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Crystal D. Orum, Registrar of Deeds
Union County, Monroe, North Carolina
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STATE OF NORTH CAROLINA
COUNTY OF UNION

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CHARLES TOWN TOWNHOMES AT BREKONRIDGE**

THIS DECLARATION is made this 17 day of January, 2006, by, CRAFT DEVELOPMENT, LLC, a North Carolina limited Liability Company (hereinafter referred to as the "Declarant");

WITNESSETH:

WHEREAS, Declarant is the owner of the real property shown on the map of CHARLES TOWN TOWNHOMES AT BREKONRIDGE recorded in Plat Cabinet J, File 71 and 72 in the Union County Public Registry, which real property is more particularly described in Article II below, and desires to create thereon an exclusive residential community of multi-family attached residential lots to be named CHARLES TOWN; and

WHEREAS, Declarant desires to insure the attractiveness of the community, to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all property within the community and to provide for the maintenance and upkeep of the exterior of all residential lots, including the area of a Lot outside the residential portion and the Common Elements, as hereinafter defined; and Declarant reserves the right to complete improvements indicated on the plats and plans filed with this Declaration and to these ends desires to subject the real property described in Article 11 to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the property described below and each owner thereof; and

WHEREAS, the Declarant has deemed it desirable, for the efficient preservation, protection and enhancement of the values and amenities in the community and to insure the residents' enjoyment of the specific rights, privileges and easements in the Common Elements, to provide for the maintenance and upkeep of the

exterior of all residential lots, including the area of a Lot outside the residential lot with the exception of the rear courtyard of each such Lot, and the Common Elements as hereinafter set forth, and to create an organization to which will be delegated and assigned the power of owning, maintaining and administering the Common Elements, and maintaining the exterior of the residential lots, and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, Declarant has incorporated under North Carolina law CHARLES TOWN TOWNHOMES HOMEOWNERS ASSOCIATION, INC. as a non-profit corporation for the purpose of exercising and performing the aforesaid functions;

NOW, THEREFORE, Declarant, by this Declaration of Covenants, Conditions and Restrictions, does declare that all of the property shown on the aforesaid map of CHARLES TOWN and described in Article II is and shall be held, sold and conveyed subject to the easements, restrictions, covenants and conditions, charges and liens set forth in this Declaration, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and shall be binding on all parties having any right, title or interest in the described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I **DEFINITIONS**

Section 1. "Association" shall mean and refer to CHARLES TOWN TOWNHOMES HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and/or assigns, whose Articles of Incorporation are attached hereto as Exhibit "A". The By-laws of said Association are attached hereto as Exhibit "B".

Section 2. "Executive Board" shall mean and refer to the Board of Directors of the Association, also referred to as the "Board".

Section 3. "Common Elements" shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners. The Common Elements are shown on the various plats of CHARLES TOWN recorded or to be recorded in the Union County Public Registry, also designated thereon as "Open Space."

Section 4. "Declarant" shall mean and refer to CRAFT DEVELOPMENT, LLC, a North Carolina Limited Liability Company, its successors and assigns, if such successors or assigns should acquire all of Declarant's interest in the Property.

Section 5. "Lot" shall mean and refer to any plot of land, with delineated boundary liens appearing on any recorded subdivision map of the Property with the exception of any Common Elements and shall include all improvements thereon.

Section 6. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 7. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of

a fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having any interest merely as security for the performance of an obligation.

Section 8. "Property" shall mean and refer to the real property described in Article II hereof.

Section 9. "Special Declarant Rights" shall mean rights reserved for the benefit of the Declarant, including, but not limited to, all rights referenced in NCCGS Chapter 47F-1-103(28) and the right to complete improvements indicated on plats and plans filed with the Declaration and add additional phases which shall be subject to this Declaration as provided for herein.

Other terms not specifically defined herein shall have the meanings given to them under the North Carolina Planned Community Act, Chapter 47F, of the North Carolina General Statutes.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

The property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration and within the jurisdiction for the Association is located in Union County, North Carolina, and is described as follows:

BEING all of the property shown on the map recorded in Plat Cabinet J, Files 71 and 72 in the Union County Public Registry.

In addition, Declarant reserves the right to add additional property which must adjoin property already subject to this Declaration to the provisions of this Declaration.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

Section 2. Voting and Voting Rights. The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be two (2) classes of Lots with respect to voting rights:

Class A Lots. Class A Lots shall be all Lots except Class B Lots as the same is hereinafter defined. Each Class A Lot shall entitle the Owner(s) of said Lots to one (1) vote. When more than one person holds an interest in any Lot, all such persons shall be Members. However, the vote for such Lot shall be exercised as the Owners thereof among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one (1) Class A Lot.

