

**MASTER DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
EDGEWATER ON LAKE TILLERY**

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**MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
EDGEWATER ON LAKE TILLERY**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR EDGEWATER ON LAKE TILLERY (this "Declaration") is made this ____ day of _____, 2008, by **Edgewater Developers, Inc.**, a corporation incorporated and existing under the laws of the state of North Carolina ("Declarant").

**Article I
Creation of the Community**

1.1 Purpose and Intent.

Declarant, as the developer of the real property described in Exhibit "A," which is attached hereto and incorporated herein by reference, intends by Recording this Declaration to establish a general plan of development for the planned community known as Edgewater on Lake Tillery. Edgewater on Lake Tillery will be developed as a residential development with associated recreational facilities. This Declaration provides a flexible and reasonable procedure for Edgewater on Lake Tillery's future expansion and provides for its overall development, administration, maintenance and preservation. An integral part of the development plan is the creation of Edgewater on Lake Tillery Property Owners' Association, Inc., an association comprised of all owners of real property in Edgewater on Lake Tillery, to own, operate and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration. Any or all of the Additional Property (as defined in Article II), may be subjected to the provisions of this Declaration pursuant to Article XIV, but no such property is required to be subjected to this Declaration.

1.2. Binding Effect.

All property described in Exhibit "A," and any Additional Property which is made a part of Edgewater on Lake Tillery in the future by Recording one or more Supplemental Declarations, shall be owned, conveyed and used subject to all of the provisions of this Declaration, which shall run with the title to such property, and to the provisions of the North Carolina Planned Community Act. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of Edgewater on Lake Tillery, their heirs, successors, successors-in-title, and assigns.

This Declaration, as it may be amended, shall remain in effect and shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, for a term of forty (40) years from the date this Declaration is Recorded. After such time, this Declaration shall be extended automatically for successive periods of ten (10) years each, unless an instrument signed by eighty (80%) of the then Owners has been Recorded within the year preceding any extension, agreeing to terminate this Declaration, in which case it shall terminate as of the date specified in such instrument. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3. Governing Documents.

Edgewater on Lake Tillery's "Governing Documents" consist of this Declaration and any applicable Supplemental Declaration; the Bylaws; the Articles; the Architectural Guidelines; the Progress Energy Guidelines; the Restrictions and Rules; Board resolutions; and Recorded plats of Edgewater on Lake Tillery, all as they may be amended from time to time.

Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion or section of Edgewater on Lake Tillery from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration and, in such case, the more restrictive shall control.

The Governing Documents apply to all Owners and Occupants of property within Edgewater on Lake Tillery, as well as to their respective tenants, guests and invitees. If a Unit is leased, the lease shall provide that the tenant and all Occupants of the leased Unit are bound by and obligated to comply with the Governing Documents.

Article II Concepts and Definitions

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

"Additional Property": Any real property near or contiguous to the Property, or within two (2) miles of any boundary of the any of the Property.

"Allocation Lines": Those lines labeled "Allocation Lines" or "Projection Lines" (or a similar term) on a Plat, that determine the location of the Pier Zone on Progress Energy Leased Land and/or over the waters of the Lake.

"Amenity Area(s)": The parcel or parcels of land labeled "Amenity Area" (or a similar term) on a Plat, together with recreational amenities or facilities constructed or placed thereon (which may include, without limitation and without any obligation to include, a clubhouse, swimming pool, playground, outdoor pavilion, and/or parking areas) for the common use and enjoyment of all Owners.

"Annual Assessment": Assessments levied on all Units subject to assessment under Article VI to fund Common Expenses for the general benefit of all Units, as determined in accordance with Article VI.

"Architectural Guidelines": The guidelines and standards for architecture, design, construction, landscaping and exterior items on Units adopted pursuant to Article VIII as they may be amended from time to time.

"Architectural Review Board": The committee appointed by the Board to review plans and specifications for any and all construction, renovations, landscaping, changes and additions on any Unit.

"Articles": The Articles of Incorporation of Edgewater on Lake Tillery Property Owners' Association, Inc., filed with the North Carolina Secretary of State, as they may be amended.

"Assessment(s)": Any or all of the following: Annual Assessments, Special Assessments, Specific Assessments, Service Assessments, and Capital Contribution Fees, as said assessments and fees

are described in Article VI.

“Association”: Edgewater on Lake Tillery Property Owners’ Association, Inc., a North Carolina nonprofit corporation, its successors or assigns.

“Board of Directors” or “Board”: The body responsible for administration of the Association, selected as provided in the Bylaws and generally serving the same role as the board of directors under North Carolina corporate law.

“Builder”: Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of land within Edgewater on Lake Tillery for further subdivision, development, and/or resale in the ordinary course of its business.

“Building Envelope”: The area on any Unit in which buildings or other improvements may be erected or permitted to remain as provided in Section 7.22.

“Bylaws”: The Bylaws of Edgewater on Lake Tillery Property Owners’ Association, Inc., as they may be amended.

“Capital Contribution”: shall mean and refer to the fee that the Association shall collect upon transfer of title to a Unit, as set forth in more detail in Article VI.

“Certificate of Occupancy”: Any required certification issued by the appropriate governmental authorities as a prerequisite to occupancy of any structure on the Property.

“Class “B” Control Period”: The period of time during which the Class “B” Member is entitled to appoint the members of the Board, as provided in the Bylaws. The Class “B” Control Period shall terminate on the first to occur of the following:

(a) when 80% of the total number of Units permitted by the Master Plan for the property described in Exhibit “A” and the Additional Property have certificates of occupancy issued thereon and have been conveyed to Class “A” Members other than Builders;

(b) December 31, 2020; or

(c) when, in its discretion, the Class “B” Member so determines and declares in an instrument Recorded in the Register of Deeds of Stanly County, North Carolina.

“Common Area” or “Common Element”: The Amenity Area(s), parking area(s), street lights (other than those maintained by a governmental entity), and Roadways which have not been accepted for maintenance by the North Carolina Department of Transportation or other governmental entity, collectively, and any other property specifically shown and designated on any Plat or any other Recorded instrument as “Common Area,” “Common Open Area,” “Common Element,” “Common Open Space,” “Open Space,” “OS,” or “COS,” The Common Areas shall initially be Owned by Declarant and ultimately conveyed to the Association by Declarant and owned by the Association (unless otherwise provided in this Declaration) for the common use, benefit and enjoyment of the Owners, subject to the terms of this Declaration. Declarant reserves the right, but not the obligation, to provide additional Common Areas within the Edgewater on Lake Tillery. The term, “Common Area,” shall include the Limited Common Area, as defined below.

“Common Expenses”: The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Units and Owners, together with any allocation to reserves and the actual and estimated expenses of maintaining and operating the Common Areas, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class “B” Control Period for initial development or other original construction costs unless Members representing a majority of the total Class “A” vote of the Association approve. Payments due under leases of capital improvements such as street lights shall not be considered an initial development or original construction cost. Common Expenses are further defined in Section 6.2.

“Community-Wide Standard”: The standard of conduct, maintenance, or other activity generally prevailing at Edgewater at Lake Tillery, or the minimum standards established pursuant to the Architectural Guidelines, Restrictions and Rules, and Board resolutions, whichever is a highest standard. Declarant shall establish initially such standard and it may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Edgewater at Lake Tillery change.

“Cost Sharing Agreement”: Any agreement, contract, or covenant between the Declarant (and/or the Association) and an owner of, operator of, or property association having jurisdiction over property within, adjacent to, or in the vicinity of Edgewater at Lake Tillery (including, without limitation, any Private Amenity) pursuant to this Declaration, creating easements, rights, or obligations for the benefit of the Association and/or the present and future owners of the subject real property and providing for the sharing of the expenses of the same, including but not limited to any costs of maintaining property described in that document with adjacent properties.

“Declarant”: Edgewater Developers, Inc., a North Carolina corporation, or any successor or assign who: 1) takes title to any portion of the property described in Exhibit “A” or the Additional Property for the purpose of development and/or sale and 2) who or which is specifically granted some or all of Declarant’s rights pursuant to a recorded instrument executed by the immediately preceding Declarant.

“Edgewater at Lake Tillery”: The real property described in Exhibit “A,” together with such additional property as is subjected to this Declaration in accordance with Article XIV.

“Governing Documents”: A collective term referring to this Declaration and any applicable Supplemental Declaration, the Bylaws, the Articles, the Architectural Guidelines, the Progress Energy Guidelines, the Restrictions and Rules, Board resolutions, and Recorded plats of Edgewater at Lake Tillery, as any one or more of which may be amended from time to time.

“Guidelines”: A collective term referring to the Architectural Guidelines and the Progress Energy Guidelines, as either of them may be amended from time to time.

“Interior Units”: Those Units which do not have frontage on the Lake.

