolina (hereinafter sometimes referred to as the "North Carolina Planned Community Act" or the "Act") and to certain covenants, restrictions, reservations, easements, servitudes, liens and charges, all of which are more particularly set forth hereinafter;

WHEREAS, Declarant deems it desirable and in the best interests of all the prospective purchasers and owners of the real estate subject to this Declaration to protect the value and desirability of such real estate by providing for the development of such real estate in accordance with a common plan and the maintenance of certain shared facilities; and,

WHEREAS, Southern owns Lots 61 through 66, inclusive, as shown on the Map, and desires to submit the Lots so owned, together with the improvements thereon, to this Declaration; and

WHEREAS, Kampschroeder owns Lots 69, 70, 75, 76, 77, and 78 as shown on the Map, and desires to submit the Lots so owned, together with the improvements thereon, to this Declaration; and

WHEREAS, to provide a means for meeting the purposes and intents set forth herein, Declarant has caused to be created The Palms at Belvedere Association, a nonprofit corporation incorporated under Chapter 55A of the General Statutes of North Carolina (North Carolina Nonprofit Corporation Act).

NOW, THEREFORE, Declarant, Southern and Kampschroeder hereby covenant and declare that the Lots 57 through 80, inclusive, shown on the Map shall, from the date this Declaration is recorded in the office of the Register of Deeds of Pender County, North Carolina, be held, conveyed, acquired and encumbered subject to the Act and the terms and provisions hereof, all of which shall run with the real estate and bind and inure to the benefit of all prospective purchasers and parties who may acquire any right, title, estate or interest in or to any of such real estate or who may acquire any right of occupancy or entrance upon any portion thereof, all subject to the right of the Declarant or the Association to amend this Declaration according to its terms.

ARTICLE 1

GENERAL PROVISIONS

Section 1.1. Definitions. Terms used throughout this Declaration shall have the meanings specified for such terms below unless the context otherwise requires:

- (1) "Articles" or "Articles of Incorporation" means the Articles of Incorporation of The Palms at Belvedere Association, as may be amended from time to time.
- (2) "Association" means The Palms at Belvedere Association.
- (3) "Association Documents" means collectively the Articles of Incorporation, this Declaration, the Bylaws and the Rules and Regulations adopted by the Association, all as may be amended, restated and revised from time to time. Any exhibit, schedule or amendment to an Association Document shall be considered a part of that document.
- (4) "Bylaws" means the bylaws of The Palms at Belvedere Association.
- (5) "Common Areas" means any real estate within the Property owned or leased by the Association other than a Lot and, any and all personal property and fixtures owned, leased, maintained or operated by the Association for the benefit of the Property or the Owners.
- (6) "Common Expenses" means expenditures made by or financial obligations or liabilities of the Association, together with any allocations to reserves.

(7) "Common Expense Liability" means the liability for common expenses allocated to each Lot pursuant to Section 6.2.

(8) "Architectural Committee" means the committee that may be established by the Executive Board pursuant to Article 9.

(9) "Declarant" means Jerry Scott, LLC a North Carolina limited liability company, its successors or assigns.

(10) "Declaration" means this Declaration of Covenants, Conditions, Restrictions and Easements of The Palms at Belvedere and all amendments, restatements and revisions hereto.

(11) "Development Period" means the period ending on the earliest of:

(a) Five (5) years from the date of the recordation of this Declaration; provided, that if the Declarant is delayed in the improvement and development of the Property as a result of a sewer, water or building permit moratorium or other cause or event beyond the Declarant's control, then the aforesaid period shall be extended for the length of the delay or two (2) years, whichever is less, upon written notice to the Association of such extension;

(b) Or the date specified by Declarant in a written notice to the Association that the Development Period is to terminate on that date.

(12) "Executive Board" or "Board" means the executive and administrative entity established by the Articles and the Bylaws to act on behalf of the Association and function as the governing body of the Association.

(13) "Landscaping" means living plants, trees, shrubs, vegetation, ground coverings (including grass or sod) and any appurtenant live/growing vegetative materials together with straw, mulches and other composting materials.

(14) "Lot" means the separately numbered Lots designated as Lots 57 through 80, inclusive, shown on the Map.

(15) "Majority Vote" means a simple majority (more than fifty percent (50%)) of the votes actually cast in person or by proxy at a duly held meeting of the members of the Association at which a quorum is present or at a duly held meeting of the Executive Board at which a quorum is present.

(16) "Merchant Builder" means a Person acquiring title from the Declarant to three (3) or more Lots in any twelve (12) month period for the sole purpose of constructing permitted improvements thereon for resale to prospective Owners.

(17) "Mortgagee" means an institutional lender (commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies and any other lender regularly engaged in financing the purchase, construction or improvement of real estate, or any assignee of loans made by such lenders) holding a first mortgage or first deed of trust ("Mortgage") encumbering a Lot.

(18) "Owner" means the record Owner, whether one or more Persons, of a fee or undivided fee interest in a Lot in fee simple but does not mean any Person having an interest in a Lot solely by virtue of a contract of purchase or as security for an obligation.

(19) "Permit" means the North Carolina Stormwater Management Permit, and any additional North Carolina Stormwater Management Permits, applicable to the Property, and any amendments, additions or replacements thereof.

(20) "Person" means one or more natural persons, corporations, partnerships, limited liability companies, trusts or other entities capable of holding title to real estate.

(21) "Property" means, at any given time, the real estate then subject to this Declaration and includes all improvements and appurtenances thereto now or hereafter existing.

(22) "Rules and Regulations" means the rules and regulations governing the use, occupancy, operation and physical appearance of the Property adopted from time to time by the Board.

(23) "Stormwater Management Facilities" means all areas consisting of ditches and swales in existence at the time the roads serving the Property and the improvements within the Property are constructed and which are constructed pursuant to, and regulated by, the Permit.

(24) "Streets" means Kiskadee Ct., Phoebee Ct., and Painted Bunting Ct. shown and designated on the Map.

(25) "Upkeep" means care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

(26) Any capitalized word not defined herein, unless it is plainly evident from the context of this Declaration that a different meaning is intended, shall, as used herein, have the meaning as set forth in N.C. Gen. Stat. § 47F-1-103.

Section 1.2. Construction of Association Documents.

(1) Caption. The captions are inserted only as a matter of convenience and for reference and do not define, limit or describe the scope of the Article, Section, Subsection or any other portion of this Declaration.

(2) Severability. Each provision of the Association Documents is severable from every other provision and the validity of any one or more provisions shall not change the meaning of or otherwise affect any other provision.

(3) Interpretation. If there is any conflict between the Association Documents, the Declaration shall control. Particular provisions shall control over general provisions. The provisions of the Bylaws shall control over any conflicting provision of any rule, regulation or other resolution adopted pursuant to any of the Association Documents.

Section 1.3. The Palms at Belvedere Association.

(1) The Association. The Association is a nonprofit corporation organized and existing pursuant to Chapter 55A of the General Statutes of North Carolina charged with the duties and vested with the powers prescribed by law, as set forth in the Association Documents and as set forth in the Act. The purposes of the Association are to own, manage, maintain and operate the Common Areas and improvements located upon the Common Areas; to enforce the Association Documents; provide for services to the Property and Owners and perform the functions set forth in the Association Documents and the Act; to accept the transfer of the Permit and Declarant's responsibilities thereunder; to oversee, inspect, maintain, repair and replace the Stormwater Management Facilities constructed pursuant to the Permit; to enforce the provisions of the Permit; and, to enforce each Lot Owner's obligations with respect to the Stormwater Management Facilities.

(2) Membership. Members of the Association shall at all times be, and shall be limited to, the Persons who constitute Owners of the Lots. If more than one Person owns a Lot, then all of the Persons who own such Lot shall constitute collectively one Owner. However, if more than one Person owns a Lot, then each such Person is a member of the Association;

provided that multiple members who own one Lot are entitled collectively to one (1) vote for each Lot owned and be one member of the Association. Each Person who is an Owner is entitled to attend all meetings of the Association.

Membership in the Association is mandatory. Upon acquiring title to a Lot, each new Owner shall immediately give written notice to the Secretary of the Association stating the name and address of such new Owner and the Lot acquired by such new Owner. If the new Owner fails to give the Secretary such notice within thirty (30) days of acquiring title to such Lot, then the costs of locating each new Owner and reasonable record keeping costs incurred by the Association may be assessed against such Owner.

(3) Classes of Members and Voting Rights. Until the Class B Membership terminates as set forth below, the Association shall have two (2) classes of membership as follows:

(a) Class A - Class A Members shall be the Owners of Lots with the exception of the Class B Member and Merchant Builders. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership.

(b) Class B - The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership. Class B Membership shall terminate and become converted to Class A Membership upon the earlier of (i) the expiration of the Development Period or (ii) when the total votes outstanding in the Class A Membership equal or exceed the total votes outstanding in the Class B Membership.

(c) Board Authority to Act. Unless otherwise specifically provided in the Association Documents, all rights, powers, easements, obligations and duties of the Association may be performed by the Executive Board on behalf of the Association.

ARTICLE 2

COMMON AREAS

Section 2.1. Conveyance, and Title. Declarant shall convey the Common Areas to the Association in fee simple released from any encumbrance securing the repayment of monetary obligations incurred by the Declarant, but subject to all easements and other encumbrances appearing of the public records including those created by this Declaration. The

conveyance of the Common Areas as contemplated herein Property shall occur prior to or simultaneously with the conveyance of the first Lot to an Owner.