Class B Lots. Class B Lots shall be all Lots owned by Declarant which have not been converted to Class A Lots as provided in (a) or (b) below. The Declarant shall be entitled to three (3) votes for each Class B Lot owned by it. The Class B Lots shall cease and be converted to Class A Lots on the happening of either of the following events, whichever occurs earlier:

- (a) When the total number of votes appurtenant to the Class A Lots equals the total number of votes appurtenant to the Class B Lots; or
- (b) On December 31, 2008;

Section 3. Suspension of Voting Rights. Voting rights attributable to an ownership interest in a Lot shall be suspended throughout the term of any default under the By-laws of the Association or of this Declaration by an Owner of such Lots.

Section 4. Control by Declarant. Notwithstanding any other language or provision to the contrary herein or in the Bylaws of the Association, Declarant hereby retains the right to appoint and remove any Members of the Board of Directors of the Association and any officer or officers of the Association until ninety (90) days after the first of the events to transpire outlined in Article III, Section 2 above, concerning the termination of the Class B Member status of Declarant or the surrender by Declarant of the authority to appoint and remove directors and officers by an express amendment to this Declaration executed and recorded by Declarant. Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such right shall automatically pass to the Owners, including Declarant, if Declarant then owns one or more Lots; and a special meeting of the Association shall be called for and held within ninety (90) days after the date of the expiration of Declarant's rights hereunder. At such special meeting the Owners shall elect a new Board of Directors which shall undertake the responsibilities of running the Association, and Declarant shall deliver the books, accounts, and records, if any, which Declarant has kept on behalf of the Association as well as any agreements or contracts executed by or on behalf of the Association which may still be in effect or operation. Each Owner, by acceptance of a deed to or other conveyance of a Lot, vests in Declarant such authority to appoint and remove directors and officers of the Association as provided in this Section.

ARTICLE IV **PROPERTY RIGHTS**

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to limit the use of the Common Elements to Owners who occupy a residence on the Property as their principal residence in Union County, North Carolina, and to their families, tenants, contract purchasers and guests as provided in Section 2 of this Article IV.

(b) The right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless the Members entitled to at least two-thirds of the votes appurtenant to each Class of Lots (Class A and Class B) agree to such dedication or transfer and signify their agreement by a signed and recorded, written document, provided that this paragraph shall not preclude the Association or Declarant from granting easements to public authorities or others for the installation and maintenance of electrical, telephone, cablevision, water and sewerage utilities and drainage facilities upon, over, under and across the Common Elements without the assent of the membership when, in the sole opinion of the Board or Declarant, such easements do not

interfere with the use and enjoyment of the Property or are necessary for the convenient use and enjoyment of the Property;

(c) The right of the Association to limit the number of guests of Members;

(d) The right of the Association to adopt, publish and enforce rules and regulations as provided in Article X;

(e) The right of the Association to enter any Lot in order to perform any maintenance, alteration or repair required herein to be performed by the Association, and the Owner of such Lot shall permit the Association or its representative to enter for such purpose at reasonable times and with reasonable advance notice;

(f) The right of the Association or its representative to enter any Lot in the case of any emergency threatening such Lot or any other Lot for the purpose of remedying or abating the cause of such emergency. Such right of entry shall be immediate.

Section 2. Delegation of Use.

(a) Family. The rights and easement of enjoyment granted to every Owner in Section I of this Article IV may be exercised by members of the Owner's family who occupy the residence of the Owner within the Property as their principal residence in Union County, North Carolina.

(b) Tenants or Contract Purchasers. The right and easement of enjoyment granted to every Owner in Section I of this Article V may be delegated from the Owner to his tenants or contract purchasers who occupy a residence within the Property, or a portion of said residence, as their principal residence in Union County, North Carolina.

(c) Guests. Recreational facilities situated upon the Property may be utilized by guests of Owners, tenants or contract purchasers subject to the rules and regulations of the Association, as may be established by its Board of Directors, governing said use.

ARTICLE V

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (a) annual assessments or charges; and (b) special assessments and charges, such assessments and charges to be established and collected as hereinafter provided. The annual and special assessments, together with interest, charges, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, charges, costs, late charges, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and in particular for the improvement and maintenance of the Common Elements and of the exterior of the dwellings and front yards of Lots and certain rear yards as hereinafter described, including the maintenance, cleaning, and reconstruction of private streets, driveways, walks, parking and walking paths situated on the Common Elements, such maintenance to include the cutting and removal of weeds and grass, the removal of trash and rubbish, or any other maintenance, and for the exterior maintenance of the residences, situated upon the Property as hereinafter provided, for the use and enjoyment of the Common Elements, including, but not limited to: the cost of repairs, replacements, and additions; the cost of labor, equipment, materials, management, and supervision; the payment of utility charges for water and sanitary sewer service and garbage collection service, if used and metered collectively, to each Lot as provided in Article VI, Section 1 herein; and the payment of taxes and public assessments assessed against the Common Elements. In addition, the assessment may be used for the procurement and maintenance of insurance in accordance with this Declaration; the employment of attorneys and accountants to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements, including, without limiting the generality of the foregoing, roofs, paving, landscaping control and supplies, administrative and management fees, and other major expenses for which the Association is responsible, and such other needs as may arise.