“Lake”: That certain body of water commonly known as Lake Tillery, located adjacent to portions of Edgewater on Lake Tillery.

“Limited Common Area”: A portion of the Common Area primarily benefiting one or more, but less than all Units, as more particularly described in Article XI.

“Master Plan”: The “Master Land Use Plan of Edgewater on Lake Tillery” prepared by

Chambers Engineering, P.A. and approved on _____ by the Planning Board of the Town of Norwood, as the same may be amended from time to time. The Master Plan is not required to be Recorded. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property from the Master Plan bar its later submission to this Declaration as provided in Article XIV

“Member”: A Person subject to membership in the Association pursuant to Section 4.2.

“Mortgage”: A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. The term “Mortgagee” shall refer to a beneficiary or holder of a Mortgage; and the term “Mortgagor” shall refer to any Person who gives a Mortgage.

“Occupant” Any Person occupying all or any portion of a Unit for any period of time, regardless of whether such Person is a tenant of the Owner of such Unit.

“Owner”: One or more Persons who hold the record fee simple title to any Unit, including contract sellers, but excluding in all cases any party holding an interest merely as security for the performance of an obligation.

“Person”: A natural person, a corporation, a partnership, a trustee, or any other legal entity.

“Planned Community Act” or “North Carolina Planned Community Act”: the North Carolina Planned Community Act, (N.C.G.S. §47F-1-101 et. seq.), as the same may be amended from time to time.

“Plat”: Any plat of the Property or any part of it which is recorded from time to time in the Stanly County Registry.

“Pier Zone”: That land and water area, if any, located (i) between the Allocation Lines of a Waterfront Unit and (ii) as more specifically designated by Progress Energy. The Pier Zone is the portion of the Progress Energy Leased Area in which Progress Energy may allow improvements (such as boatslips, boathouses, piers, etc.) to be constructed by the lessee. Owners of Waterfront Units who wish to construct improvements on their applicable Progress Energy Leased Area are required to obtain approval and a Pier Zone designation by Progress Energy.

“Progress Energy Leased Area”: The land and water area, as further designated by Progress Energy, which a Waterfront Unit Owner may be entitled to lease from Progress Energy, subject to the Progress Energy Guidelines.

“Progress Energy Guidelines”: Guidelines promulgated from time to time by Progress Energy governing landscaping of the Progress Energy Leased Area and all improvements and structures within the Progress Energy Leased Areas, as set forth in more detail in Article VIII.

“Property”: The real property described in Exhibit “A,” together with such additional property as is subjected to this Declaration in accordance with Article XIV.

“Record” “Recording” or “Recorded”: The filing of a legal instrument in the Stanly County, North Carolina land records or such other place as may be designated as the official location for recording deeds, plats, and similar documents affecting title to real estate.

“Resale Certificate and Agreement”: The certificate and agreement required to be delivered by an Owner and purchaser of a Unit to the Association and Declarant under Section 13.2.

“Restrictions and Rules”: The initial restrictions and rules set forth in Article VII as they may be supplemented, modified, and repealed.

“Roadways”: The roads, streets, entranceways and cul-de-sacs (including any curbs, gutters, sidewalks and other improvements located therein) as shown on the Plats, and any other roads, streets, entranceways and cul-de-sacs on the Property intended to serve more than one Unit (including any curbs, gutters, sidewalks and other improvements located therein), all to be privately maintained by the Association as set forth herein unless accepted for maintenance by the North Carolina Department of Transportation, the town of Norwood, the county of Stanly, or other governmental entity.

“Section”: A group of Units recorded on a Plat of Edgewater on Lake Tillery; and/or specifically designated by Declarant as a separate section of Units for purposes of sharing Limited Common Areas; receiving other benefits or services from the Association which are not provided to all Units; and/or being subjected to restrictions in addition to this Declaration.

“Service Assessment”: Assessments levied in accordance with Article VI.

“Special Assessment”: Assessments levied in accordance with Article VI.

“Special Declarant Right”: The rights as defined in Section 47F-1-103(28) of the Planned Community Act for the benefit of a Declarant, including the following: to complete improvements indicated on Plats or plans filed with or referenced in the Declaration; to exercise any development right as defined in the Planned Community Act; to maintain sales offices, management offices, models and signs advertising Edgewater on Lake Tillery; to use easements through the Common Areas for the purpose of making improvements within Edgewater on Lake Tillery or within any Additional Property that may be added to the Edgewater on Lake Tillery; and to elect, appoint or remove any member of the Board during the Class “B” Control Period.

“Specific Assessment”: Assessments levied in accordance with Article VI.

“Street lights”: Those certain street lights owned or leased by Declarant (any such lease to be assigned to the Association as provided in Section 4.2), the Association or a government entity (e.g. the Town of Norwood) and installed upon, along and/or over the rights-of-way of the Roadways, parking area(s) (if any), and/or Common Areas.

“Supplemental Declaration”: An instrument Recorded pursuant to the terms of this Declaration which subjects additional property to this Declaration, designates Sections, and/or creates or imposes additional easements, restrictions and obligations on the land described in such instrument.

“Unit”: A portion of Edgewater on Lake Tillery, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as a residence for a single family. The term shall refer to the land which is part of the Unit as well as any improvements thereon.

“Waterfront Unit”: All Units which adjoin the Progress Energy Leased Area and are subject to the Progress Energy Guidelines.

Article III Property Rights

3.01 Rights of Owners. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, and for ingress and egress to and from the Common Area, which shall be appurtenant to and pass with the title to every Unit, subject to the following provisions:

- (a) the Governing Documents;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The Board's right to:
 - (i) adopt rules regulating use and enjoyment of the Common Area, including but not limited to operating hours and rules limiting the number of guests who may use the Common Area;
 - (ii) suspend an Owner's right to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Unit remains delinquent; and (B) for a period not to exceed thirty (30) days for a single violation (or for a longer period in the case of any continuing violation) of the Governing Documents (subject to any applicable notice and hearing requirements specifically imposed by law or the Bylaws);
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;
 - (iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;
 - (v) permit use of any recreational facilities situated on the Common Area by groups and persons other than Owners, their families, lessees, licensees, invitees and guests upon payment of use fees established by the Board;
 - (vi) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject to the approval requirements set forth in Section 18.4; and
 - (vii) permit use of any and all roads that may now or in the future be located within Edgewater on Lake Tillery by persons other than Owners, their families, lessees, and guests in order to access adjacent or neighboring property.
- (d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," if any, as described in Article XI.

3.2 Assignment of Right of Use. Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, contract purchasers and social invitees, subject to reasonable Board regulation. **Rentals of any Units, other than Units owned or managed by the Declarant, for a period of less than six (6) months are prohibited within Edgewater on Lake Tillery unless expressly authorized by and then subject to such conditions as may be imposed by the Board.** An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the duration of the lease and any such lessee shall abide by all the restrictions contained herein. Any such

lease shall not release the owner of his liability for damage to the Common Area caused by said lessee.

3.3 Ownership of Common Area. Except as otherwise provided herein, Declarant shall convey to the Association the Common Areas; provided, with respect to any part of the Common Areas leased by Declarant (e.g., street lights), Declarant shall assign its rights under such lease to the Association. Such conveyance and any such assignment shall occur at such time as Declarant shall determine, in its sole discretion, but in no event later than the expiration of the Class B Control Period. Declarant reserves the right (but shall not be obligated) to construct or install within the Common Areas, among other things, (i) the Street lights (which may be leased from a third party) and other lighting, signage and irrigation facilities, (ii) the Roadways, (iii) certain improvements within the Amenity Area, and (iv) certain additional recreational amenities and facilities, for the use and enjoyment of the Owners who are entitled to the use of such Common Areas as provided in this Declaration. Notwithstanding the recordation of any Plat or any other action by Declarant or the Association, all Common Areas shall remain private property and shall not be considered as dedicated to the use and enjoyment of the public (with the exception of the Roadways, which may eventually be accepted for public dedication and maintenance by the North Carolina Department of Transportation, the town of Norwood, or other governmental entity).

At such time as Declarant shall convey the Common Areas to the Association, no acceptance or consent by the Association shall be necessary and the Recordation of a deed from Declarant to the Association shall be deemed conclusive evidence of the Association's acceptance of such conveyance of such Common Areas in their "as-is, where is" condition, and subject to all matters of record, but free and clear of all deeds of trust or other monetary encumbrances.

3.4 Inter-connectivity. Governmental authorities may from time to time require that certain roads and/or streets within Edgewater on Lake Tillery be connected to other public and/or private roads and thoroughfares located upon or serving other subdivisions or communities in the vicinity of Edgewater on Lake Tillery. By acceptance, occupancy or enjoyment of any property located within Edgewater on Lake Tillery, each Owner, on behalf of itself and any parties claiming through said Owner (including, without limitation, tenants, licensees and invitees), hereby (i) acknowledges that such inter-connectivity may increase or otherwise affect the flow of traffic within Edgewater on Lake Tillery and (ii) waives any claims against Declarant or the Association relating to such inter-connectivity and/or any resulting increase or modification in traffic flow or patterns within Edgewater on Lake Tillery.