The Association shall accept title to real estate and personal property offered to the Association by the Declarant.

Section 2.2. Regulation of Common Areas. Other than the use of the Streets by Owners, the Association shall have the right to regulate the use of the Common Areas pursuant to the Act and Section 8.3 hereof and to charge fees for the use thereof. In the event the Association imposes fees for the use of the Common Areas, such fees to be charged to Persons entitled to use the Common Areas shall be uniform and shall not discriminate against any one or more Persons or groups of Persons entitled to use the Common Areas. The Association may also mortgage, dedicate, convey, grant easements and other use or possessory rights in, over, under and across the Common Areas as permitted in the Act.

ARTICLE 3

EASEMENTS

Section 3.1. Development Easements.

(1) Easements Reserved to the Declarant.

(a) Easement to Facilitate Development. The Declarant hereby reserves to itself and its designees a nonexclusive blanket easement over and through the Property and Common Areas for all purposes reasonably related to the development and completion of improvements on the Property and Common Areas, and Additional Property, including without limitation: (i) temporary slope and construction easements; (ii) drainage, erosion control, and storm and sanitary sewer easements (including the right to cut or remove trees, bushes or shrubbery, to regrade the soil and to take any similar actions reasonably necessary; provided, however, that thereafter the Declarant shall restore the affected area as near as practicable to its original condition); (iii) easements for the storage (in a sightly manner) of reasonable supplies of building materials and equipment necessary to complete the improvements; (iv) easements for the construction, installation and Upkeep of improvements (e.g., landscaping, street lights, signage, etc.) on the Property and Common Areas or reasonably necessary to serve the Property and Common Areas; and (v) install, operate and provide for the Upkeep of Stormwater Management Facilities serving the Property or any Additional Property.

(b) Easement to Facilitate Sales. The Declarant hereby reserves to itself and its designees the right to: (i) use any Lots owned by the Declarant, any other Lot with the written consent of the Owner thereof, or any portion of the Common Areas as models, management offices, sales offices, a visitors' center, construction offices, customer service offices or sales office parking areas; (ii) place and maintain in any location on the Common Areas and on any Lot street and directional signs, temporary promotional signs, plantings, street lights, entrance features, "theme area" signs, lighting, stone, wood or masonry walls or fences and other related signs and landscaping features; provided, however, that all signs shall comply with applicable governmental regulations and the Declarant shall obtain the consent of the Owner of any Lot upon which the improvements are to be located; and (iii) relocate, within the areas permitted by this paragraph, or remove all or any of the above from time to time at the Declarant's sole discretion. These rights and easements shall continue throughout the Development Period.

(c) Easement for Utilities and Related Services. The Declarant hereby reserves to itself and its assignees, during the Development Period, the right to grant and reserve easements, rights of way and licenses, over, through, upon and under the Property and the Common Areas for ingress, egress, installation and Upkeep of equipment for providing to any portion of the Property or Common Areas any utilities including, without limitation, water, sewer, drainage, gas, electricity, telephone and television service, whether public or private, or for any other purpose necessary or desirable for the orderly development of the Property. Any pipes, conduits, lines, wires, transformers and any other apparatus necessary for the provision or metering of any utility may be installed, maintained or relocated where initially installed with the permission of the Declarant, where contemplated on any site plan approved by the Declarant or where approved by resolution of the Executive Board.

(d) Dedications and Easements Required by Governmental Authority. The Declarant hereby reserves to itself and its designees, during the Development Period, the right to make any dedications and to grant any easements, rights-of-way and licenses required by any government or governmental agency over and through all or any portion of the Common Areas or the Property.

(2) Further Assurances. Any and all conveyances made by the Declarant to the Association with respect to any of the Common Areas or the Property shall be conclusively deemed to incorporate these reservations of rights and easements, whether or not set forth in such grants. Upon written request of the Declarant, the Association and each Owner shall from time to time execute, acknowledge and deliver to the Declarant such further assurances of these reservations of rights and easements as may be requested.

(3) Assignment of Development Rights. The Declarant may assign its rights under Section 3.1, or share such rights with one or more other Persons exclusively, simultaneously or consecutively with respect to the Common Areas and Lots owned by the Declarant or such Persons. Any assignment of all or any rights reserved by the Declarant shall comply with Section 3-104 of the Act.

Section 3.2. Easement for Upkeep.

(1) Association Access. The Declarant, on behalf of itself and its successors and assigns, hereby grants the right of access over and through any Lot to the Association and any other Person authorized by the Executive Board, in the exercise and discharge of their respective owners and responsibilities, including without limitation to make inspections, correct any condition originating in a Lot or in the Common Areas threatening another Lot or the Common Areas, correct drainage, perform installations or Upkeep of utilities, landscaping or other improvements located on the Property for which the Association is responsible for Upkeep, or correct any condition which violates the Association Documents. The agents, contractors, officers and directors of the Association may enter any area of any Lot in order to utilize or provide for the Upkeep of the areas subject to easements granted in this Article to the Association.

(2) Declarant Access. Until the expiration of any applicable warranty period, the Declarant hereby reserves to itself and its designees a right of access over and through the Common Areas and any Lot to perform warranty-related work within the Common Areas or the Lots. The Declarant may assign its rights under this subsection to, or share such rights with, one or more other Persons, exclusively, simultaneously or consecutively.

Section 3.3. Limitations on Exercise of Rights and Easements.

(1) These easements are subject to all other easements and encumbrances of record in the office of the Register of Deeds of Pender County, including those created by this Declaration.

(2) The Declarant or the Association, as appropriate, when exercising the rights and easements granted by this Article, shall: (i) give reasonable prior notice to all affected Owners, unless an emergency exists which precludes such notice; (ii) minimize any economic or aesthetic injury to the affected Lots or the Common Areas; and (iii) not unreasonably interfere with the affected Owners' use, enjoyment and benefit from such Owners' Lots or the Common Areas.

(3) If an easement is relocated, the cost of such relocation shall be paid by the Person requesting the relocation.

(4) Any damage resulting from the exercise of the aforesaid rights and easements shall be promptly repaired and the site restored to the extent practicable by the Declarant or the Association, as appropriate, or at the option of the Declarant or the Association, the party responsible for such damage. In either case, the cost of such repair and restoration shall be paid for by the party responsible for the damage.

Section 3.4. Easements for Encroachments.

(1) General Encroachments. If any improvement on a Lot now or hereafter encroaches on any other Lot by reason of (1) the original construction thereof, (2) deviations within normal construction tolerances in the Upkeep of any improvement, or (3) the settling or shifting of any land or improvement, an easement is hereby granted to the extent of any such encroachment for the period of time any encroachment exists. The Owner of the encroaching improvement shall also have an easement for the limited purpose of Upkeep of the encroaching improvement. This easement does not relieve any Owner or any other Person from liability for such Owner's or other Person's negligence or willful misconduct.

(2) Roof or Eave Overhang. If the original design and construction of any improvements on a Lot shall result in an encroachment by a roof or eave over and upon the Common Areas or an adjacent Lot, an easement is hereby granted to the extent of any such encroachment for the period of time such encroachment exists, which easement shall continue

upon any reconstruction or repair of the Improvements in accordance with the original design and construction.

Section 3.5. Easement for Support. To the extent that any portion of the Property now or hereafter supports or contributes to the support of any other portion of the Property, the former is hereby burdened with an easement for the lateral and subjacent support of the latter.

Section 3.6. Emergency Access. The Declarant, on behalf of itself and its successors and assigns, hereby grants an easement (1) to all police, fire, ambulance and other rescue personnel over and through all or any portion of the Property for the lawful performance of their functions during emergencies and (2) to the Association over and through all Lots, if emergency measures are required in any Lot to reduce a hazard thereto or to any other portion of the Property. The Association is hereby authorized but not obligated to take any such measures.

Section 3.7. Easement for Use of Common Areas.

(1) Use and Enjoyment. The Declarant hereby reserves to itself and, on behalf of itself and its successors and assigns, grants to each Owner and each Person lawfully occupying a Lot a non-exclusive right and easement of use and enjoyment in common with others of the Common Areas. Such right and easement of use and enjoyment shall be appurtenant to each Lot, whether or not mentioned in the deed thereto. Any purported conveyance or other transfer of such rights and easements without the Lot to which such rights and easements are appurtenant shall be void.

(2) Limitations. The rights and easements of enjoyment created hereby shall be subject (in addition to any easements granted or reserved in this Declaration or pursuant to the other Association Documents) to all rights and powers of the Declarant and the Association when exercised in accordance with the other applicable provisions of the Association Documents, including without limitation the Association's right to regulate the use of the Common Areas and to establish reasonable charges therefor, to grant easements across the Common Areas, to dedicate portions of the Common Areas and to mortgage the Common Areas.

(3) Delegation. Subject to the Rules and Regulations or such other restrictions as adopted by the Association, any Person having the right to use and enjoy the Common Areas may delegate such rights to such Person's guests, tenants, agents and invitees and to such other Persons as may be permitted by the Association.

Section 3.8. Priority and Enforcement of Easements.

(1) No Person who owns Property subject to this Declaration may subordinate the easements herein created to any subsequent encumbrance.

(2) The easements and rights granted by this Declaration shall not be enforceable by Persons to whom such easements and rights may be delegated by Owners, including without limitation the guests, tenants, agents or invitees of any Owner. This section does not affect, however, the rights of Mortgagees in possession or court-appointed officers in possession and control of a Lot acting in the name, place and stead of Owners or any Person's right to enforce any easements or rights granted in any lease or agreement between such Person and an Owner.