Section 3. Reserves. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Areas and those other portions of the Property which the Association may be obligated to maintain, including, but not limited to, the following: (i) the roofs of improvements on the lots; (ii) painting and maintenance of exterior improvements; (iii) streets, drives and parking lots; (iv) sewer and storm water changes and facilities. Such reserve funds are to be established out of the annual assessments. The Association in its discretion may maintain separate reserve funds for each such purpose, and such other purposes it may deem appropriate.

Section 4. Maximum Annual Assessment. The maximum annual assessment or charges for the calendar year beginning January 1, 2006, and for successive calendar years thereafter shall be established by the Board subject to this Article V. The Board shall adopt a proposed budget and fix the amount of the annual assessment as to each Lot for each calendar year at least thirty (30) days prior to January 1 of such calendar year, and the Association shall send written notice of the amount of the annual assessment and a summary of the proposed budget, as well as the amount of the payment due, to each Owner on or before January 5 of such calendar year. To the extent that the annual assessments or charges commence prior to the commencement of a calendar year, the Board shall adopt a proposed budget for the remainder of the then-current calendar year and fix the amount of the annual assessment within thirty (30) days after the conveyance of the first Lot by Declarant to an Owner other than Declarant, and shall send notice to each Owner as set forth above. To the extent required by North Carolina General Statutes 47F-3-103(c) or other applicable law, such notice shall include notice of a meeting of the Members to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. If such a meeting is required by North Carolina General Statutes 47F-3-103(c), or other applicable law, the Board of Directors shall set a date for a meeting of the Members to consider ratification of the budget to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all the lot owners in the association or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the lot owners shall be continued until such time as the lot owners ratify a subsequent budget proposed by the executive board.

Section 5. Special Assessment. In addition to the annual assessments or charges authorized above and subject to the provisions of Sections 2 and 3 of Article VII, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements or in connection with exterior maintenance, including fixtures and personal property related thereto. Any such assessment must be approved by 51% of the members at a duly called meeting to consider such special assessment.

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

Section 7. Uniform Rate of Assessment. Both annual and special assessments shall be fixed at a uniform rate for all Lots and shall be collected on a monthly basis.

Section 8. Date of Commencement of Annual Assessments; Due Dates. The annual assessments or charges provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the first Lot by Declarant to an Owner other than Declarant, a successor or assign of the Declarant, or another entity owned by the Declarant or its principals, or a Builder approved by the Declarant. There shall be no assessment for Class B lots. At least thirty (30) days before January 1 of each year, the Board of Directors shall fix the amount of the annual assessment against each Lot as set forth in Section 4 of this Article V; and in the event the Board elects not to fix such assessment rate as herein provided, the amount of the prior year's annual assessment shall be the fixed amount. Written notice of any change in the assessment rate shall be sent to every Owner. The due dates for the payment of annual and special assessments shall be established by the Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 9. Effect of Non-Payment of Assessments; Remedies of the Association. Any assessment not paid within fifteen (15) days after the due date shall be assessed a late charge in the amount of the greater of Twenty Dollars (\$20.00) per month or ten percent (10%) of any assessment installment unpaid, and the assessment with late charge shall bear interest from the due date at an annual rate determined from time to time by the Board, not to exceed maximum amount allowed by law. The Association, or its agent or representative, may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot to which the assessment related; and, in either event, interest and late charges, costs, charges, including but not limited to collection and administrative charges, and reasonable attorney's fees of any such action shall be added to the assessment to the extent allowed by law. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Elements or abandonment of his Lot.

Section 10. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the

assessments provided for herein shall be subordinate to the lien of any first or second mortgage or deed of trust on a Lot and to any ad valorem taxes for such Lot. Sale or transfer of any Lot shall not affect any assessment lien; however, the sale or transfer of any Lot which is subject to any mortgage or deed of trust pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to payments thereof which become due prior to such sale or transfer; provided, however, that the Board of Directors of the Association may in its sole discretion determine such unpaid assessments to be an annual assessment collectible from all Owners including the foreclosure sale purchaser. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. All Property dedicated to, and accepted by, a local public authority and all property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 12. Working Capital Fund. At the time of closing of the sale of each Lot, a sum of Five Hundred Dollars (\$500.00) for each Lot shall be collected from the purchaser of such Lot and transferred to the Association to be held as a Working Capital Fund. The purpose of said fund is to insure that the Association will have adequate cash available to meet unforeseen expenses, and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments. The Declarant shall not owe any mandatory annual assessments

ARTICLE VI MAINTENANCE

Section 1. Association's Responsibility. The Association shall maintain and keep in good repair the front yards of each Lot and the grass portion of any rear yards, provided access to such rear yards is given to the Association or its agents, along with the Common Elements and all improvements located thereon. The front yards shall be deemed all areas located in the front of any residence and in front of any gates located to the side of any residential building. All other areas shall be rear yards. This maintenance shall include, without limitation, maintenance, repair and replacement, subject to any insurance then in effect, of all landscaping and grass areas, driveways, sidewalks, walking paths or nature trails, and other improvements situated on the Common Elements. The Association shall maintain and keep in good repair all landscaping and grass areas within the front yards of lots, within the rear yards of each Lot to be maintained by the Owner, except as provided above. The Association shall maintain and keep in good repair all paved, gravel or concrete walkways, driveways, private roads, and parking areas; and all water, sewer, gas and electricity lines serving more than one (1) Lot, even though located partially or wholly within the boundaries of a Lot.