Article IV The Association and its Members

4.1 Function of Association. The Association shall be the entity responsible for management, maintenance, ownership, operation and control of the Common Area owned or leased by the Association within the Property. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Common Areas owned or leased by the Association and the use of the Property as the Board may adopt. The Association shall perform its functions in accordance with the Governing Documents and applicable North Carolina law.

4.2 Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of that membership. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by any officer, director, partner, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association, provided that only one person (and such person's immediate family members with respect to membership rights other than voting) may be designated to act in such capacity for such an Owner at any particular time.

4.3 Voting. The Association shall have two classes of membership, Class “A” and Class “B”:

(a) Class “A”. Class “A” Members shall be all Owners of Units except the Class “B” Member, if any. Class “A” Members shall have one vote for each Unit in which they hold the interest required for membership under Section 4.2; there shall be only one vote per Unit.

(b) Class “B”. The sole Class “B” Member shall be the Declarant. The rights of the Class “B” Member, including the right to approve or withhold approval of actions proposed under this Declaration and the Bylaws, are specified throughout the Governing Documents. The Class “B” Member may appoint the members of the Board during the Class “B” Control Period, as defined in Article II. After termination of the Class “B” Control Period, the members of the Board shall be selected as provided in the Bylaws.

During the Class “B” Control Period, the Class “B” Member shall be entitled to three (3) votes for: (a) each Unit within Edgewater on Lake Tillery which is owned by Declarant, and (b) to the extent not already included within the foregoing item (a), each Unit which is permitted by the Master Plan to be constructed on any property described on Exhibits “A” and/or the Additional Property. Upon termination of the Class “B” membership, Declarant shall be a Class “A” Member entitled to Class “A” votes for each Unit which it owns.

(c) Exercise of Voting Rights. In any situation in which a Member is entitled personally to exercise the vote for his or her Unit and there is more than one Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Unit’s vote shall be suspended if more than one Person seeks to exercise it.

4.4 Enforcement. Subject to the requirements of the Planned Community Act, the Association may impose sanctions for violations of any of the Governing Documents, including reasonable monetary fines, suspension of the right to vote, and/or suspension of the right to use any Amenity Areas within the Common Area. In addition, the Association may exercise self-help to cure violations, and, after notice and an opportunity to be heard, may suspend any services it provides to any Owner who is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association. The Board may seek relief in any court for violations or to abate nuisances. The Board may assess the reasonable monetary fines authorized by this Section as a Specific Assessment authorized by Article VI of this Declaration.

4.5 Implied Rights; Board Authority. The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles, the Bylaws, the Planned Community Act, or Chapter 55A of the North Carolina General Statutes, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the Bylaws, or the Articles, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.6 Indemnification. To the maximum extent allowed by North Carolina law, the Association shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the Board incumbent at the time of such settlement) to which he or she may be party by reason of being or having been an officer, director or committee member. The Association shall, as a Common Expense, maintain adequate general liability and officers’ and directors’ liability insurance to fund this obligation, if such insurance is reasonably available.

4.7 Dedication of Common Areas. The Association may dedicate portions of the Common Areas to any local, state, or federal governmental entity, public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association.

4.8 Security. The Association may, but shall not be obligated to, maintain or support certain activities within Edgewater on Lake Tillery designed to make the Property safer than they otherwise might be. NO REPRESENTATION OR WARRANTY IS MADE THAT ANY SYSTEMS OR MEASURES, INCLUDING ANY MECHANISM OR SYSTEM FOR LIMITING ACCESS TO EDGEWATER ON LAKE TILLERY, CANNOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION, ITS BOARD AND COMMITTEES, AND DECLARANT ARE NOT INSURERS OR GUARANTORS OF SECURITY OR SAFETY NOR SHALL ANY OF THEM BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR OF INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. EACH PERSON WITHIN EDGEWATER ON LAKE TILLERY ASSUMES ALL RISKS OF PERSONAL INJURY AND LOSS OR DAMAGE TO PROPERTY, INCLUDING UNITS AND THE CONTENTS OF UNITS, RESULTING FROM ACTS OF THIRD PARTIES. EACH OWNER SHALL BE RESPONSIBLE FOR INFORMING ITS TENANTS AND ALL OCCUPANTS OF ITS UNIT OF THE FOREGOING. EACH OWNER ACKNOWLEDGES AND UNDERSTANDS THAT ENTRANCE GATES IN OR ADJACENT TO THE PROPERTY MAY OR MAY NOT BE STAFFED, BUT WHETHER STAFFED OR NOT, ANY SUCH GATES ARE NOT INTENDED TO BE SECURITY GATES.

4.9 Management and Administration. The management and administration of the Common Areas and amenities shall be the sole right and responsibility of the Association. The management shall be carried out in accordance with the terms and conditions of the Governing Documents, but they may be delegated to a manager(s) or management service(s).

4.10 Assignment to Association. Declarant shall be entitled to assign all water, sewer, land use, stormwater system and utility permits, agreements and easements between Declarant and any governmental agency or department or public or private utility company to the Association, in which case the Association shall be required to assume same. After such an assignment, the Association shall be responsible for and assume all duties, obligations, and rights and privileges of the Declarant under such permits, agreements and easements, including all maintenance responsibility, even if part of the water, sewer, land use, stormwater system or utility areas covered by the permits, agreements and easements are not located within the Property.

4.11 Common Area. The Common Area cannot be mortgaged, conveyed or encumbered by the Association without the consent of eighty percent (80%) of the Unit Owners. During the Class "B" Control Period, any such mortgage, conveyance or encumbrance shall also require the consent of Declarant.

4.12 Provision of Services. The Association may provide, or provide for, services and facilities for the Members and their Units, and shall be authorized to enter into and terminate contracts or agreements with other entities to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at the option of an Owner, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the Annual Assessment if provided to all Units. By way of example, such services and facilities might include landscape maintenance, irrigation, pest control service, cable television service, fiber optic services, internet, phone, cellular

phone, security, street and/or pathway lighting, caretaker, transportation, fire protection, utilities, and similar services and facilities. Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

4.13 Relationships with Other Properties. The Association may enter into contractual agreements or covenants to share costs with any neighboring property or Private Amenity to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

Article V Maintenance

5.1 Association's Responsibility. The Association shall maintain and keep in good repair the Common Area, together with all utilities, easements and amenities located therein and not otherwise maintained by public entities or utilities or any other party as provided herein. Such maintenance responsibility may include, but need not be limited to:

(a) All landscaping and other flora, parks, and signage for Edgewater on Lake Tillery situated upon the Common Area; structures and improvements situated upon the Common Area, including any private streets and rights of way and islands within their streets and cul-de-sacs; bicycle and pedestrian pathways and trails situated upon the Common Area; ponds, lakes, drainways, recreation pathways within or upon the Common Area; the main entrance to Edgewater on Lake Tillery from Randall's Church Road (including, without limitation, reasonable approaches to such main entrance in both directions on or along Randall's Church Road); the gate located at the main entrance; and any other areas designated as Common Area by Declarant or the Association from time to time, excepting any real or personal property for which some entity other than the Association has expressly assumed responsibility;

(b) All Amenity Areas constituting a portion of the Common Area, excepting any real or personal property for which some other entity has expressly assumed responsibility;

(c) Any other Common Area designated by the Board or the Declarant from time to time in a Supplemental Declaration.

5.2 Association's Maintenance Standards. Maintenance, as used in this Article, shall include, without limitation, repair and replacement as needed, as well as other duties, as the Board may determine necessary or appropriate to satisfy the Community-Wide Standard. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association's maintenance responsibilities shall be also be performed in accordance with the following:

(a) Maintenance of the entryways to Edgewater on Lake Tillery shall include maintenance, repair and reconstruction, when necessary, of the entrance monuments and gate, signage, irrigation, planters, lighting and any other improvements located thereon and providing and paying for landscaping, utility charges for irrigation and lighting of the entrance monuments and gate and signage located thereon.

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

(c) Maintenance of any swales and medians and associated landscaping and related improvements along and within the Roadways, except that Roadways in front of Units shall be maintained by the Association only to the edge of the road shoulder at the bottom of the swales and only until completion of construction of a dwelling on a specific Unit, after which time the maintenance of such areas in front of the said Unit shall become the Owner's responsibility as provided in Section 5.4.

(d) The Common Areas, including any Amenity Areas, shall be clean and free from debris and maintained in a safe and orderly condition, together with the landscaping thereon (if any), including maintenance, repair, replacement and removal of any landscaping, utilities or improvements located thereon, in accordance with such standards as shall be specified by Declarant from time to time in its discretion so long as Declarant owns any portion of the Property.