ARTICLE 4

STREETS

Section 4.1. Construction/Standards. The Streets shown on the Map have been constructed by Declarant and the rights of way and design of the Streets have been approved by the appropriate governmental authority. The Streets have been or will be constructed by Declarant in accordance with the standards for subdivision streets for acceptance for maintenance by the appropriate governmental authority.

Section 4.2. Maintenance/Costs. Until the earlier to occur of (a) the acceptance for maintenance of the Streets by the appropriate governmental authority or (b) the termination of the Development Period, the Declarant will maintain the Streets in an all-weather passable condition. Declarant will bring the Streets up to the standards required by the appropriate governmental authority necessary for their acceptance. However, the Streets have not been accepted for maintenance by the appropriate governmental authority. At the termination of the Development Period, the Declarant may convey the Streets to the Association and the Streets will become Common Area, the costs of Upkeep of which shall be as all other Common Area owned by the Association. Nothing in this Article or otherwise relieves any party from that party's negligence in damaging the Streets or precludes the Declarant from recovering from such negligent party for damage to the Streets.

Section 4.3. Reservation of Easements. Declarant reserves the right to use any or all of the Streets for purposes of ingress, egress, access, the installation and maintenance of

utilities, and the installation and maintenance of Stormwater Management Facilities. The Streets have been subjected to easements for access and the installation and maintenance of utilities in favor of Pender Land Holdings, Inc., and Belvedere Plantation, LLC, said easements being recorded in the office of the Register of Deeds of Pender County.

ARTICLE 5

SPECIAL DECLARANT RIGHTS; TRANSFER

Section 5.1. Special Declarant Rights. Special Declarant Rights are those right reserved for the benefit of the Declarant as provided for in the Act and in the Association Documents, and shall include without limitation the following rights: (1) to complete improvements on the Property; (2) to maintain improvements on the Property; (3) to maintain models, management offices, construction offices, sales offices, customer service offices and signs advertising the Property; (4) to use easements over and through the Property for the purpose of making improvements within the Property; (5) to exercise the rights and votes of the Class B member of the Association; and (6) to exercise any other rights given to the Declarant by the Association Documents.

Section 5.2. Transfer of Special Declarant Rights. Subject to Section 3-104 of the Act, the Declarant may transfer special Declarant Rights created or reserved under the Association Documents to any Person acquiring Lots previously owned by the Declarant by an instrument evidencing the transfer recorded in the office of the Register of Deeds of Pender County.

ARTICLE 6

COMMON EXPENSES AND ASSESSMENTS

Section 6.1. Determination of Common Expenses and Assessments.

(1) Preparation and Approval of Budget.

(a) At least sixty (60) days before the beginning of each fiscal year, the Executive Board shall adopt a budget for the Association containing an estimate of the total amount considered necessary for the ensuing fiscal year to pay Common Expenses and cost of other expenses that may be declared to be Common Expenses by the Association Documents or by resolution of the Executive Board.

(b) Such budget shall also include such reasonable amounts as the Executive Board considers necessary to provide working capital (available cash for day-to-day expenses which is otherwise uncommitted), a general operating reserve (including an amount to cover operating losses due to insurance deductibles) and reserves for contingencies (potential costs or liabilities which have not been incurred but which should be planned for) and replacements. At least thirty (30) days before the beginning of each fiscal year, the Executive Board shall make available a copy of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and the assessment payable by each Owner and provide a copy of such budget to each member. Such budget shall constitute the basis for determining the assessment against each Lot. The annual budget adopted by the Executive Board shall be presented to the Owners for ratification as provided in the Bylaws and by the Act. Should the Executive Board at any time determine, in its sole discretion, that the assessments levied are, or may prove to be, insufficient to pay the Common Expenses of the Association during such fiscal year, or in the event of emergencies, the Executive Board shall have the authority to levy such additional assessments it may deem to be necessary.

Section 6.2. Assessments and Common Expenses.

(1) Rate of Assessment and Payment. Subject to the provisions of Section 6.3 hereof, the total amount of the estimated funds required for the management and Upkeep of the Property set forth in the budget as an annual assessment or levied as an additional assessment shall be assessed against each Lot annually in amounts as determined by the Executive Board, which said amounts shall be equal for all Lots.

(a) Any and all such assessments and other charges shall be a lien against each Owner's Lot as provided in Section 11.2 hereof. On or before the first day of each fiscal year, and the first day of each succeeding payment period in such fiscal year, each Owner shall pay to the Association at such place as the Executive Board may direct that installment of the annual assessment which is due during such period. The Executive Board shall establish one or more payment periods and the due dates for each such payment in each fiscal year; provided, however, that payments shall be due not less than quarterly or more frequently than monthly. All sums collected by the Executive Board with respect to assessments against the Lots or from any other source may be commingled into a single fund.

(2) Special Assessments. The Executive Board shall have the power to assess an Owner's Lot individually for (i) the amount of and costs incurred by the Association pursuant to Subsection 7.2(1) hereof in performing Upkeep that the Owner failed to perform as required by that section, (ii) any Common Expense benefiting fewer than all of the Lots but benefiting such Owner's Lot, (iii) the amount of any charges imposed on that Owner pursuant to Subsection 11.1 hereof, and (iv) any costs incurred by the Association because of any violation or negligence for which that Owner is responsible under the Association Documents or the Act. Each such assessment shall be due ten (10) days after notice thereof is given to the Owner unless the notice specifies a later date.

(3) Optional Expenses. Upon request, the Association may provide certain services to Owners (including the Declarant) on a contractual basis; provided, however, that the charge for such services shall be assessed against such Owner's Lot in accordance with the terms of the contract.

(4) Reserves. The Executive Board shall build up and maintain reasonable reserves for working capital, contingencies and replacements. Such funds shall be a Common Expense of the Association and may be deposited with any financial institution, the accounts of which are insured by an agency of the United States of America or may, in the discretion of the Executive Board, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. Reserves for items serving only certain Lots shall be accounted for and funded solely by the Owners served as a Limited Common Expense. As to each separate reserve account:

(a) Extraordinary expenditures not originally included in the annual budget, which may become necessary during the year, shall be charged first against the appropriate reserves. Except for expenses for normal Upkeep shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against the appropriate reserves. Unless otherwise determined by the Executive Board, the amount held as reserves shall not be substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives.

(b) If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to each Owner (including the Declarant) in proportion to the percentage (if any) of assessments paid by such Owner.

(c) If the reserves are inadequate to meet actual expenditures for any reason (including non-payment of any Owner's assessment) then the Executive Board shall levy an additional assessment against the Lots; provided, however, that during the period the Declarant owns Lots exempt from full assessment pursuant to Section 6.3 hereof, the Declarant shall pay any expenses that the Association is unable to meet from budgeted income or reserves, but the Declarant is not obligated to pay any expenses that the Association is unable to meet because of nonpayment of any Owner's assessment.

(d) In order to establish an initial working capital fund, upon the first conveyance of a Lot by Declarant or any successor declarant to each Owner, each Owner shall contribute at closing an amount equal to two-twelfths (2/12) of the estimated assessment levied for the current year against each Lot, said sum to be paid to the Association. Said sum is not an advance payment of regular assessments but shall be utilized to establish the working capital fund. Funds from the working capital fund hereby established may be utilized to reimburse the Declarant for prepaid insurance premiums for policies of insurance purchased by the Declarant for the benefit of the Association and the Owners as required in Article 10 in this Declaration.

(5) Surplus and Deficit.

(a) Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Executive Board, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Owners, be credited to the next periodic installments due from Owner under the current fiscal year's budget, until exhausted, or distributed to each Owner (including the Declarant) in proportion to the percentage (if any) of assessments paid by such Owner.

(b) Unless the budget for the succeeding fiscal year is adjusted to amortize the deficit during such fiscal year, any net shortage in expenses (including reserves) shall be assessed promptly against the Owners as an additional assessment; provided, however, that if unoccupied Lots owned by the Declarant are exempt from assessments in accordance with

Section 6.3 hereof, then during the period the Declarant owns Lots exempt from assessment the Declarant shall make up any net shortage (expenses and reserves) in the Association's budgeted income over the Association's expenses, but the Declarant is not obligated to pay any expenses that the Association is unable to meet because of non-payment of any Owner's assessment.

Section 6.3. Exemptions. During the Development Period, unoccupied Lots owned by the Declarant, including Lots utilized by the Declarant as models, sales offices and construction offices, and Lots owned by Merchant Builders, shall not be liable for any assessment levied by the Executive Board against any Lot. The Common Areas owned by the Declarant or the Association shall be exempt from assessments and the lien created hereby.

Section 6.4. Liability for Common Expenses.

(1) Declarant and Owner Liability. The Declarant for each Lot owned by the Declarant, but subject to Section 6.3 above, hereby covenants and agrees, and each Owner of a Lot by acceptance of a deed therefor, whether or not so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association all Common Expenses and other charges assessed by the Executive Board pursuant to the provisions of this Declaration. Each Owner shall be personally liable for all assessments against such Owner's Lot. No Owner may be exempted from liability for the assessment for Common Expenses by reason of waiver of the use or enjoyment of any of the Common Areas or by abandonment of the Lot. No owner shall be liable for the payment of any part of the Common Expenses assessed against the Lot subsequent to the date of recordation of a conveyance by such Owner in fee of such Lot. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Lot shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for the proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor, provided, however, that any such purchaser may rely on a Statement of Common Expenses obtained pursuant to Section 6.6 herein.