The Association shall provide all exterior maintenance upon Lot improvements as follows: paint, stain, repair and care for roof surfaces and roof systems, gutters and down spouts and all exterior building surfaces, including the painting and staining of entry doors and garage doors, but excluding repair and replacement of entry doors and garage doors and their appurtenant hardware, and further excluding all exterior glass, including windows and patio doors.

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family, or guests, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such Lot is subject. The Association is hereby granted an easement right of

access to go upon any Lot for performance of repairs or maintenance for which the Association is responsible hereunder.

Section 2. Owner's Responsibility. Except as provided in Section 1 of this Article above, all maintenance of the improvements on the Lot shall be the responsibility of the Owner thereof, including all rear yard maintenance, with the exception of the rear yards with grass as provided above. Each Owner shall maintain, repair and replace, at his expense, all interior portions of the improvements on his Lot which shall need repair, including bathroom and kitchen fixtures, light fixtures or other electrical or plumbing equipment, pipes and fittings serving an Owner's Lot. Further, each Owner shall repair, maintain and replace, at his own expense, when necessary, the heating and air conditioning systems servicing his dwelling, whether located on his Lot or the Common Elements adjacent to his Lot. Each Owner shall be responsible for interior pest control unless otherwise provided by the Association.

In the event that the Board of Directors of the Association determines that (a) any Owner has failed or refused to discharge properly his obligations with regard to the maintenance, repair or replacement of items for which he is responsible hereunder; or (b) that the need for maintenance, repair or replacement, which is the responsibility of the Association hereunder, is caused through the willful or negligent act of an Owner, his or her family, guests, lessees or invitees, and is not covered or paid for by insurance, in whole or in part, then the Association may perform the repair, replacement or maintenance and shall, except in the event of an emergency situation, give the Owner written notice of the Association's intent to provide such necessary maintenance, repair or replacement, at the Owner's sole cost and expense. The notice shall set forth with reasonable particularity the maintenance, repairs or replacement deemed necessary. The Owner shall have ten (10) days within which to complete such maintenance, repair or replacement; or, in the event that such maintenance, repair or replacement is not capable of completion within a ten (10) day period, to commence such work which shall be completed within a reasonable time. If any Owner does not comply with the provisions hereof, the Association may provide any such maintenance, repair or replacement at Owner's sole cost and expense, and all costs shall be added to and become a part of the assessment to which such Owner is subject and shall become a lien against the Lot.

Section 3. Management Agreement. The Association shall have the right to hire a management company to undertake any of its responsibilities set forth in the Declaration. However, any such management agreement shall be terminable by the Association without liability upon not more than ninety (90) days' notice to the other party.

ARTICLE VII PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Property and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. Subject to the provisions of Article V, Section 5, the cost of reasonable repair and maintenance for a party wall shall be shared in equal shares by the Owners of the two (2) adjoining Lots utilizing such wall.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and the Owner of the other Lot adjoining such wall shall contribute one-half of the cost of restoration thereof without prejudice to the right of any such Owner to call for a larger contribution from the other Owner under any rule of law regarding liability for negligent or willful acts or omission.

Section 4. Weather-Proofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE VIII ARCHITECTURAL CONTROL

No building, fence, signs, wall, statuary or other structure or improvements of any kind shall be commenced, erected or maintained upon any Lot or upon the Common Elements, nor shall any exterior addition to or change or alteration therein (including but not limited to, color or painting of the exterior and type of exterior finish) be made, including the erection of antennae, satellite dishes or disks, aerials, awnings, the placement of reflective or other material in the windows of a dwelling or other exterior attachment (including storm doors, garage doors, patio doors, entrance doors and all other doors), and poles and the installation of playground equipment, until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by an architectural committee composed of three (3) representatives appointed by the Board of Directors of the Association (said committee being hereinafter referred to as the "Architectural Control Committee"). Absent such approval, the proposed improvement may not be commenced.

Failure of the Architectural Control Committee to respond to proposed plans and specifications submitted by any Owner within thirty (30) days after such submittal shall be deemed approval by the Architectural Control Committee of the plans and specifications.

The vote of a majority of the members of the Architectural Control Committee shall be binding.

The Architectural Control Committee shall be subject to appointment by, and removal by, the Board from time to time, and shall report to and be ultimately responsible to the Board for its decisions.