(e) Maintenance of any improvement within the Amenity Area include, but not be limited to, any and all interior and exterior maintenance (including, where necessary, repair and/or reconstruction), landscaping and payment of all utility charges related to any such improvement.

5.3 Roadway Maintenance. The roadways shown on any Recorded Plats of the Property are currently private roads and not public roads. As provided in Article X herein, all of the Owners have easements in order to travel over and across these Roadways. As private roads, and not public roads, the responsibility for maintenance of these Roadways will be upon the Owners through the Association and assessments, although Declarant shall maintain and improve said Roadways to the extent it deems appropriate prior to turning over this responsibility to the Association. No representation is made that construction of these roadways is or will be sufficient to be included in the state secondary road system or that the town of Norwood, Stanly County or the State of North Carolina would eventually assume maintenance of this roadway.

5.4 Owners' Responsibility. Each Owner shall maintain his or her Unit and all structures, landscaping, parking areas, and other improvements comprising the Unit in a manner consistent with the Community-Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to the Supplemental Declaration applicable to such Unit. It shall be the responsibility of each Owner to maintain, in a manner consistent with the Community-Wide Standard and this Declaration, any area lying between the boundary or Unit line of such Unit and the edge of the street pavement, except that prior to an Owner's completion of construction of a dwelling on its Unit, the Association will maintain the road shoulder only to the bottom of the swales, as described in Section 5.2(c). Any fencing which is not maintained by the Association shall be maintained and kept in good condition and repair by the Owner of the Unit on which such fencing is located (at such Owner's cost and expense). In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may, but is not required to, perform such maintenance responsibility and assess all costs incurred by the Association against the Unit and the Owner in accordance with Section 6.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation, as such situation may be reasonably determined by the Association.

5.5 Owners' Maintenance Standards. Each Owner shall maintain his or her Unit and all landscaping and improvements comprising the Unit in a manner consistent with the Community-Wide Standard and Governing Documents, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit. If, in the opinion of the Association, any Owner shall fail to maintain any Unit owned by him in a manner which is reasonably neat and orderly or shall fail to keep improvements constructed thereon in a state of repair so as not to be unsightly, all in the sole opinion of the Association, the Association in its discretion, by the affirmative vote of a majority of the members of the Board of Directors, and

following ten (10) days written notice to Owner, may enter upon and make or cause to be made repairs to such improvements and perform such maintenance on the Unit as the removal of trash, cutting of grass, pruning of shrubbery, weeding and items of erosion control. The Association shall have an easement for the purpose of accomplishing the foregoing, as provided herein and in Article X. The reasonable cost incurred by the Association in rendering all such services, plus a service charge of fifteen percent (15%) of such cost, shall be added to and become a Specific Assessment to which such Unit is subject as provided in Section 6.7 herein.

(a) The current Community-Wide Standard (which may be changed in the Board's sole discretion) for maintenance of unimproved and improved Units, shall include, but shall not be limited to, the following:

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

(b) In addition, the current Community-Wide Standard (which may be changed in the Board's sole discretion) for maintenance of improved Units, shall include, but shall not be limited to, the following:

- (1) Lawn mowing on a regular basis;
- (2) Tree and shrub pruning;
- (3) Watering by means of a lawn sprinkler system and/or hand watering as needed;
- (4) Keeping exterior lighting and mechanical facilities in working order;
- (5) Keeping lawn and garden areas alive;
- (6) Removing and replacing any dead plant material;
- (7) Maintaining natural areas and landscaping in accordance with the Architectural Guidelines;
- (8) Keeping parking areas and driveways in good repair;
- (9) Repainting exterior improvements;

(10) Repairing damage and deterioration to improvements, it being understood and agreed that if any improvements are damaged or destroyed by fire or other casualty, then within six (6) months following the date such damage or destruction occurs, the Owner of the Unit or Tract on which such improvements are situated, must repair and restore such damaged improvements (in accordance with plans and specifications approved by the ARB and otherwise in accordance with the terms and provisions of this Declaration and of each Additional Declaration applicable thereto) or remove such damaged

Improvements and restore the Unit Tract to its condition existing prior to the construction of such Improvements; and

(11) Keeping well-maintained, in accordance with the terms hereof, any Common Area located within the boundaries of its Unit, to the extent such Common Area is not maintained by the Association as provided in this Declaration.

Article VI Association Finances

Section 6.1 Creation of the Lien and Personal Obligation for Assessments. The Association is hereby authorized to levy all assessments described in this Article against the Units for Association expenses as the Board may specifically authorize from time to time. Each Owner of any Unit, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance document, is deemed to covenant and agrees to pay Assessment, to the Association, established and collected as hereinafter provided. Any such Assessment or charge, together with interest, costs, reasonable attorneys' fees, and lines imposed shall be a charge and a continuing lien upon the Unit against which each such Assessment or charge is made. Each such Assessment or charge, together with interest, costs, reasonable attorneys' fees, and fines imposed shall also be the personal obligation of the Owner, at the time when the Assessment fell due of the Unit against which such Assessment or charge is made. The personal obligation for delinquent Assessments or charges shall not pass to an Owner's successors in title unless expressly assumed by them, provided such Assessments or charges, together with interest, costs, reasonable attorneys' fees, and fines imposed, shall, as set forth above, be a continuing lien upon the Unit against which such Assessments or charges are made. No Owner may exempt himself from liability for assessments, by non-use of Common Area, abandonment of his Unit, or any other means. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

6.2 Purpose of Assessments. Assessments shall be used for the actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of all Units, together with any allocations to reserves, and the actual and estimated expenses of maintaining and operating the Common Areas, as the Board may find necessary and appropriate pursuant to and in accordance with the Governing Documents, including the following (the expenses of the following being sometimes referred to herein as "Common Expenses"):

(a) to repair, maintain, reconstruct or replace (when necessary) and keep clean and free from debris the Common Areas (including the Amenity Area) and any improvements located on the Common Areas including any necessary maintenance, removal and replacement of landscaping thereon;

(b) to maintain and repair the Roadways;

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

(d) to maintain and repair the swales, medians and Street lights which are not leased (other than such Street lights, if any, as have been accepted for public maintenance) landscaping and related improvements along and within the Roadways;

(e) to pay all costs associated with the lease and operation of leased Street lights (other than

such Street lights, if any, as may be leased by a governmental entity), including monthly lease payments and utility costs;

(f) to pay all ad valorem taxes levied against the Common Areas and any other property owned by the Association;

(g) to pay the premiums on all insurance carried by the Association pursuant to this Declaration or the Bylaws;

(h) to pay all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the Bylaws;

(i) to maintain the reserve fund;

(j) to pay all fees, costs, compensation and other charges accruing under any management agreement and operation and management contract entered into by, or assumed by, the Association; and

(k) to carry out all other purposes and duties of the Association; the Board of Directors and the Architectural Review Board as stated in the Articles, the Bylaws and in this Declaration; and doing any other things necessary or desirable in the opinion of the Association to maintain the Property to Community-Wide standards, and for such other expenditures as approved by the Board to promote the recreation, health, safety, and welfare of the Owners and residents of Edgewater on Lake Tillery.

6.3 Declarant's Obligation for Assessments. During the Class "B" Control Period, Declarant may annually elect either: (1) to pay regular assessments on its unsold Units, (2) to pay the difference between the amount of assessments collected on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year, or (3) to pay one-half (1/2) of the assessments for an unimproved Unit for all Units which are platted of record in the Office of the Register of Deeds of Stanley County but which have not yet been sold to a Person other than Declarant or an authorized builder. Unless the Declarant otherwise notifies the Board in writing at least 45 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. The Declarant's obligation hereunder may be satisfied in the form of cash or by "in kind" contribution of services or materials, or by a combination of these.

6.4 Computation of Annual Assessment; Budget.

(a) At least thirty (30) days before the beginning of each fiscal year, the Board shall prepare and distribute to the Members a budget covering the estimated Common Expenses during the coming year (including, without limitation, any contributions to be made to any capital reserve funds). The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against Units, and the amount to be generated through the levy of all applicable assessments against Units.

(b) The Annual Assessment shall be levied at a uniform rate against all Units and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment on the first day of the fiscal year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessment during the fiscal year. This Section 6.4 shall apply to the determination of all Annual Assessment for fiscal years beginning

after the date of the recording of this Declaration.