(2) Mortgagee Liability. Each Mortgagee who comes into possession of a Lot by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Lot free of any claims for unpaid assessments or charges against

such Lot which accrue prior to the time such Mortgagee or purchaser comes into possession thereof. The lien created by Section 11.2 hereof shall cease to exist with respect to assessments and charges levied prior to the time title is transferred by foreclosure or by deed of assignment in lieu thereof; provided, however, that if the proceeds of a foreclosure exceed the total amount due to the Mortgagee, the excess shall first be paid to the Association and applied to the satisfaction of the lien.

Section 6.5. Collection of Assessments. Any assessment, or installation thereof, not paid within fifteen (15) days after the due date shall be delinquent and shall accrue a late charge in the amount of one percent of such assessment, or such greater percentage as may be established from time to time by the Executive Board. The Executive Board, or the managing agent at the request of the Board, shall take prompt action to collect any assessments for Common Expenses due from any Owner or member which remain unpaid for more than thirty (30) days after the due date for payment thereof. The late charge established pursuant to this Section 6.5 shall be in addition to any interest imposed by the Executive Board on the unpaid amounts as provided in Section 11.1(4).

Section 6.6. Statement of Common Expenses. The Executive Board or managing agent shall provide any member, Owner, contract purchaser or Mortgagee, within ten (10) days after a written request therefor, with a written statement of all unpaid assessments for Common Expenses due with respect to a specific Lot (or a statement that the amount of unpaid assessments is zero). No contract purchaser, Mortgagee or purchaser from a Mortgagee requesting such a statement shall be liable for, nor shall the Lot conveyed to such Person relying on such statement be subject to a lien for, any amount greater than unpaid assessments or charges due prior to the date of such set forth on such statement; provided, however, that this section shall not be interrupted to release any Person from personal liability for such assessments levied while such Person owned the Lot. The Executive Board may impose a reasonable charge for the preparation of such statement.

ARTICLE 7

OPERATION OF THE PROPERTY

Section 7.1. Upkeep of Common Areas and Lots. The Association shall be responsible for the management and Upkeep of all of the Common Areas, the Stormwater Management Facilities, the Lots, the exterior elements of improvements on the Lots and Landscaping; provided, however, that such Upkeep shall not include glass surfaces, windows and window frames and doors and door frames, porches and decks and cleaning the surface of driveways and walkways, the responsibility for Upkeep being that of the Owner. In addition, each Owner shall be responsible for the Upkeep of any Landscaping installed or existing within areas located on such Owners' Lot enclosed by a fence, fencing material, wall or other above ground barrier whether such Landscaping is part of the original Landscaping or otherwise installed by the Owner or other Persons on the Lot. If the Executive Board determines that certain Upkeep was necessitated by the negligence, misuse or neglect of any Owner or for which an Owner is responsible, the cost of such Upkeep shall be assessed against such Owner's Lot. The Executive Board shall establish the standard for Upkeep of the Common Areas, the Lots and improvements in its sole discretion. The Executive Board shall provide for the Upkeep of the rights-of-way along dedicated streets and roadways and dedicated public easements.

Section 7.2. Owner Upkeep. Each Owner shall be responsible for the Upkeep of that portion of the improvements on his Lot as described in Section 7.1 hereof. Each Owner shall perform this responsibility in such manner as shall not unreasonable disturb or interfere with the other Owners. If any Owner shall fail to provide Upkeep for which he is responsible consistent with such Rules and Regulations as the Executive Board may promulgate, then the Board may, pursuant to resolution, give notice to that Owner of the condition complained of, specifying generally the action to be taken to rectify that condition. If the Owner fails to rectify that condition within thirty (30) days after the date the notice is given, or such shorter period as may be specified in the notice is the circumstances warrant a shorter period, the Executive Board shall have the right, pursuant to Section 3.3 and Subsection 11.1(5) hereof and any resolutions adopted by the Executive Board, to rectify that condition by taking such action (or by causing such action to be taken) as was specified in the notice. The costs incurred in rectifying that condition shall be assessed against such Owner's Lot in accordance with Section 11.1 hereof. If

such Owner fails to reimburse the Association within thirty (30) days after receipt of a statement for such expenses from the Board, then the indebtedness shall constitute a lien as provided for in Section 11.2 hereof. The Owner may contract with a third party, including the Association, to perform the Owner's responsibility for Upkeep under this section.

Section 7.3. Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be made with contemporary materials. The method of approving payment vouchers for all repairs and replacements made by the Association shall be determined by the Executive Board.

Section 7.4. Additions, Alterations or Improvements by the Owners.

(1) Approval.

(a) No member or Owner shall make any addition, alteration or improvement in or to any Lot, including installation of Landscaping, (other than for normal Upkeep) which is visible from the exterior or the Lot without the prior written consent of the Architectural Committee. No member or Owner shall paint, affix a sign not permitted by the Rules and Regulations to or alter the exterior of any improvement located upon such member's or Owner's Lot, including the doors and windows, if such exterior is visible from another Lot or the Common Areas, without the prior written consent of the Architectural Committee.

(2) Limitations.

(a) Unless a Person commences construction in accordance with plans and specifications approved by the Architectural Committee within twelve (12) months after the date of approval, the approval shall lapse. Such construction shall be substantially completed within twelve (12) months after the date of commencement. Notwithstanding the foregoing, the approval may provide for a longer period during which to commence or complete construction.

(b) Any Person obtaining approval of the Architectural Committee shall not deviate materially from the plans and specifications approved without the prior written consent of the Architectural Committee. An Owner shall notify the Architectural Committee when the alterations or improvements are complete. Approval of any particular plans and specifications or design does not waive the right of the committee to disapprove such plans and

specifications, or any elements or features thereof, if such plans and specifications are subsequently submitted for us in any other instance or by any other Owner.

(3) Certificate of Compliance. Upon the completion of any construction or alterations in accordance with plans and specifications approved by the Architectural Committee, the Architectural Committee shall, at the request of the Owner thereof, issue a certificate of compliance which shall be prima facie evidence that such construction or alteration referenced in such certificate has been approved and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of the Association Documents as may be applicable. The certificate shall not be used and may not be relied upon for any other purpose, and shall not constitute a representation either as to the accuracy or sufficiency of the plans and specifications reviewed by the Committee or the quality or soundness of the construction, alterations or improvements. The Committee may impose a reasonable charge to cover the costs of preparation and inspection.

(4) Exemptions. Provisions of this Section 7.4 shall not be enforced against the Declarant or any Merchant Builder.

Section 7.5. Disclaimer of Liability.

(1) Bailee. The Executive Board, the Association, any member, any Owner and the Declarant shall not be considered a bailee of any personal property stored or placed on the Common Areas (including property located in vehicles parked on the Common Areas), whether or not exclusive possession of the particular area is given to an Owner for parking or otherwise, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

(2) Operational. The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or for personal injury or property damage caused by the elements or by any Owner, or any other Person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Property or from any pipe, drain, conduit, appliance or equipment, or any secondary or consequential damages of any type. The Association shall not be liable to any member or Owner for loss or damage, by theft or otherwise, of articles which may be stored

upon any portion of the Property. No diminution, offset or abatement of any assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Property by the Association or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any governmental authority. This section is not intended nor shall it be construed to relieve any insurer of its contractual obligation under any policy benefiting the Association, a member or an Owner.

ARTICLE 8

RESTRICTIONS ON USE OF LOTS AND COMMON AREAS:

RULES AND REGULATIONS

Section 8.1. Permitted Uses. Except to the extent permitted in an amendment to the Declaration adding Additional Property, with respect to such real estate, no Lot shall be used for any purpose other than as a residence. The permitted use may be further limited, expanded or otherwise modified with respect to Additional Property by the amendment to the Declaration submitting such Additional Property.

Notwithstanding the above limitations, the Declarant (and any other Persons designated by the Declarant from time to time in notices to the Association) may use any Lot or portion thereof of which the Declarant or such Persons are the Owner (or any other Lot with the permission of the Owner thereof) or any portion of the Common Areas for such purposes and functions as set forth in Section 5.1 and 8.2(1) of this Declaration.

Section 8.2. Restrictions. Each Lot and the Common Areas shall be occupied and used as follows:

(1) Except as otherwise provided in the Association Documents, only one (1) single family dwelling designated for use as, and used as, a single family residential dwelling, together with structures approved by the Architectural Committee for use therewith, may be erected, placed, used or committed to remain on any Lot. Nothing in the Association Documents shall be construed to prohibit the Declarant or its assignees from using any Lot owned by the Declarant (or any other Lot with the permission of the Owner thereof) or any portion of the Common Areas for promotional, marketing, display or customer service purposes (such as a visitors' center) or for the settlement of sales of Lots. Further, the Declarant specifically reserves the right to operate a construction office or a rental, brokerage and management office at any

time on Lots owned by the Declarant (or any other Lot with the permission of the Owner thereof) and on any portion of the Common Areas. The Declarant may assign its rights under this subsection to or share such rights with one or more other Persons, exclusively, simultaneously or consecutively with respect to the Common Areas and Lots owned by the Declarant or such Persons.

(2) Nothing shall be done or kept on the Property which will increase the rate of insurance for the Common Areas or any part thereof applicable for permitted uses without the prior written consent of the Executive Board including, without limitation, any activities which are unsafe or hazardous with respect to any person or property. No Owner or member shall permit anything to be done or kept on the Property which will result in the cancellation of any insurance on the Common Areas or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed on the Common Areas.