In the event an Owner of any Lot in the Property shall make unauthorized changes to the premises and the improvements situated thereon in a manner unsatisfactory to the Board of Directors of the Association or the

Architectural Control Committee, the Association shall have the right, through its agents and employees, to enter upon said parcel and to repair, maintain and restore the Lot and the exterior of the buildings and any other improvements erected thereon to its original condition prior to unauthorized change. The cost of such exterior maintenance and all other costs, charges, or attorney's fees incurred in the enforcement of the rights under these provisions shall be added to and become a part of the assessments to which such Lot is subject. Any approval by the Board of Directors of the Association or the Architectural Control Committee shall be in accordance with the requirements set forth hereafter.

Listed hereinafter are guidelines which are not intended to be absolute and complete guidelines, but address certain critical areas which will be carefully considered by the Board in the approval or disapproval of an Owner's plans and specifications:

- (a) All storage areas and facilities must be screened and hidden from view.
- (b) Unless specifically otherwise approved in writing by the Committee, all structures constructed or placed on any Lot shall be built of substantially new materials and no used structures shall be relocated on any such Lot.
- (c) All structures approved by the Committee must be completed within one (1) year after the receipt of such approval; provided, however, the Committee may waive this requirement if construction delays have been caused by strikes, war, fire, acts of God or other events which render the completion of construction within such time impossible.
- (d) Allowed Exterior Materials Interior Requirements, and Landscaping:
 - (1) Exterior materials shall be brick, stucco, stone fiber cement or masonry or as approved by the Board. No metal siding will be allowed, unless otherwise approved by the Board.
 - (2) Brick Type: A brick sample must be submitted for approval to the Board prior to the ordering of brick for the construction of any residence.
 - (3) Stone: Approved Stone color, with natural color mortar joints, is required.
 - (4) Exterior Colors: All exterior colors (brick, roof, paint, stain, etc.) must be submitted to the Board prior to application.
 - (5) Landscaping: Landscaping must be completed no later than thirty (30) days after final inspection by building inspector or prior to occupancy, whichever is sooner, unless an extension has been granted by the Board.
 - (6) All driveways, turning areas and parking areas shall be paved and must be completed prior to the occupancy of any dwelling on the Lot. If any driveway is to cross a drainage ditch, the Owner will be required to install, at his own expense all necessary culverts and coverings prior to the commencement of any other construction on the Lot. The installation of the culvert and any covering must be approved by the Committee and by any local, state, or other governing agency or authority. All driveway and walkway surfaces must be paved concrete finished.

(7) All allowed fencing materials shall be submitted to the Committee for approval as to type, color, design, height, spacing, and proposed location.

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

ARTICLE IX INSURANCE

Section 1. Insurance coverage on the property shall be governed by the following provisions:

(a) Ownership of Policies. All insurance policies upon the Properties, including hazard insurance, shall be purchased by the Association for the benefit of all the Association and the Owners and their mortgagees as their interest may appear, and provisions shall be made for the issuance of certificate of mortgagee endorsements to the mortgagees of Owners. Owners may, at their option, obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expenses and such other coverage as they may desire.

(b) Coverage. All buildings and improvements upon the land, including but not limited to, all interior improvements, such as interior walls, finishes, fixtures, equipment, built-in appliances, cabinets, uplifts, and upgrades and all personal property of the Association included in the Common Elements and facilities shall be insured in an amount equal to 100% insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

- (i) Loss or damage by fire and other hazards covered by a master policy with appropriate riders and extended coverage, including vandalism and malicious mischief;
- (ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land; and
- (iii) Such policies shall contain clauses providing for waiver of subrogation.

(c) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group or entity to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.

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

(e) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the owners and their mortgagees, as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purpose stated herein or stated in the By-Laws and for the benefit of the Owners

and their mortgagees in the following shares:

- (i) Proceeds on account of damage to Common Elements and facilities are to be held for the Association;
- (ii) Proceeds on account of damage to Lots shall be held in undivided shares for the Owners of damaged Lots in proportion to the cost of repairing the drainage suffered by each Owner, which cost shall be determined by the Association; and
- (iii) In the event a mortgagee endorsement has been issued for any Lot, the share of the Owners shall be held in trust for the mortgagee and the Owners as their interests may appear.

(f) Subrogation. Each insurer shall waive its right to subrogation under any policy maintained pursuant to this Section 2 against any Owner or member of Owner's household.

(g) Act or Omission of Owner. No act or omission of any Owner, unless such Owner is acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under any of the policies maintained pursuant to this Section 1.

(h) Other Insurance. If at the time of a loss there is other insurance in the name of an Owner covering the same risk covered by the Association's policy, the Association's policy shall provide primary insurance.