(c) The Board shall send a summary of the final budget, together with a notice of the amount of the Annual Assessment to be levied pursuant to such budget, to each Owner within thirty (30) days after the Board adopts such budget. With such summary, the Board shall provide to each Owner a written notice of the meeting of the Members at which ratification of the budget will be considered. Such notice shall include a statement that the budget may be ratified at such meeting without a quorum. The meeting of the Members to consider ratification of the budget shall be held not less than ten (10) nor more than sixty (60) days after the mailing of the summary and notice referenced in this paragraph. Notwithstanding any other provisions of the Governing Documents, there shall be no requirement that a quorum be present at the meeting described herein. Notwithstanding any other provisions to the contrary in the Governing Documents, the proposed budget shall automatically be deemed ratified and become effective unless disapproved at such meeting by: (i) Members representing at least seventy-five percent of the total Class "A" votes in the Association and (ii) the Class "B" member, if such member exists. In the event the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

(d) The Board may revise the budget and adjust the assessments from time to time during the year, subject to the notice requirements and the right of Members to disapprove the revised budget as set forth above.

6.5 Capital Reserve Budget. The Board shall annually prepare a capital reserve budget for maintenance and replacement of capital improvements which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost.

6.6 Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover capital improvements or unbudgeted expenses (including, without limitation, expenses required to complete repair, maintenance and/or clean-up which the Board deems necessary or advisable after a storm, hurricane or other casualty event) or other expenses in excess of those budgeted. The Board may establish the amount of the Special Assessment if it is TWO HUNDRED DOLLARS (\$200.00) or less in any assessment year for each Member. All other Special Assessments shall require the affirmative vote of sixty-seven percent (67%) of Members present and voting in person or by proxy who will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

6.7. Specific Assessments. The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Units upon request of an Owner pursuant to any menu of special services which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided that, to the extent required by law or the Bylaws, the Board shall give the Unit Owner prior notice and an opportunity for a hearing before levying any Specific Assessment under this subsection.

(c) To cover costs including overhead and administrative costs and reserves incurred for maintenance, repair and replacement of any private roads, signs, mail boxes, fences and berms which are constructed for the benefit of certain specified Units, as shall be more specifically set forth in a Supplemental Declaration.

6.8 Service Assessments. The Master Association shall have the power to levy Service Assessments against a particular Unit or Units constituting less than all Units within Edgewater on Lake Tillery to cover the costs, including overhead and administrative costs, of providing specialized maintenance and/or landscaping services to such Units and the occupants thereof. Such assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner. Notwithstanding the foregoing to the contrary, the fact that the Association levies a Service Assessment shall not be deemed to impose any obligation upon the Association to (i) monitor the quality of work or services being provided, (ii) assume any responsibility for the quality of work or services provided, (iii) ensure the structural integrity or soundness of any construction or modifications provided or (iv) ensure compliance with building codes and other governmental requirements relating to the work or services provided.

6.9 Capital Contribution. Upon the conveyance of title to any Unit (except those excluded below), the acquiring Owner shall contribute to the Association as a capital contribution an amount equal to two (2) times the Annual Assessment in effect at the time of said conveyance. Such funds shall be used for operating and capital expenses of the Association, such as prepaid insurance, supplies, furnishings and equipment, etc. Amounts paid into the Capital Contribution fund are not to be considered advance payment of regular assessments. All Capital Contribution funds shall become part of the general operating funds of the Association. Notwithstanding the above, no Capital Contribution fee shall be levied upon the following conveyances of title(s) to a Unit:

- (i) to Declarant;
- (ii) to a Builder who is holding title solely for purposes of development and resale;
- (iii) by a co-owner to any Person who was a co-owner immediately prior to such transfer;
- (iv) to the Owner's estate, surviving spouse or child upon the death of the Owner;
- (v) to an entity wholly owned by the grantor (provided, upon any subsequent transfer of an ownership interest in such entity, the Capital Contribution fee shall become due); or
- (vi) to an institutional lender pursuant to a Mortgage or upon foreclosure of a Mortgage.

6.10 Date of Commencement of Annual Assessments and Due Dates. The Annual Assessments provided for herein shall commence on the date of conveyance of each Unit to an Owner other than Declarant. The due dates shall be established by the Board of Directors.

6.11 Lien for Assessments.

(a) All assessments authorized in this Article, together with interest and expenses, including reasonable attorney's fees (as permitted by law) shall constitute a charge on and a continuing lien upon the Unit against which the assessment is levied, which lien shall be superior to all other liens and encumbrances on the Unit, except the liens of all ad valorem taxes or assessments and any other liens

which by law would be superior. Such lien shall become effective when a notice thereof (“Claim of Lien”) is filed of record in the Office of Clerk of Superior Court of Stanly County, North Carolina, provided such Claim of Lien shall not be filed until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such Claim of Lien shall also secure all assessments against the Unit becoming due thereafter until the lien has been satisfied.

(b) In the event of any transfer of title to a Unit, the lien of the assessments shall not be extinguished nor shall the Unit be relieved from the lien for any subsequent assessments. Each assessment, together with interest, late charges, costs, and reasonable attorney’s fees, shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage or any individual obtaining title by or through a foreclosure shall be personally liable for unpaid assessments which accrued prior to such acquisition of title.

6.12 Default in Payment of Assessments: Remedies of the Association.

(a) Any assessments or portions thereof that are not paid when due shall be delinquent. If the assessment or any portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the due date at a rate set by the Board, not to exceed the maximum legal rate allowed in the State of North Carolina per annum, together with all expenses, including reasonable attorneys’ fees (if permitted by law), incurred by the Board in any proceeding brought to collect such unpaid Assessments; and in addition, a late fee shall be assessed in such amount as may be determined by the Board of Directors.

(b) The Association may record notice of the claim of lien in the Office of the Clerk of Superior Court of Stanly County, North Carolina and/or file a suit to collect such delinquent assessments and charges. The Association may also file Notice of *Lis Pendens*, bring an action of law against the Owner personally obligated to pay the same; bring an action to foreclose the lien against the property, and utilize any other remedy provided under North Carolina law. In any event, a judgment, decree, or order in any action brought under this Article 6 shall include costs and reasonable attorney’s fees for the prevailing party, subject to the limitations of N.C.G.S. §47F-3-116, and the same shall be added to the amount of any such assessment. The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit.

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

6.14 Exempt Property. The following property shall be exempt from payment of Annual Assessments, Service Assessments and Special Assessments:

- (a) All Common Areas and Limited Common Areas;
- (b) Any property dedicated to and accepted by any governmental authority or public utility;
- (c) Any property held by a conservation trust or similar nonprofit entity as a

conservation easement, except to the extent that any such easement lies within the boundaries of a Unit which is subject to assessment hereunder (in which case the Unit shall not be exempted from assessment);

(d) Any Unit which is not approved by any governmental agency for residential use;

(e) Any Unit or property owned of record by the Declarant, its successors or assigns, except as otherwise provided in Section 6.3; and

(f) Any Additional Property which has not been brought within the jurisdiction of the Association by the filing of a Supplemental Declaration.

6.15 Surplus Funds. Notwithstanding the provisions of N.C.G.S. §47F-3-114, any excess of Association income over Common Expenses (as defined in Section 1.10 herein and which shall include reasonable reserves) shall be applied to reserves or other future expenses as the Board deems appropriate.

Article VII Restrictions and Rules

PORTIONS OF THE LAND CONTIGUOUS TO EDGEWATER ON LAKE TILLERY ARE NOT OWNED BY DECLARANT AND ARE NOT SUBJECT TO THIS DECLARATION INCLUDING THE RESTRICTIONS CONTAINED IN THIS ARTICLE VII AND THE RULES AND REGULATIONS PROMULGATED BY THE BOARD. THEREFORE UNITS MAY BE LOCATED ADJACENT TO LAND AND IMPROVEMENTS WHICH ARE INCONSISTENT WITH THE TERMS OF AND NOT BOUND BY THIS DECLARATION AND OWNERS OF UNITS IN EDGEWATER ON LAKE TILLERY WILL NOT HAVE ANY RIGHTS OR RECOURSE UNDER THIS DECLARATION WITH RESPECT TO THE OWNERS OF ANY SUCH ADJACENT LAND AND/OR IMPROVEMENTS.

TO THE EXTENT THAT DECLARANT HAS THE RIGHT TO REQUIRE PORTIONS OF NON-DECLARANT OWNED LAND CONTIGUOUS TO OR IN THE VICINITY OF EDGEWATER ON LAKE TILLERY TO COMPLY WITH RESTRICTIONS IN THIS DECLARATION, DECLARANT MAY TRANSFER OR ASSIGN SUCH RIGHTS IN WHOLE OR IN PART TO OTHER PERSONS INCLUDING BUT NOT LIMITED TO DECLARANT'S SUCCESSORS AND ASSIGNS, THE ASSOCIATION, AND/OR THE UNIT OWNERS IN EDGEWATER ON LAKE TILLERY.