(3) No improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with by and at the sole expense of the Owner, the Association and the Declarant, whichever shall have the obligation for the Upkeep of such portion of the Property, and, if the Association, then the cost of such compliance shall be a Common Expense.

(4) No Person shall cause any unreasonably loud noise (except for security devices) anywhere on the Property. All security devices which sound an external alarm shall be maintained at all times in good order and condition so as to prevent false alarms. No Person shall permit or engage in any activity, practice or behavior which causes annoyance, discomfort or disturbance to any Person lawfully present on any portion of the Property; but this provision shall not be construed as forbidding any work involved in the construction or Upkeep of any portion of the Property so long as such work is undertaken and carried out (i) with the minimum practical disturbance to Persons occupying other portions of the Property; (ii) in such a way as does not violate the rights of any Person under other provisions of this Declaration; and (iii) in accordance with all applicable restrictions in the Rules and Regulations, the resolutions of the Executive Board and the other provisions of this Declaration.

(5) No Owner shall obstruct any of the Common Areas or otherwise impede the rightful access of any other Person on any portion of the Property upon which such Person has the right to be. No Owner shall place or cause or permit anything to be placed on or in any of the Common Areas without the approval of the Executive Board. Nothing shall be altered or constructed in or removed from the Common Areas except with the prior written approval of the Executive Board.

(6) The Common Areas shall be used only for the furnishing of the services and facilities for which the same is reasonably suited and which are incident to the use and occupancy of the Lots. The improvements located on the Common Areas shall be used only for their intended purposes. Except as otherwise expressly provided in the Association Documents, no Owner shall make any private, exclusive or proprietary use of any of the Common Areas without the prior written approval of the Executive Board and then only on a temporary basis. No Owner shall engage or direct any employee of the Association on any private business of the Owner or otherwise direct, supervise or in any manner attempt to assert control over such employee during the hours such employee is employed by the Association.

(7) Except for such signs as may be posted by the Declarant or a Merchant Builder for promotional or marketing purposes or the Association, no signs of any character shall be erected, posted or displayed in a location that is visible from the Common Areas or any other Lot without the prior written approval of the Architectural Committee.

(8) Except in connection with construction activities, no burning of any trash and no accumulation or storage of litter, refuse, bulk materials, building materials or trash of any other kind shall be permitted on any Lot. Trash containers, except of a commercial size being utilized during the construction of improvements on a Lot, shall not be permitted to remain in public view from the Common Areas or another Lot except on days of trash collection. No incinerator shall be kept or maintained upon any Lot without the prior written approval of the Architectural Committee.

(9) No tree, hedge or other landscape feature shall be planted or maintained in a location which obstructs sight-lines for vehicular traffic on public or private streets.

(10) Pavement, plantings and other landscape materials shall not be placed or permitted to remain within any easements upon any Lot: (i) if such materials may damage or

interfere with any easement for the installation or maintenance of utilities; (ii) in violation of the requirements of such easements; (iii) unless in conformity with public utility standards; or (iv) if each materials may unreasonably change, obstruct or retard direction or flow of any drainage channels. Otherwise, the installation of such materials within utility easements shall be encouraged.

(11) Without the prior written approval of the Architectural Committee, no outside antenna of any nature or type shall be maintained upon the Property.

(12) Except for any fence installed by any Declarant, Merchant Builder or by the Association, no fence shall be installed except in conformance with standards established therefor and with the written approval of the Architectural Committee.

(13) Except for window coverings originally installed by Declarant, a Merchant Builder or subsequently permitted by the Architectural Committee, the Owner of each Lot shall install and thereafter continuously maintain window coverings for each window which, when viewed from the exterior of the improvements on the Lot, must show a white backing. Additional window treatments must be located within the improvements on the Lot so as not to be visible from the other Lots or the Common Areas.

(14) No trailers, campers, recreational vehicles, boats and other similar or large vehicles may be parked on the Property. However, grounds maintenance equipment may be stored and maintained on the Property with the prior written approval of the Architectural Committee. No junked vehicle or other vehicle on which current registration plates and current state inspection permits are not displayed shall be kept upon any portion of the Property. Vehicle repairs and storage of vehicles are not permitted on the Property without the prior written approval of the Architectural Committee.

(15) No structure of a temporary character, except in connection with construction activities, trailer, basement, tent, shack, barn or other outbuilding shall be used on any Lot at any time as a residence either temporarily or permanently.

(16) No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Lot, except that dogs, cats or other household pets may be kept providing they are not kept, bred or maintained for commercial purposes, do not constitute a danger or nuisance to other Owners and the Owners of such permitted pets adhere to the Rules and Regulations as may be

established from time to time by the Executive Board relating to the keeping of such pets on the Property.

(17) No building shall be erected or permitted to remain nearer to any street or roadway within the Property or nearer to any sideline or rear line of any Lot than the setback lines or building window shown on the Map.

Section 8.3. Rules and Regulations. The Executive Board shall have the power to adopt, amend and repeal Rules and Regulations restricting and regulating the use and enjoyment of the Property or of any portion thereof, which may supplement, but may not be inconsistent with the provisions of the Association Documents. The Property shall be occupied and used in compliance with the Rules and Regulations. Copies of the Rules and Regulations shall be furnished by the Executive Board to each member. Changes to the Rules and Regulations shall be published and made available to all members prior to the time when the same shall become effective and copies thereof shall be provided to each member. The Rules and Regulations shall not unreasonably interfere with the use or enjoyment of the Lots or Common Areas. Also, the Executive Board may issue temporary exceptions to any prohibitions expressed or implied by this Article, for good cause shown.

Section 8.4. Leasing Restrictions. Nothing contained herein shall prohibit leasing or renting of a Lot; provided, however, that no Lot shall be leased or rented for a period of less than thirty (30) consecutive calendar days. The Executive Board may require Owners who lease their Lots to utilize a written lease agreement approved by the Executive Board which may include provisions requiring the tenant to abide by the Association Documents and allowing enforcement of the Association Documents directly against the tenant as well as the Owner.

Section 8.5. Exclusion for the Declarant and Designees of the Declarant. Notwithstanding any other provision of the Association Documents, neither the restrictions in this Article nor the Rules and Regulations of the Association shall apply to any otherwise lawful acts or omissions of the Declarant or of any Person designated by the Declarant from time to time in notices to the Association as long as the Declarant, a Merchant Builder or such designee is engaged in construction or sales, or activities related thereto, anywhere within the Property or on any Additional Property.

ARTICLE 9

ARCHITECTURAL COMMITTEESection 9.1. Architectural Committee.

(1) Purpose. The Executive Board shall establish a Architectural Committee consisting of at least three (3) members appointed by the Board, each to serve for a term of from one (1) to three (3) years as may be determined by the Executive Board, in order to assure that the Property shall always be maintained in a manner: (i) providing for visual harmony; (ii) avoiding activities deleterious to the aesthetic or property values of Property; and (iii) promoting the general welfare and safety of the owners, such Owners' tenants and such Owners' (or tenants') households, guests, agents and invitees. If the Executive Board fails to appoint an Architectural Committee, then the Executive Board shall perform the duties of the Architectural Committee.

(2) Powers.

(a) The Architectural Committee shall regulate the external design, signage, appearance, use and maintenance of the Lots, improvements on the Lots, Landscaping and the Common Areas. In exercising its powers, it shall review and approve or disapprove the plans for the construction of any structure to be located on the Property, including without limitation the site development plan, architectural design, architectural material, landscaping plan, non-structural improvements and general appearance, in order to ensure the quality and compatibility of style of all the improvements and Landscaping to be located on the Property; provided, however, that the Architectural Committee shall not have the power to regulate the activities of the Association or the Declarant on the Common Areas or any Lot owned by the Declarant.

(b) The Architectural Committee may from time to time establish requirements regarding the form and content of plans and specifications to be submitted for approval. The Architectural Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses or consultations required in connection with improvements or changes proposed by an Owner. Such fees shall be assessed against the Owner submitting plans and specifications.

(c) A majority vote of the Architectural Committee shall be required in order to take any action. The Architectural Committee shall keep written records of all its actions. Any action, ruling or decision of the Architectural Committee may be appealed to the Executive Board by any party deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision. The Architectural Committee and the Executive Board shall have no authority to regulate construction by the Declarant during the Development Period.

(3) Authority. The Architectural Committee shall have such additional duties, powers and authority as the Executive Board may from time to time provide by resolution. The Executive Board may relieve the Architectural Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Architectural Committee shall act on all matters properly before it within forty-five (45) days; failure to do so within the stipulated time shall constitute an automatic referral to the Executive Board.

ARTICLE 10

INSURANCE

Section 10.1. Authority to Purchase.

(1) Commencing not later than the time of the first conveyance of a Lot to a Person other than Declarant, the Executive Board shall (a) purchase, to the extent reasonably available, and thereafter maintain, insurance policies relating to the Common Areas, Lots and improvements thereon, and other matters more particularly set forth in this Article (b) and liability insurance in reasonable amounts covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Areas. The cost of all insurance policies purchased by the Board shall be a Common Expense.