(I) Issuance of Certificates, Cancellation. Any insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurer issuing an insurance policy under this Section 1 may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

Section 2. Distribution of Insurance Proceeds. Proceeds of insurance policies received by the Association as insurance trustee shall be distributed in the following manner:

(a) Expense of the Trust. All expenses of the insurance trustee shall be first paid or provisions made therefor,

(b) Reconstruction or Repair. The remaining proceeds shall be paid to defray the cost of repairs to the buildings and improvements located upon the land or the lots and the Common Elements and, if applicable, due to insured casualty occurring on the Common Elements, proceeds on account of damage to Lots shall be paid to defray the cost of repair to the Lots. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Owners as provided above.

Section 3. Fidelity Insurance or Bond. All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust, excluding the Declarant, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments, plus reserves accumulated.

Section 4. Obligation to Rebuild. Should any portion of a townhouse lot be damaged or destroyed, the Owner of such lot shall repair or replace it promptly in accordance with the original construction plans and specifications unless (i) this Declaration is terminated; or (ii) repair or replacement would be illegal under any state or local health, environmental or safety statute or ordinance. The cost of repair or replacement of any townhouse lot, or of any other improvements on a Lot, in excess of the proceeds of insurance, is the sole responsibility of the Owner of such damaged townhouse lot and other improvements. Any portion of the Common Elements which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) this Declaration is terminated; (ii) repair or replacement would be illegal under any state or local health, environmental or safety statute or ordinance; or (iii) each class of Owners decides at a duly called meeting not to rebuild by an eighty percent (80%) or more vote apportioned to each class of Lots. The cost of repair or replacement of Common Elements in excess of insurance proceeds and reserves is a common expense. If any portion of the Common Elements is not repaired or replaced, (i) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Property; and (ii) the remainder of the proceeds shall be retained by the Association as part of its reserve fund.

ARTICLE X

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Lots and Common Elements subject to this Declaration, including but not limited to, regulations regarding the usage of the front yard space of each Lot. Such rules and regulations may provide for imposition of fines or penalties, said penalties to include but not be limited to revocation of a Members rights to use Common Areas and or vote in Association matters, for the violation thereof or for the violation of any of the covenants and conditions contained in this Declaration.

Section 2. Antennas/Satellite Dishes. No outside radio or transmission tower or receiving antenna, including a satellite dish antenna, and no outdoor television antenna or satellite dish may be erected or installed by an Owner without the prior approval of the Board or the Architectural Control Committee.

Section 3. Restrictions on Use. The Lots shall be occupied and used by Owners for residential purposes only and no trade or business may be conducted in or from any Lot, except that an Owner residing in a dwelling on a Lot may conduct business activities within the dwelling as long as:

- (a) The existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the dwelling;
- (b) The business activity conforms to all zoning requirements for the Property;
- (c) The business activity does not involve persons coming onto the Property who do not reside in the Property or door to door solicitation of residents of the Property;
- (d) The business activity is consistent with the residential character of the Property and does not constitute a nuisance, a hazardous or offensive use or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board of Directors of the Association.

The term "business" and "trade" as used in this Section shall be construed to have the ordinary, generally accepted meanings and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether:

- (i) such activity is engaged in full or part time;
- (ii) such activity is intended or does generate a profit;
- (iii) a license is required therefore;
- (iv) such activity causes an increase in traffic flow; or
- (iv) such activity involves visitation of clients to the unit;

This section shall not apply to any activity conducted by the Declarant with respect to its development and sale of the Property or its use of any Lots which it owns within the Property.

The foregoing provisions of this Section or any other provision of this Declaration notwithstanding, Declarant shall have an easement to maintain sales offices and models for sales of Lots throughout the Property. Declarant shall have the right to relocate, and to discontinue and reestablish sales offices and models within the Property from time to time until all of the Lots have been conveyed to Owners other than Declarant. Declarant also shall have the right to change use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales offices or models.

Declarant shall also have an easement to maintain signs on the Common Elements advertising the Property until all of the Lots have been conveyed to Owners other than Declarant.

Section 4. Nuisances. No activity deemed noxious or offensive by the Board of Directors shall be carried on upon any Lot or within the Common Elements, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood as determined by said Board of Directors. Examples of such offensive activities shall include, but not be limited to, the origination or emission of any loud or disturbing noise or vibrations, the maintenance of an auto repair site, the maintenance of unsightly outdoor storage of personal property (including toys, motorcycles or other motor vehicles, tricycles, bicycles, wood piles or other miscellaneous items) on porches, patios, terraces or yards, or similar unsightly activity not in keeping with the aesthetic character and high level of appearance of the community. Garage doors shall remain closed at all times except when in use. The Architectural Control Committee, with the approval of the Board of Directors of the Association, may establish reasonable rules and regulations for enforcing the provisions of this Section 5.