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

Except those to be utilized by Declarant as described hereinabove, no structure shall be erected, placed, altered, used or permitted to remain on any Unit other than one single-family private dwelling and

one private garage for not less than two (2) vehicles and only such other accessory structures as ARB approved in advance in writing by the ARB pursuant to the Guidelines. No Unit and no improvements may be used for hotel or other transient residential purposes. Each lease relating to any Unit or any Improvements thereon (or any part of either thereof) must be for a term of at least six (6) months, must be in writing, and must provide that the tenant is obligated to observe and perform all of the terms and provisions hereof applicable to such Unit and/or Improvements.

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

7.2 Intentionally Deleted.

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

7.4 Exterior Lighting. Exterior lighting on Units shall be subject to the applicable requirements and limitations in the Architectural Guidelines. Night lighting of tennis courts, sport courts and other recreational facilities on Units is not permitted.

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

7.6 Mail and Newspaper Boxes: House Numbers. Declarant shall provide to each Unit Owner, at the Unit Owner's expense, and each Unit Owner shall install and maintain, at Unit Owner's expense, a standard mailbox/newspaper box for such Owner's use on such Owner's Unit. No other mailbox or newspaper box shall be erected or maintained on any Unit. The location of the mailbox/newspaper box on a Unit must be approved in writing by the ARB. House numbers may be visible from the Roadway in front of the Unit and must be displayed on either the dwelling, the mailbox, or another fixture, only as approved by the ARB. Declarant shall not be responsible for the installation or maintenance of any mailbox or newspaper box.

7.7 Animals. No animals, livestock or poultry shall be raised, bred or kept on any portion of the Property except that dogs, cats or other household pets may be kept, but not for any commercial purposes, provided that they do not create a nuisance (in the judgment of the Board in its sole discretion) such as,

but without limitation, by noise, odor, damage, personal injury or destruction of property or refuse. Any excrement deposited by an animal on any portion of the Property shall be promptly removed and appropriately disposed of by the owner of such animal. The number of household pets kept or maintained outside the dwelling on a Unit shall not exceed three (3) in number, except for newborn offspring of such household pets which are all under six (6) months in age. Dogs shall at all times whenever they are outside of a dwelling be on a leash or otherwise confined in a manner acceptable to the Board. Animal control and other appropriate authorities shall be permitted to enter Edgewater on Lake Tillery to patrol and remove pets and wild animals. In the event of any illegal behavior related to animals on the Property, owners shall notify the appropriate authority (i.e. police, animal control, other government authority) to remedy any such situation. All pets shall be registered, licensed and inoculated as required by law. No fenced dog enclosure or other structure for pets may be constructed or maintained on any Unit unless the same has been approved in writing by the ARB.

7.8 Signs. ARB shall have the authority to approve all signs (other than signs located within interior dwellings but including interior signs that are visible outside) prior to installation and may impose size limits and other reasonable restrictions. No signs, posters, displays, security service signs, construction signs, advertising signs or billboards or other advertising structure(s) of any kind shall be erected on any Unit or displayed to the public on any Unit subject to these restrictions without prior written approval of ARB. **Without limiting the foregoing, no “for sale” or “for rent” signs and similar temporary signs may be erected by or upon any Unit except as provided in this Section 7.8.** Builders may erect such signs as approved by the ARB during construction of a dwelling or such other times as may be approved in the sole discretion of the ARB. This section shall not apply to signs erected by the Declarant, including signs used to identify and advertise the Property as a whole. Declarant or ARB has the right to enter upon any Unit and remove any unapproved sign(s).

Notwithstanding the foregoing and pursuant to the Planned Community Act, Owners are permitted to display one political sign with the maximum dimensions of twenty-four by twenty-four inches (24 inches by 24 inches) on that Owner’s Unit, provided that the political sign may not be displayed more than forty-five (45) days before the day of the respective election and may not be displayed later than seven (7) days after the respective election day. If any city, town, or county ordinance that is applicable to the Property is less restrictive than the immediately preceding sentence, the less-restrictive provisions of that ordinance shall govern. For purposes of this section, “political sign” shall mean a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on the election ballot.

7.9 Temporary Structures; Structure Materials; Containers. No residence or building of a temporary nature, including a construction trailer, shall be erected or allowed to remain on any Unit, and no metal, fiberglass, plastic or canvas tent, barn, carport, garage, utility building, storage building or other metal, fiberglass, plastic or canvas structure shall be erected on any Unit or attached to any residence. No portable on-site storage containers or similar containers shall be allowed to remain on any portion of the Property unless approved by the Board, and, if such approval is granted, subject to such regulations and restrictions as may be imposed by the Board in its sole discretion. Provided, however, nothing herein shall prohibit Declarant from erecting or moving temporary buildings onto Units owned by Declarant, or from maintaining a sales office on any portion of the Property.

7.10 Recreational and Other Equipment.

(a) No recreational equipment (including swimming pools, sport courts, tents, basketball backboard and hoops, trampolines, swing sets, tree houses, children’s climbing or play apparatus and other equipment associated with either adult or juvenile leisure or recreation) shall be attached to the exterior of any dwelling or otherwise placed or kept on any Unit, except with the prior written approval of

the ARB, which approval may be granted or denied in its sole and absolute discretion.

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

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

(d) Garbage containers shall be kept out of sight of any Roadway except after 6:00 p.m. on the day immediately preceding scheduled pick-up days until 6:00 p.m. on scheduled pick-up days, during which periods of time they may be kept in the designated pick-up area.

7.11 Parking; Storage.

(a) No vehicles, trucks, vans, cars, trailers, boats (whether or not on a trailer), construction equipment, etc. may be parked overnight on any Roadway within the Property.

(b) Commercial-use vehicles and trucks not involved with construction activity on the Property and having a carrying capacity and/or size designation greater than or equal to one (1) ton, any vehicle (other than a law enforcement vehicle) which bears a company name or logo, any vehicle with ladders on top or in a thick bed, and any "box" van or truck shall not be permitted to park overnight on the Roadways, driveways or otherwise within the Property, unless stored in an enclosed garage. No vehicle of any size which transports inflammatory or explosive cargo may be kept within the Property at any time. No vehicles that are not in a condition to be normally operated or that do not have a current registration tag may be stored or situated on any Unit for more than thirty (30) days unless stored in an enclosed garage.

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

(d) No recreational vehicles or related equipment, including any moped, go-cart, snow mobile, three or four-wheeled all terrain vehicle, golf cart, boat, houseboat, trailer, motor home or "camper" vehicle may be stored or kept on any portion of the Property, except in an enclosed garage or in an enclosure specifically approved for such maintenance or storage by the ARB; provided, however, Declarant and the Association, their respective employees, contractors and agents shall have the right to operate such recreational vehicles in connection with the development, maintenance, and operation of the Property.

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

(g) All automobiles permitted hereunder shall have a current license plate affixed thereto and must be parked on a driveway approved by the ARB.

7.12 Outdoor Objects, Decorations, Flags and Flag Poles. No outdoor statuary, flags or other decorative objects may be placed on any Unit unless it is in compliance with the Governing Documents, including the Architectural Guidelines. **Notwithstanding any other provision herein, the American Flag and/or the North Carolina flag having the maximum dimensions of four feet by six feet (4 feet x 6 feet) may be displayed on an Owner's own Unit.** Any flags will be displayed in accordance with traditional rules and patriotic customs set forth in 4 U.S.C. §§5-10, as amended, governing the display and use of the American Flag. Declarant, during the Class "B" Control Period and thereafter, the Board, may adopt reasonable rules and regulations regarding the placement of religious, holiday, or any other decorations on Units, including regulations concerning the time, place and manner in which such decorations may be displayed, if at all. Notice of any such rules and regulations shall be provided to each Owner at his/her address as it appears in the Association's records. No free standing flag poles of any typed shall be permitted on any Unit. Declarant reserves the right to display the American Flag, the North Carolina flag, and/or Edgewater on Lake Tillery flags on the Common Area or other property owned by Declarant.

7.13 Clothes Lines. No clothes lines of any description or type, and no outside drying of clothes shall be allowed on any Unit.

7.14 Wetlands. Neither the Association nor any Owner may fill, grade, excavate, or perform any other land disturbing activities, or cut, remove, or harm any vegetation, or construct any structure, upon any portions of the Common Areas or Units shown on the Plats as wetlands.

7.15 Power Equipment. The use of motorized lawn mowers, lawn tractors, grass trimmers, garden tillers, chain saws and other motorized (including electric and gasoline-powered engines, lawn and garden maintenance equipment) is prohibited before 7:00 a.m. and after 9:00 p.m. Monday — Saturday of each week and before 11:00 a.m. and after 9:00 p.m. Sunday of each week.

7.16 Hoses, Pipes and Cables. Except for temporary use of hoses and the like which are reasonably necessary in connection with normal lawn care, no hose, water pipe, sewer pipe, gas pipe, drainage pipe, television cable or other similar transmission line shall be installed or maintained upon any Unit above the surface of the ground, unless such installation is expressly approved by the ARB.