(2) The Executive Board shall exercise reasonable good faith efforts to insure that each such policy provides that:

(a) Each Owner is an insured Person under the policies to the extent of his insurable interest;

(b) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policies;

(c) If, at the time of a loss under the policies, there is other insurance in the name of an Owner covering the same risk covered by the policies, the Association's policy shall be deemed to provide primary insurance;

(d) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Executive Board, the managing agent, any member or the Owners and their respective households, guests, tenants, agents and invitees;

(e) Such policy shall not be canceled, invalidated or suspended due to the conduct of any member or any Owner, or such Owner's tenant or such Owner's (or tenant's) household, guests, agents and invitees, or of any member, officer or employee of the Executive Board or the managing agent without a prior demand in writing that the Board or the managing agent cure the defect and neither shall have so cured such defect within a reasonable time after such demand; and

(f) Such policy may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Executive Board or the managing agent.

(3) All policies of insurance shall be written by reputable companies licensed or qualified to do business in North Carolina.

(4) The deductible (if any) on any insurance policy purchased by the Executive Board shall be a Common Expense; provided, however, that the Association may, assess any deductible amount necessitated by the act, misuse or neglect of an Owner, or such Owner's tenant or such Owner's (or tenant's) household, guests, agents or invitees against such Owner.

(5) The Declarant, so long as the Declarant shall own any Lot, shall be protected by all such policies as an Owner.

(6) If the insurance described in subsection (1) above is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent pre-paid by United States mail to all Owners.

Section 10.2. Other Insurance. The Executive Board shall obtain and maintain:

(1) adequate fidelity coverage to protect against dishonest acts on the part of directors, Officers, trustees and employees of the Association and all others who handle, or are

responsible for handling funds of the Association, including the managing agent. If the Association has delegated some or all of the responsibility for handling funds to a managing agent, such managing agent shall be covered by its own fidelity bond. Such fidelity bonds (except for fidelity bonds obtained by the managing agent for its own personnel) shall: (i) name the Association as an obligee, and (ii) contain waivers of any defense based upon the exclusion of Persons who serve without compensation from any definition of "employee" or similar expression;

(2) if required by a majority of the Mortgagees or governmental regulations, flood insurance in accordance with the applicable regulations for such coverage;

(3) workers' compensation insurance if and to the extent necessary to meet the requirements of law (including a voluntary employees endorsement and an "all states" endorsement);

(4) to the extent coverage can be obtained at a reasonable cost, directors and officers liability insurance in an amount not less than One Million and No/100 Dollars (\$1,000,000.00); and

(5) such other insurance: (i) as the Executive Board may determine; (ii) as may be required with respect to the Additional Property by any amendment to this Declaration adding such Additional Property; or (iii) as may be requested from time to time by a Majority Vote of the members.

Section 10.3. Separate Insurance on Lots.

(1) Each member or Owner shall have the right to obtain insurance for such member's or Owner's benefit, at such member's or Owner's expense, covering the personal property located on such Owner's Lot or the Lot owned or maintained by such member. No member or Owner shall acquire or maintain insurance coverage on the Common Areas on the Lots and improvements on the Lots insured by the Association so as: (i) to decrease the amount which the Executive Board may realize under any insurance policy maintained by the Board or (ii) to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by a member or Owner. No member or Owner shall obtain separate insurance policies on the Common Areas owned by the Association.

(2) Members and Owners may be required to obtain certain insurance coverages with respect to Additional Property in amendments to this Declaration adding such Additional Property.

ARTICLE 11

COMPLIANCE AND DEFAULT

Section 11.1. Relief. Each Owner shall comply with all of the terms of the Association Documents. For the purpose of determining an Owner's liability for the violation of any provision of the Association Documents or for an act or omission of such Owner, each Owner is responsible for the acts or omissions of such Owner's (or tenant's) household, guests, agents or invitees, a default by an Owner shall entitle the Association, acting through its Executive Board or through the managing agent, to the following relief.

(1) Additional Relief.

(a) Each Owner shall be liable to the Association or to any affected member or Owner for the expense of all Upkeep rendered necessary by such Owner's act or omission regardless of negligence or culpability, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Executive Board. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs including, without limitation, legal fees incurred as a result of a failure to comply with the Association Documents by any Owner may be assessed against such Owner's Lot.

(b) If a new Owner does not give the Secretary written notice stating the name and address of the new Owner and the number or address of the Lot within thirty (30) days after acquiring title to such Lot, pursuant to Section 1.3 hereof, then reasonable record keeping costs incurred by the Association, as determined by the Executive Board, may be assessed against such Owner. The Board may set or change the amount of such assessment from time to time. Such assessment shall be a lien against such Owner's Lot as provided in Section 11.2 hereof.

(2) Costs and Attorneys' Fees. In any proceedings arising out of any alleged default or violation of the Association Documents by an Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be determined by the Court.

(3) No Waiver of Rights. The failure of the Association, the Executive Board or of a member or Owner to enforce any right, provision, covenant or condition which may be granted by the Association Documents shall not constitute a waiver of the right of the Association, the Board or any member or Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Executive Board or any member or Owner pursuant to any term, provision, covenant or condition of the Association Documents shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Association Documents, at law or in equity.

(4) Interest. In the event of a default by any Owner in paying any sum assessed against such Owner's Lot which continues for a period in excess of fifteen (15) days, interest from the due date at a reasonable rate may be imposed in the discretion of the Executive Board on the total amount unpaid from the date due until paid. The interest which may be imposed by the Executive Board shall be in addition to a late charge permitted under Section 6.5.

(5) Abating and Enjoining Violations. The violation of any of the Rules and Regulations adopted by the Executive Board or the breach of any other provision of the Association Documents shall give the Executive Board the right, in addition to any other rights set forth in the Association Documents: (a) to enter the portion of the Property on which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner or member, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of the Association Documents, and the Board shall not thereby be deemed guilty in any manner of trespass; (b) to use self-help to remove or cure any violation of the Association Documents on the Property (including without limitation the towing of vehicles); or (c) to enjoin, abate or remedy by appropriate legal proceedings, either at law or

in equity, the continuance of any such breach; provided, however, that before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.

(6) Legal Proceedings. Failure to comply with any of the terms of the Association Documents shall be grounds for relief, including without limitation an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in the Association Documents and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Executive Board, the managing agent, or, if appropriate, by any aggrieved Owner or member and shall not constitute an election of remedies.

(7) Other Remedies. The Executive Board may suspend an Owner's voting rights pursuant to the Bylaws. The Board may impose reasonable fines and take action permitted by the Act and specifically set forth in this Declaration for violations of the Association Documents and matters set forth in this Section. The Board may also suspend the right of an Owner or the resident, and the right of such Person's household, guests, tenants, agent and invitees, to use the Common Areas for any violation of any provision of any of the Association Documents or for any period during which any assessment against an Owner's Lot remains unpaid; provided, however, that the Association shall not suspend the right to use the private streets and roadways for both vehicular and pedestrian ingress and egress to and from such Owner's Lot and for parking or to use the Common Areas for necessary, ordinary and reasonable pedestrian ingress and egress to and from such Owner's Lot, or to suspend any easement over the Common Areas for storm water drainage, electricity, water, sanitary sewer, natural gas, television reception, telephone service or similar utilities and services to the Lots. Charges are special assessments and shall be collectible as such and shall also constitute a lien against an Owner's Lot in accordance with Section 12.2 hereof.

(8) Due Process. The Executive Board, before imposing any fine, charge or before taking any action permitted under this Section 11.1 or as may otherwise be permitted herein or under the Act, other than the remedies enumerated in subsection (5) above, shall afford such Owner the right to a hearing as set forth in Article 16 of this Declaration.

Section 11.2. Lien for Assessments.

(1) Lien. The total annual assessment of each Owner for Common Expenses, any additional assessment, any special assessment or any other sum duly levied (including without limitation fines, charges, interest, late charges, etc.), pursuant to the Association Documents, is hereby declared to be a lien levied against any Lot owned by any Owner. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. With respect to annual assessments, the lien is effective on the first day of each fiscal year of the Association and, as to additional assessments, special assessments and other sums duly levied, on the first day of the next payment period which begins more than fifteen (15) days after the date of notice to the Owner of such additional assessment, special assessment or levy. The Board or the managing agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien. The lien created by this section shall be prior to all liens and encumbrances hereafter recorded except a first mortgage or first deed of trust held by a Mortgagee, real estate taxes and other charges levied by governmental authority and made superior by law. The personal obligation of the Owner to pay such assessment shall, in addition, remain such Owner's personal obligation and a suit to recover a money judgment for non-payment of any assessment or installation thereof, levied pursuant hereto, may be maintained without foreclosing or waiving the lien herein created to secure the same.

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

(3) Enforcement. The lien for assessments may be enforced and foreclosed in any manner permitted by the laws of North Carolina for foreclosure of mortgages or deeds of trust containing a power of sale or by an action in the name of the Executive Board, or the

managing agent, acting on behalf of the Association. During the pendency of any such action to enforce the Association lien, the Owner shall be required to pay a reasonable rental for the Lot for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of North Carolina. The Association shall have the power to bid on the Lot at foreclosure or other legal sales and to acquire, hold, lease, mortgage, convey or otherwise deal with such Lot.

(4) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 11.3. Subordination and Mortgage Protection. Notwithstanding any other provision hereof to the contrary, the lien of any assessment levied pursuant to the Association Documents upon any Lot (and any charges, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to foreclosure or any proceedings in lieu of foreclosure. Such sale or transfer shall not relieve the Mortgagee or the purchaser of the Lot at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE 12

MORTGAGES

Section 12.1. Notice to Executive Board. Upon request, an Owner who mortgages such Owner's Lot shall notify the Executive Board of the name and address of the Mortgagee. No Mortgage shall be entitled to any Mortgagee rights under the Association Documents unless such Mortgagee has notified the Board of its address as required by Section 13.2 below and has requested all rights under the Association Documents.