No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained, provided that they are not kept or maintained for commercial purposes. The number of household pets generally considered to be indoor pets such as dogs and cats shall not exceed two (2) in number, except for newborn offspring of such household pets which are under nine (9) months in age. Notwithstanding the foregoing, pit bulls, rottweilers, german shepherds, dobermans, chow chows, or any other dog having dangerous propensities as determined by the Board are expressly prohibited, or any other dog having dangerous propensities as determined by the Board, and the Association shall have the right to prohibit or require the removal of any dog or animal which after consideration of factors such as size, breed and disposition of the animal, interference by the animal with the peaceful enjoyment by other Owners of their Lots and the security measures taken by the Owner with respect to

such animal, the Association, in its sole discretion, deems to be undesirable, a nuisance or a safety hazard. If any such pet creates a nuisance as determined by the Executive Board, in its sole and absolute discretion, then the Unit Owner shall remove the pet from the Unit within fifteen (15) days after written notice from the Executive Board and the pet shall not be allowed to return to the Lot. Failure to do so by the offending Owner may result in a fine of at least Ten Dollars (\$10.00) per day as determined by the Executive Board until compliance. No pet shall be permitted upon the Common Elements or any Lot, including the owner's Lot, unless carried or leashed by a person that can control the pet. Pets shall not be permitted to defecate in the Common Elements and each Owner shall clean up immediately after his pet if an accident occurs. All pets shall be registered or inoculated as required by law. Each Owner shall hold the Association harmless from any claim resulting from any action of his pet, and shall repair at his expense any damage to the Common Elements caused by his pet.

No potentially hazardous or toxic materials or substances shall be used or stored on any Lot other than normal household, lawn and garden products which shall be used by Owner in a manner not to permit spills or runoff of such materials onto the Lot, adjacent lots or property, wetlands area, ponds or buffers. No activity shall be allowed which violates local, state or federal laws or regulations; provided, however, the Board shall have no obligation to take enforcement action in the event of a violation.

Section 5. Temporary Structures and Parking of Vehicles On-street and Off-street. No residence ("living quarters") of a temporary nature shall be erected or allowed to remain on the Property, and no trailer, basement, shack, tent, garage, barn or any other building of a similar nature shall be used as a residence on the Property, either temporarily or permanently. Mobile house trailers, on or off wheels, recreational vehicles ("RVs."), motor homes, vehicles or enclosed bodies of the type which may be placed on or attached to a vehicle, known generally as "campers", commercial vehicles of any kind, as defined by the Board of Directors, operated by a member of the household occupying the dwelling on the Lot, and any boats and boat trailers shall not be permitted on any Lot or any other portion of the Property, unless inside the garage. No out buildings, storage sheds, trash receptacles or other structures shall be placed between the dwellings on the Property and any adjoining public right of way or adjoining property.

No vehicle of any type which is abandoned, inoperative or unsightly as determined by the Board of Directors shall be stored or kept on any Lot or elsewhere within the Property in such manner as to be seen from any other Lot or any street within the Property, and no automobiles or other mechanical equipment may be dismantled or allowed to accumulate on any said Lot. Vehicles of any type shall not be parked within the private street rights of way, nor shall vehicles of any type be parked or stored on any part of the Lot or other portion of the Property not improved for that purpose, i.e., garage, driveway or parking pad. This paragraph does not preclude occasional, temporary parking within the private street rights of way for guests or other reasonable purposes, nor does it preclude temporary parking within the paved portion of any internal "dead-end" street, provided that no inconvenience is imposed on the owners of other Lots.

The provisions of this Section 6 shall not preclude temporary buildings and other structures used during the construction period by Declarant for sale of Lots, such as a temporary sales office or construction trailer. This paragraph shall also not preclude trucks and other construction vehicles used during construction of dwellings and Lot development by Declarant or its contractors, agents and employees.

Section 6. Signs. No signs or other advertising devices, including but not limited to political signs, shall be erected upon or displayed or otherwise exposed to view on any Lot or any improvement thereon

without the prior written consent of the Association, except that "For Sale" signs not exceeding 18" x 35" may be placed in the window of a townhouse unit, and provided further that Declarant may post temporary "For Sale" and other advertising signs on the property until such time as all Lots owned by Declarant have been sold and conveyed.

Section 7. Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish, and all trash, garbage or other waste shall be stored in sanitary containers in accordance with the rules and regulations of the Association and of any health or public safety authority having jurisdiction over the property. No trash, garbage or other waste may be placed within the Common Elements, except in containers approved by the Association. Garbage containers must be stored in the garage for each residence and shall only be permitted to be left outside of the respective garages after 7 pm on the evening prior to the day of garbage collection and until 7pm on the day of the garbage collection. Owners shall be subject to fines or assessments after the first written warning for violation of this provision as provided for in these Declarations.

Section 8. Prohibition of Renting for Transient or Hotel Purposes. No Owner shall rent his Lot or the dwelling unit thereon for transient or hotel purposes, which, for the purposes of this Declaration shall be defined as either a rental for any period less than six months or any rental if the lessee of the Lot or the dwelling unit thereon is provided customary hotel services. Each permitted lease shall lease an entire Lot and dwelling unit thereon, shall be in writing, an shall be subject to this Declaration and the By-Laws of the Association, and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Any Owner who enters into a lease of his Lot or the dwelling unit thereon shall promptly notify the Association of the name and address of each lessee, the Lot or the dwelling unit thereon rented, and the term of the lease. Other than the foregoing restrictions, each unit Owner shall have the full right to lease his Lot or the dwelling unit thereon.