7.17 Vegetable/Fruit Gardens. Vegetable and/or fruit gardens are not permitted on any Unit unless placed in the rear portion of the Unit in such manner as not to constitute a nuisance or unsightly condition to the Owner of any adjoining Unit or any Unit in the vicinity, as determined by the ARB in its sole discretion.

7.18 Window Coverings. Bedding materials, plastic sheets, towels or other similar non-standard window treatments shall not be hung or placed in or on any window of any dwelling located on any Unit, except on a short-term temporary basis approved in advance by the ARB. All window coverings (i.e., curtains, blinds, draperies, shades, etc.) shall appear white from the exterior unless otherwise approved by the ARB.

7.19 Sight Line Limitations. The ARB shall have the right to approve vegetation, trees or any landscaping structures along the setback area established by the Building Envelope adjoining any Roadways, including but not limited to the right to require removal, modification, pruning, etc., as determined necessary to prevent obstruction of sight lines by the ARB in its sole discretion.

7.20 Utilities. Each Owner will be required to pay for any water connections, sewer connections, impact fees, or any other charges imposed by any entity furnishing water, sewer or other utility service to the Units. In the alternative, the Declarant may collect such connection, impact, and other fees, and

charges directly from the Owners. All Owners shall be required, for household purposes, to use water, sewer and irrigation supplied by the companies and/or governmental units servicing the Property and designated by Declarant. Except for overhead power lines in place on the date of this Declaration, all utilities and utility connections shall be located underground, including electrical, telephone and cable television lines. Transformers, electric, gas or other meters of any type, or other apparatus that are above ground shall be located as approved by the ARB in writing and adequately screened as required by the ARB in accordance with the provisions of this Declaration.

7.21 Sediment Control. Sufficient sediment control measures, including installation and maintenance of silt fences, straw bale fences, sediment basins, storm water inlet protection and temporary seeding, to the extent deemed reasonably necessary by Declarant or the ARB, shall be taken by the Owner or Owner's builder to ensure that all sediment resulting from any land disturbance or construction operation is retained on the Unit in question. All sediment control measures must be maintained until such Unit has been permanently stabilized with respect to soil erosion, as more particularly described in the Architectural Guidelines.

7.22 Building Envelopes. No building or other improvement on any Unit (including any stoops or porches, patios, decks, terraces, etc.) shall be erected or permitted to remain outside of the Building Envelope for that particular Unit. The Building Envelope for any Unit will be established by the ARB, and available from the ARB on a unrecorded map. The dwelling on such Unit must be located within the dwelling's building pad area (which may have dimensions smaller than those of the Building Envelope) shown on said unrecorded map ("Dwelling Unit Building Pad Area"). Provided, however, and notwithstanding the foregoing, (i) docks, piers, boathouses and boatslips appurtenant to a Waterfront Unit are exempt from the Building Envelope restriction, provided they are approved by the ARB in accordance with the applicable provisions of the Guidelines, (ii) exterior steps at the front and rear of a dwelling may project outside of the Dwelling Unit Building Pad Area up to a distance of five (5) feet (even if such projection also extends into the setback area established by the Building Envelope), and (iii) fireplace chimney structures projecting from the side of a dwelling may encroach no more than eighteen (18) inches outside of the Dwelling Unit Building Pad Area (even if such projection also extends into the setback area established by the Building Envelope). The ARB shall have the right in its sole discretion to make exceptions to any Building Envelope or Dwelling Unit Building Pad Area or to recognize any special topography, vegetation, Unit shape or dimension, or other site-related conditions. In the event any zoning or subdivision ordinance, floodway regulation or other ordinance, law or regulation applicable to a Unit shall prescribe greater setbacks, then all improvements erected during the period such requirements are in effect shall conform thereto.

7.23 Waste. No Unit shall be used or maintained as a dumping ground for rubbish, trash or garbage. During construction of improvements on a Unit, all rubbish and debris shall be stored and disposed of in accordance with the rules and established by the ARB.

7.24 Combination or Subdivision of Units. If an Owner owns two (2) or more adjacent Units, and wants them to be considered as one Unit, then such Units shall (except as provided herein) be considered as one Unit for the purposes of this Article VII upon the recordation in the Stanly County Registry, of an instrument by such Owner expressing such intent, such instrument to refer specifically to this section in this Declaration and to identify the Units to be considered as one Unit for purposes of this Article VII. A copy of such recorded instrument shall be promptly delivered by such Owner to the ARB. The Building Envelopes, Dwelling Unit Building Pad Areas (as defined in Section 7.22), setback lines, and easements reserved in this Declaration affecting such Units shall be adjusted accordingly by the ARB. The Owner of any Unit which combines with all or a portion of a contiguous Unit shall be solely responsible for any costs which may result from such combination, including the costs of relocating any existing easements. With respect to combined Units, Declarant reserves the right to designate said combined Units as one (1)

Unit or multiple Units, in Declarant's sole and absolute discretion, for purposes of payment of (which right Declarant may, without obligation to do so, assign to the Association at such time as Declarant may choose). No Unit shall be subdivided by sale, lease or otherwise without the prior written consent of Declarant. Provided, however, Declarant reserves the right to change the size, boundaries or dimensions of any Unit owned by Declarant for any reason.

7.25 Restricted Activities in Common Areas. Except for the activities of Declarant and its agents in connection with development of the Edgewater on Lake Tillery and except for the activities of the Association and its agents in the performance of the Association's duties under this Declaration, no cutting of vegetation, dumping, digging, filling, destruction or other waste shall be committed on the Common Areas. There shall be no obstruction of the Common Areas, nor shall anything be kept or stored in the Common Areas, nor shall anything be altered, or constructed or planted in, or removed from, the Common Areas, without the prior written consent of Declarant, so long as Declarant owns any portion of the Property, and the Association. Each Owner shall be liable to the Association and/or Declarant for any damage to any Common Area caused by the negligence or willful misconduct of the Owner or his family, tenants, guests, agents, employees, or invitees. Provided, however, the provisions in this paragraph shall not apply to Declarant in connection with Declarant's construction activities on the Property.

7.26 Unightly or Unkempt Conditions. The pursuit of hobbies or other activities, including the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken on any Unit, other than in enclosed garages.

7.27 Sewage Disposal. Prior to the issuance of a Certificate of Occupancy for a dwelling on a Unit, the Owner must install and maintain a sewer pump as required and approved by the Town of Norwood or any other applicable governmental authority.

7.28 Nuisances. It is the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on such Owner's property. No Unit shall be used, in whole or in part, for the deposit, storage or burial of any property or thing that will cause such property to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on within any Unit, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Edgewater on Lake Tillery. There shall not be maintained on any Unit any plants or animals or device or thing of any sort whose activity or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Edgewater on Lake Tillery. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of structure or any unimproved Unit unless required by law. Without limiting the authority of Declarant and the Board of Directors to make, in their respective discretion, determinations as to whether the terms of this section have been violated and to take action to enforce the provisions of this section, each Owner shall be primarily responsible for enforcement of such provisions by individual legal action or through involvement of public authorities.

7.29 Public Water System; No Private Individual Wells; Irrigation Restrictions. All water supplies necessary to serve the Edgewater on Lake Tillery (the "Water System"), and all water mains, pipes and other equipment necessary for the operation and maintenance of the Water System shall be owned, operated, repaired and maintained by the Town of Norwood, its successors and assigns, duly licensed and operating under the authority granted by the North Carolina Utilities Commission. The Water System

shall be the sole source of water supplies to the Edgewater on Lake Tillery, and no well may be dug or constructed on any Unit for the purpose of providing domestic water supply, except that Owners of single-family residential Units shall be allowed to install one single well per Unit for the purpose of irrigating the land comprising the Unit. All wells and pumps permitted under this Declaration must be located so as not to be visible from any street or Amenity Area or Common Area and must be approved by ARB, screened from view and kept free from discoloration, including rust. In the event the use of water from any well is determined, in the Board's discretion, to be causing rust or discoloration on a Unit, the Board shall be entitled to require the Owner of such Unit to discontinue the use of such well. In addition and notwithstanding the foregoing, in the event Declarant or the Association operates or uses any type of irrigation system to service the landscaping and/or other exterior areas on the Common Areas, any portion or all water necessary for the operation and use of such irrigation system may be obtained from wells dug or constructed on the Common Areas.

7.30 Docks, Piers and Boathouses. Only upon prior approval by Progress Energy, the Owner of a Waterfront Unit may construct Waterfront Unit Piers and Boathouses adjacent to said Waterfront Unit in accordance with the applicable provisions of both the Progress Energy Guidelines and the Architectural Guidelines, provided that such Unit is not located in an area where the narrowness of a cove precludes Construction of a dock or pier as determined by Progress Energy Guidelines and/or any governmental entity having jurisdiction at the time such improvements are to be Constructed, Any waterfront improvement shall have an open design to minimize obstruction of neighbors' views. Enclosed boat houses will not be allowed.