Section 12.2. Notices to Mortgagees. Any Mortgagee who desires notice from the Association shall notify the Secretary of the Association to that effect by certified or registered United States Mail. Any such notice shall contain the name and post office address of such Mortgagee and the name of the person to whom notices from the Association should be directed. The Executive Board shall notify Mortgagees of the following:

- (1) Any default of an Owner of a Lot, upon which the Mortgagee has a Mortgage, in paying assessments for Common Expenses (which remains uncured for sixty (60) days) or any other default, simultaneously with the notice sent to the defaulting Owner;
- (2) Any casualty, if required by Article 10 hereof;
- (3) All actions taken by the Association with respect to reconstruction of the Common Areas or a Lot upon which the Mortgagee has a Mortgage;
- (4) Any lapse in any insurance policy held by the Association;
- (5) Any taking in condemnation or by eminent domain of the Common Areas and the actions of the Association pursuant to Article 13 hereof;
- (6) Any proposal to terminate the Declaration at least sixty (60) days before any action is taken to terminate; and
- (7) Any proposal to amend materially the Articles of Incorporation, this Declaration or the Bylaws, at least seven (7) days before any action is taken.

Section 12.3. Other Rights of Mortgagees. All Mortgagees or their representatives shall have the right to receive notice of and to attend and to speak at meetings of the Association. All such Mortgagees shall have the right to examine the Association Documents and books and records of the Association and to require the submission of annual financial reports and other budgetary information. Upon payment of reasonable costs incurred by the Association, any Mortgagee who makes a request shall be entitled to a copy of any financial statement provided to members for the preceding fiscal year of the Association.

ARTICLE 13

INTENTIONALLY DELETED

ARTICLE 14
AMENDMENT

Section 14.1. Amendment by the Declarant. During the Development Period, the Declarant may amend any provision of this Declaration to: (1) make non-material changes; and (2) satisfy the requirements of any government, governmental agency, including, without limitation, the Veterans Administration, Federal Housing Administration, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation or Mortgagee.

Section 14.2. Amendment by the Association.

(1) Subject to Section 14.3 hereof, the Association may amend this Declaration by at least a sixty-seven percent (67%) vote of all classes of the members.

(2) An amendment shall not be effective until certified by the President as to compliance with the procedures set forth herein, executed and acknowledged by the President and attested by the Secretary or Assistant Secretary of the Association, and recorded in the office of the Register of Deeds of Pender County.

Section 14.3. Prerequisites. Written notice of any proposed amendment under Section 14.2 shall be sent to every member and Owner at least thirty (30) days before any action is taken. No amendment shall be made to the Declaration during the Development Period without the prior written consent of the Declarant. No amendment shall increase the financial obligations of an Owner in a discriminatory manner or further restrict development permitted on a Lot. No amendment to the Declaration shall diminish or impair the rights of the Declarant, including voting or veto rights, under the Declaration without the prior written consent of the Declarant. No amendment may modify this Article or the rights of any Person hereunder. Except as specifically provided in the Declaration shall be construed to grant to any Owner or to any other Person any priority over any rights of Mortgagees.

ARTICLE 15
PARTY WALLS

Section 15.1. Beale's Rule; Laws of North Carolina to Apply; Easement. All matters arising in connection with any wall which would constitute a party wall at common law shall, to the extent consistent with the provisions of this Article, be subject to Beale's Rule and the common law of North Carolina as modified by statute from time to time and as modified by

this Article. If the centerline of a party wall now or hereafter fails to coincide with the boundary between the Lots it serves, an easement for any resulting encroachment is granted in accordance with Section 3.4 and 3.5 hereof.

Section 15.2. Upkeep. The Owners of Lots served by a party wall shall provide for the Upkeep of party walls and shall share equally the cost of their Upkeep except as otherwise provided in this Article. No Owner shall impair the structural integrity of any party wall nor diminish the fire protection afforded by any party wall.

Section 15.3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, the following procedures shall be followed in order to restore such party wall.

(1) Either Owner served by the party wall shall notify the other Owner served by the party wall of any proposal to repair the wall. If within ten (10) days after such notice (or in an emergency, within twenty-four (24) hours after such notice or a bona fide attempt to give such notice) the other Owner has not responded to the notice, then the Owner giving notice may proceed with the repairs. Such repairs must be substantially similar to the original construction and installation and of first class quality, but may be made with contemporary materials.

(2) If the other Owner served by the party wall responds to the notice, the Owners shall act together to repair the party wall. If the Owners are unable to agree upon the action to be taken, they shall submit the issue to arbitration in accordance with Section 17.5 hereof.

(3) If any Owner restores a party wall in accordance with this section, then the other Owner shall contribute one-half (1/2) of the cost thereof. An Owner may, however, demand a larger contribution from the other Owner or refuse to contribute one-half (1/2) of such costs, under any rule of law or equity regarding liability for negligent or willful acts or omissions.

(4) To the extent that any failure to repair a party wall affects the use and enjoyment of the Common Areas, the Association may participate in the repair of the party wall and, in an emergency situation threatening life or property, make such repair without notice to the Owners. The Association may assess the cost of such repair against the Owners responsible for the damage or benefiting from the repair pursuant to Subsection 11.1(1) hereof.

Section 15.4. Liability. Any Owner who by a negligent or willful act or omission causes or permits a party wall to be damaged shall pay the cost of restoring such party wall to its condition prior to such damage.

Section 15.5. Arbitration. In the event of any dispute between Owners concerning a party wall, the Owners on each side shall select one arbitrator, and the arbitrators thus selected shall select one additional arbitrator. Arbitrators shall be qualified by experience and education to serve as such. Once selected, the arbitrators shall promptly agree upon and notify the parties of the discovery procedures and rules of evidence to be used in the arbitration. The arbitrators shall be requested to reach a decision within twenty (20) days after their appointment. The decision of a majority of the arbitrators shall bind the Owners and their successors in interest. The cost of arbitration shall be paid by the losing party unless the arbitrators determine that the cost should be otherwise allocated between the parties, in which case that allocation shall be binding.

Section 15.6. Fences and Other Barriers. The provisions of this Article pertaining to party walls shall also govern any fence, other barrier or shared improvement the Upkeep of which is not provided by the Association pursuant to Section 7.1 and to any replacement thereof authorized by the Architectural Committee.

Section 15.7. Right to Contribution Runs with Land. Rights and duties of contribution set forth in this Article and any such rights and duties arising under the laws of North Carolina shall run with the land and bind successors in interest. This Article shall not prejudice any right of a successor in interest to recover any amount from a predecessor in title for which such predecessor was liable. Any rights or contribution set forth in this Article shall constitute a lien in favor of any Owner entitled to contribution against any Owner obligated to pay such contribution. Until fully paid and satisfied, the lien shall apply to and encumber all of the Lots that were owned, as of the date when payment was due, by the Owner from whom payment was due, and shall also apply to and encumber any and all Lots thereafter acquired by that Owner from the time such Owner becomes the Owner thereof. The lien created by this section shall be prior to all liens and encumbrances, except mortgages, real estate taxes and other charges levied by governmental authority made superior by law and the Association's lien established pursuant to Section 11.2 hereof.

ARTICLE 16

HEARING PROCEDURES

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

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months following such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate shall serve the violator with a written notice of a hearing to be held by the Covenants Committee if such committee is appointed, and if not the Executive Board of the Association in executive session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall not be less than ten (10) days from the giving of the notice; (iii) an invitation to attend the meeting and produce any statement, evidence and witness on his or her behalf; and (iv) the proposed sanction to be imposed. The notice prescribed herein may be served by mailing a copy of said notice to the alleged violator by placing said notice in the United States mail, postage prepaid, by any method as permitted for the service of summons as set forth in Rule 4 of the North Carolina Rules of Civil Procedure or by the delivery of said notice by an officer, director or agent of the Association to the alleged violator or to any person who may be served on the alleged violator's behalf as provided in said Rule 4.

(c) Hearing. The hearing shall be held in executive session of the Executive Board pursuant to the notice affording the member a reasonable opportunity to be

heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. In addition, a written statement of the results of the hearing and the sanction, if any, imposed shall be mailed by the United States mail, postage prepaid, by the Association to the violator.

(d) Sanction as Assessment. Pursuant to the provisions of this Section, a fine may be imposed by the Association is an amount not exceeding One Hundred Fifty and No/100 Dollars (\$150.00) (or as may be provided otherwise by law) per violation of the Association Documents and without further hearing, for each day after the decision to impose such fine that the violation occurs. Any such fine shall be an assessment as set forth in North Carolina General Statutes Section 47F-3-107(d). If it is decided pursuant to the provisions of this Section that a suspension of privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured.

ARTICLE 17

TRANSFER OF PERMIT AND RESPONSIBILITIES

The Declarant shall, at its sole cost and expense, initially construct all Stormwater Management Facilities required to be located upon the Common Areas or the Lots to the standards required by the Permit. Upon completion of the initial construction of said Stormwater Management Facilities, Declarant shall transfer the Permit and Declarant's responsibilities under the Permit to the Association and the Association shall accept such transfer. Transfers of any such Permit shall occur upon the earlier to occur of (i) the date the North Carolina Department of Environment and Natural Resources allows the transfer of the Permit to occur; or, (ii) the date after which at least fifty percent (50%) of the Lots therein are conveyed to Owners other than Declarant.