Section 9. Zoning Development Standards. The property is zoned without conditions. All Owners shall comply with such zoning standards.

Section 10. Street Connection. Nothing contained herein nor any action of the Homeowners Association shall prohibit the future connection of a street to an existing street.

ARTICLE XI EASEMENTS

Section 1. General. All of the Property, including Lots and Common Elements, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewer, storm drainage facilities, gas lines, telephone lines, electric power lines, and other public utility facilities as shall be established by the Declarant or by its predecessors in title, prior to the subjecting of the Property to this Declaration or by recording of the map; and the Declarant, prior to conveying the Common Elements to the Association and the Association, after conveyance of the Common Elements to the Association, shall have the power and authority to grant and establish upon, over, under, and across the Common Elements such further easements as are requisite for the convenient use, development and enjoyment of the Property. All new utilities shall be installed underground. In addition, there is hereby reserved in the Declarant and its agents and employees an easement and right of ingress, egress and regress across all Common Elements, now or hereafter owned by the Association for the purpose of development of the Property and construction of improvements within the Property.

All Lots shall be subject to easements for the encroachment of initial improvements constructed on adjacent Lots by the Declarant to the extent that such initial improvements actually encroach including, but not limited to, such items as overhanging eaves and walls.

Section 2. Construction. As a special Declarant right, Declarant hereby reserves a construction easement over the Property for the purposes reasonably related to the installation of streets and utilities and construction of dwellings on the Lots and improvements on the Common Elements, and for the construction of future phases as provided for herein.

Section 3. Emergency. There is hereby reserved without further assent or permit and to the extent allowed by law, a general easement to all firemen, ambulance personnel, policemen and all similar persons to enter upon the Property or any portion thereof which is now or hereafter made subject to this Declaration in the performance of their respective duties. The Association and its agents shall also have the right to enter the Lots and any improvements located thereon for the purpose of making any emergency repairs or replacements.

ARTICLE XII GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

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

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land. This Declaration may be amended by an instrument signed by not less than sixty-seven percent (67%) of the Lot Owners. Any such amendment shall not be effective until such amendment has been filed for record in the Union County Public Registry. No amendment to this Declaration shall be effective unless consented to by Declarant, as evidenced by written document signed by Declarant and recorded in the Union County public Registry, for so long as Declarant owns any Lot or any portion of the Property. Such amendment shall be prepared, executed, certified and recorded by the President, Vice-President or Secretary of the Association. Notwithstanding the provisions herein, Declarant shall have the right to amend the Declaration for the purpose of correcting survey errors, revising model numbers, or adding additional Lots which may be built in subsequent phases per Article XIII herein, which amendment shall be executed solely by the Declarant and any Owners whose property is affected by said amendment.

Section 4. Management and Contract Rights of Association. Declarant shall enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance and management of the Property. However, no such contract shall be binding upon the Association except through express adoption or ratification of the terms and conditions of such contract.

Section 5. FHA/VIA Approval. As long as there is a Class B membership, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: annexation of additional Property, dedication of Common Elements to any public entity, and amendment of the

Declaration.


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

ARTICLE XIII SUPPLEMENTAL PHASES

Section 1. Declarant's Right to Add Supplemental Phases. Declarant reserves the right to subject additional property to this Declaration, provided that such property adjoins property already subject to said Declaration without the consent of any owner. By acceptance of a deed to a Lot, each Owner agrees that these additional phases may be added by Declarant.

Section 2. Supplemental Declarations. Declarant shall file a Supplemental Declaration which shall described and identify the property to be added, which shall incorporate specifically the terms and conditions of this Declaration and make the property added subject to this Declaration. Upon such recordation, the property described therein shall be subject to this Declaration as if originally described therein.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this document to be executed by its Manager, with authority duly given, the day and year first above written.

Craft Development, PLC,
a North Carolina Limited Liability Company
By: 
Manager

Prepared By: Goodwin & Himson
Return To: Craft Development
2649 Breckridge Centre Dr #201
Monroe, NC 28110

4049
0367 . .

BK 4049 PG 367

STATE OF NORTH CAROLINA
COUNTY OF UNION

I, D. Hope Bergamin, a Notary Public for the County and State
aforesaid, do hereby certify that G. David Clethbertson, Manager of Craft Development, LLC, a
North Carolina Limited Liability Company, personally appeared before me this day and acknowledged the due
execution of the foregoing instrument.

WITNESS my hand and notarial seal, this 17 day of January, 2006.

D. Hope Bergamin
Notary Public

My Commission Expires: 3/21/2006