Prior to any such transfer of the Permit, the Stormwater Management Facilities for the Property shall be certified to the Association and the State of North Carolina, either by

state inspection or by a licensed engineer, as being in compliance with the applicable Permit prior to such assignment or transfer.

The Association shall indemnify and hold Declarant harmless from any loss, cost, claim, fee, fine, suit, damage or expense, including reasonable attorneys' fees, incurred by Declarant in the defense of any action against Declarant as the responsible party under the Permit from and after the date Declarant tenders transfer of its responsibilities under the Permit. The Association shall indemnify and hold Declarant harmless from any loss, cost, claim, fee, fine suit, damage or expense, including reasonable attorneys' fees, incurred by Declarant in the defense of any action against Declarant as holder of the Permit from and after the date Declarant tenders transfer of the Permit to the Association following the approval of such transfer by the North Carolina Department of Environment and Natural Resources and the certification of compliance as set forth above. Further, Declarant may bring an action for specific performance of the obligations of the Association pursuant to this paragraph.

From and after the transfer of Declarant's responsibilities under the Permit to the Association, the oversight, supervision, management and administration of the Permit shall be the sole responsibility of the Association. The Association's duties with respect to the Permit shall be carried out in accordance with the terms and conditions of this Declaration, the Articles, the Bylaws, and the Permit.

The Association hereby is granted and conveyed an easement over, under and upon each Lot for the purpose of access to and inspection, maintenance, repair and replacement of all Stormwater Management Facilities and to enforce all requirements of the Permit.

ARTICLE 18

JOINDER OF TRUSTEES AND BENEFICIARIES

BB&T and BB&T Trustee and FNB and FNB Trustee join in the execution of this Declaration to consent to the terms of the same and subordinate the liens of any deeds of trust to the respective trustees for the benefit of BB&T and FNB encumbering the Property to the provisions of this Declaration.

BK2651PG214

IN TESTIMONY WHEREOF, Declarant has caused this Declaration to be executed under seal and in such form as to be legal and binding, effective the day in year first above written.

JERRY SCOTT LLC (SEAL)

By: [Signature] (SEAL)
Scott H. Cook, Manager

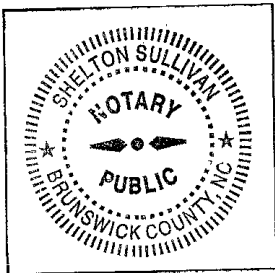
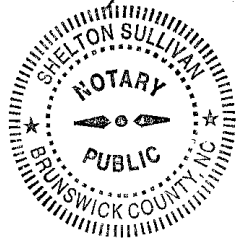
STATE OF NORTH CAROLINA
COUNTY OF ~~PENDER~~ Brunswick

I, Shelton Sullivan, a Notary Public in and for said County and State, do hereby certify that SCOTT H. COOK before me this day personally appeared, who being by me first duly sworn, says that he is a manager of JERRY SCOTT, LLC, the limited liability company described in and which executed the foregoing instrument; that he executed said instrument in the limited liability company name by subscribing his name thereto; and that the instrument is the act and deed of said limited liability company.

WITNESS my hand and notarial seal, this the 4th day of March, 2004

[Signature]
Notary Public

My Commission Expires:
8-27-05



Notary seal or stamp must appear within above box.

SOUTHERN HOME BUILDERS, INC.

By: *Jeffrey Hilton*
Vice President

STATE OF NORTH CAROLINA
COUNTY OF PENDER

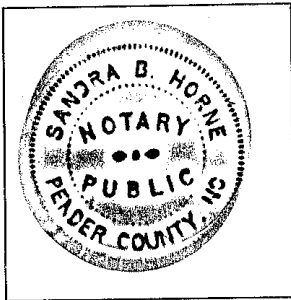
I, SANDRA B. HORNE, a Notary Public in and for said County and State, do hereby certify that JEFFREY HILTON personally came before me this day and acknowledged that he is the VICE President of SOUTHERN HOME BUILDERS, INC., a corporation, and that he, as VICE President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and notarial seal, this the 9TH day of ~~November~~ ^{DECEMBER}, 2004.

Sandra B Horne
Notary Public

My Commission Expires:

08/21/08



Notary seal or stamp must appear within above box.

SPECIFICALLY FOR "DECLARATION FOR PALMS
© BSLVBD02B"

KAMPSCHROEDER CONSTRUCTION, INC.

By: ED Kampschroeder
President

STATE OF NORTH CAROLINA
COUNTY OF New Hanover

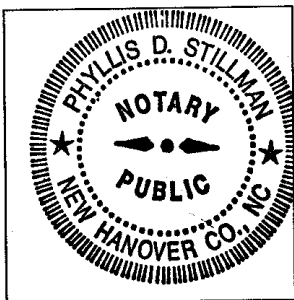
I, PHYLLIS D. STILLMAN, a Notary Public in and for said County and State, do hereby certify that ED KAMP SCHROEDER personally came before me this day and acknowledged that he is the _____ President of KAMPSCHROEDER CONSTRUCTION, INC., a corporation, and that he, as _____ President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and notarial seal, this the 10th day of November, 2004.

Phyllis D. Stillman
Notary Public

My Commission Expires:

7-9-07



Notary seal or stamp must appear within above box.

BRANCH BANKING AND TRUST COMPANY

By: [Signature]
S. Vice President

STATE OF NORTH CAROLINA
COUNTY OF New Hanover

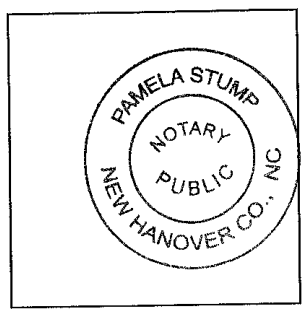
I, Camela Stump, a Notary Public in and
for said County and State, do hereby certify that Robert Boggs personally
appeared before me this day and acknowledged that he is Sr. Vice President of
BRANCH BANKING AND TRUST COMPANY, a corporation, and that he, as Sr. Vice
President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and notarial seal, this the 1 day of December, 2004.

Camela Stump
Notary Public

My Commission Expires:

3-4-2007



Notary seal or stamp must appear within above box.

BB&T COLLATERAL SERVICE CORPORATION,
TRUSTEE

By: [Signature] President

STATE OF NORTH CAROLINA
COUNTY OF New Hanover

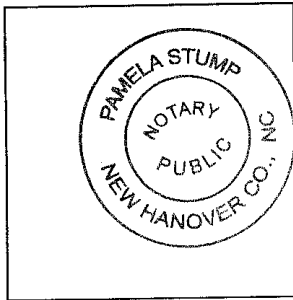
I, Pamela Stump, a Notary Public in and
for said County and State, do hereby certify that C. Phillip Marion, Jr. personally
appeared before me this day and acknowledged that he is SR. Vice President of
BB&T COLLATERAL SERVICE CORPORATION a corporation, trustee, and that he, as
SR. Vice President being authorized to do so, executed the foregoing on behalf of the
corporation.

WITNESS my hand and notarial seal, this the 1 day of December ~~November~~, 2004.

[Signature]
Notary Public

My Commission Expires:

3-4-2007



Notary seal or stamp must appear within above box.

FNB SOUTHEAST

By: Charles E. Ruffin III
VICE President

STATE OF NORTH CAROLINA
COUNTY OF New Hanover

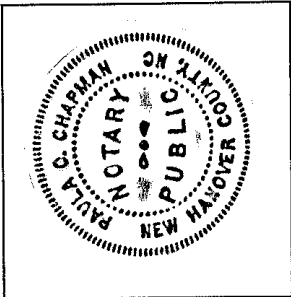
I, Paula O. Chapman, a Notary Public in and for said County and State, do hereby certify that Charles E. Ruffin III personally appeared before me this day and acknowledged that he is Vice President of FNB SOUTHEAST, and that he, as Vice President being authorized to do so, executed the foregoing on behalf of the corporation.

WITNESS my hand and notarial seal, this the 6th day of April, ~~2004~~ 2005.

Paula O. Chapman
Notary Public

My Commission Expires:

8-4-08



Notary seal or stamp must appear within above box.

Paul McCombie (SEAL)
Paul McCombie, Substitute Trustee

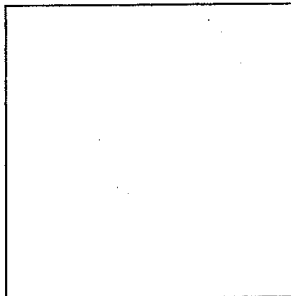
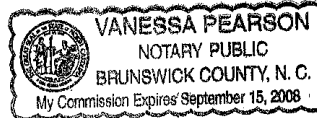
STATE OF NORTH CAROLINA
COUNTY OF Brunswick

I, Vanessa Pearson, a Notary Public in and for
said County and State, do hereby certify that PAUL MCCOMBIE, Sub. Trustee, personally
appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal, this the 6th day of April, 2005
~~November, 2004.~~

Vanessa Pearson
Notary Public

My Commission Expires:
9-15-08



Notary seal or stamp must appear within above box.

NORTH CAROLINA - PENDER COUNTY: The foregoing
(or annexed) certificate of * Shelton Sullivan, is
certified to be correct. This 3 day of May, A.D. 2005
JOYCE M. SWICEGOOD - Pender County Register of Deeds
By: Ang Johnson Deputy/Assistant
Register of Deeds

* Sandra B. Horne
Phyllis D. Stillman
Pamela Stump
Paula O. Chapman
Vanessa Pearson