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

- (a) the Progress Energy Guidelines and the Architectural Guidelines and any easements, restrictions, rules and regulations for construction and use promulgated by the Board and/or the Association;
- (b) all laws, statutes, ordinances and regulations of all Federal, State and local governmental bodies having jurisdiction thereon, including the Federal Energy Regulatory Commission; and
- (c) rules and regulations, privileges and easements affecting the Property and the waters and submerged land of the Lake established by Progress Energy, its successors and assigns. (Progress Energy controls access to, and the use and level of the waters of the Lake. All Owners, the Association, Declarant and Builders must receive a permit from Progress Energy [or a successor manager of the Lake, under authority from the Federal Energy Regulatory Commission] prior to any alterations therein).

No pier, dock, boathouse, boatslip structure or other similar Improvement shall be constructed by any Waterfront Unit Owner outside of the Pier Zone. Additionally, no boat (including a houseboat) docked at a fixed pier or a floating boat dock (appurtenant to any Waterfront Unit) shall be located outside the Pier Zone. Furthermore, each Waterfront Unit Owner shall be entitled to construct only one (1) pier and boathouse within the applicable Pier Zone, and in no event shall any additional boatslips, mooring posts or similar improvements be constructed within such Pier Zone. ALL WATERFRONT UNIT OWNERS, BY PURCHASING PROPERTY SUBJECT TO THIS DECLARATION, ACKNOWLEDGE THAT THEY SHALL BE RESPONSIBLE FOR OBTAINING (AND FOR CONDUCTING ALL REQUIRED ACTIVITIES, INCLUDING ANY DREDGING, NECESSARY IN CONNECTION WITH OBTAINING) ANY PERMIT, LICENSE OR LEASE ALLOWING FOR THE CONSTRUCTION AND USE OF ANY PIER, DOCK, BOATHOUSE, BOATSLIP STRUCTURE OR OTHER SIMILAR IMPROVEMENT WITHIN OR UPON THE WATERS OF THE LAKE AND THAT SUCH PERMIT, LICENSE OR LEASE SHALL BE LIMITED IN DURATION, AND NEITHER

DECLARANT, NOR THE ASSOCIATION, NOR THE OFFICERS, DIRECTORS MEMBERS, EMPLOYEES AGENTS OR AFFILIATES OF EITHER OF THEM, SHALL HAVE ANY LIABILITY ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN ANY WAY RELATED TO ANY SUCH PERMIT, LICENSE OR LEASE.

7.31 Boat Ramps. No boat ramps of any kind shall be permitted on any Unit.

7.32 Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Unit or other portion of the Property and all applicable governmental requirements or restrictions relative to the construction of improvements on and/or use and utilization of any Unit or other portion of the Property shall continue to be applicable and shall be complied with in regard to the Units. Each Owner shall comply with all laws, regulations, ordinances and other governmental rules and restrictions in regard to the Units or other portion of the Property owned by such Owner (including applicable zoning and watershed laws, rules, regulations and ordinances). Furthermore, each Owner of a Waterfront Unit shall comply with the conditions, limitations and restrictions set forth in the Progress Energy Guidelines.

7.33 Occupants Bound. All provisions of the Governing Documents shall also apply to all Occupants even if Occupants are not specifically mentioned.

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

Article VIII Architecture and Landscaping

8.1 General.

No structure or thing shall be placed, erected, installed, or maintained upon any Unit and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within Edgewater on Lake Tillery, except in compliance with this Article, the Architectural Guidelines and if, applicable, the Progress Energy Guidelines. With regard to the provisions of this Article, the terms, "structures," "buildings" and "improvements" shall include, but not be limited to any dwelling, garage, fence, wall, sidewalk, hedge, mass planting, change in grade or slope, drainage pipe, drainage canal, ditch, swale, catch basin, swimming pool, tree house, playhouse, sign, flag pole, exterior illumination, monument or marker, outdoor statuary, exterior lights, security lights, storm door, mailbox, patio, deck, screening for outdoor trash cans or other purposes, sprinkler system, driveway, outdoor decorative objects, shrubbery, or landscaping.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of Edgewater on Lake Tillery shall be designed by and built in accordance with the plans and specifications of a licensed architect or a professional member of

American Institute of Building Design (“AIBD”) unless Declarant or its designee otherwise approves in its sole discretion.

This Article shall not apply to Declarant’s activities or to the Association’s activities during the Class “B” Control Period. This Article may not be amended without the prior written consent of Declarant, so long as Declarant owns any portion of or has a right to expand Edgewater on Lake Tillery pursuant to Section 14.1.

8.2 Architectural Review.

(a) By Declarant. By accepting a deed or other instrument conveying any interest in any portion of Edgewater on Lake Tillery, each Owner acknowledges that, as the developer of Edgewater on Lake Tillery and as an owner of portions of Edgewater on Lake Tillery as well as other real estate within the vicinity of Edgewater on Lake Tillery, Declarant has a substantial interest in ensuring that the improvements within Edgewater on Lake Tillery enhance Declarant’s reputation as a community developer and do not impair Declarant’s ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner’s Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in the Declarant’s or its designee’s sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant’s interest and shall owe no duty to any other Person. Declarant’s rights reserved under this Article shall continue so long as Declarant owns any portion of Edgewater on Lake Tillery or any real property adjacent to Edgewater on Lake Tillery, unless earlier terminated in an instrument the Declarant Records. Declarant may designate one or more Persons to act on its behalf in reviewing applications hereunder.

Declarant hereby delegates its responsibility for administration of the Architectural Guidelines and all other responsibilities described under this Article VIII to the Architectural Review Board (the “ARB”), the members of which shall be appointed by the Declarant during the Class “B” Control Period, and thereafter, by the Board of Directors. All responsibilities delegated to the ARB herein shall be subject to: (i) Declarant’s right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) Declarant’s right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the ARB entities shall be limited to such matters as Declarant specifically delegates as provided herein.

(b) Architectural Review Board. The ARB shall consist of at least three, but not more than five (5) persons and shall have exclusive jurisdiction over all construction and improvements described in this Article VIII. The members of the ARB shall serve and may be removed and replaced in the Board’s discretion. The members of the ARB need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, who may be compensated in such manner and amount if any, as the Board may establish.

(c) Fees; Assistance. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the “Reviewer.” The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. So long as Declarant has any rights under this Article, Declarant has the right to review and approve or disapprove the establishment of any such fees. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform

the review. The Board may include the compensation of such persons in the Association's annual operating budget.

8.3 Standards and Procedures.

(a) Architectural Guidelines. The Architectural Guidelines may contain general provisions applicable to all of Edgewater on Lake Tillery as well as specific provisions which may vary from Section to Section. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer in considering applications. The Architectural Guidelines are not the exclusive basis for decisions of the Reviewer and compliance with the Architectural Guidelines does not guarantee approval of any application.

Declarant may prepare the initial Architectural Guidelines, which shall include security deposit fees which will be required during construction to ensure compliance with the Governing Documents and to repair damage, if any, caused by the applicable construction to Common Areas or Roadways. Declarant shall have sole and full authority to adopt, alter or amend the Architectural Guidelines as long as it owns any portion of or has a right to expand Edgewater on Lake Tillery pursuant to Section 14.1 notwithstanding a delegation of reviewing authority to the ARB, unless Declarant also delegates the power to amend the Architectural Guidelines to the ARB. Upon termination or delegation of Declarant's right to amend, the ARB shall have the authority to amend the Architectural Guidelines subject to the approval of the Board.

The Declaration, any Supplemental Declaration and/or the Architectural Guidelines may include requirements for minimum heated square footage, which requirements may vary among Units and/or Sections. The square footage requirements set forth below are for enclosed heated floor area, are measured from the ground level up (with ground level being the first level of any dwelling as viewed from the Roadway on which the dwelling fronts) and are exclusive of the areas in heated or unheated basements, vaulted ceiling areas and attics, unheated porches of any type, attached or detached garages, porte-cocheres and unheated storage areas, decks and patios. The requirements for minimum heated square footage for the initial property described in Exhibit A is as follows:

- (i) One Story Residence: 2,000 total square feet; and
- (ii) Two Story Residence: 2,400 total square feet, including a minimum of 1800 square feet in the first floor).

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

No dwelling erected upon a Unit shall contain more than two and one-half (2 ½) stories above ground level (with ground level being the first level of any dwelling as viewed from the Roadway on which the dwelling fronts). While each Unit must comply with the requirement set forth in the immediately preceding sentence, the ARB shall have the right (but not the obligation), because of steep topography, unique Unit configuration or dimensions, unusual site related conditions or other similar reasons, to allow dwelling heights greater than two and one-half (2 ½) stories as viewed from rear and side elevations.

Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or

modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Reviewer shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Edgewater on Lake Tillery. In Declarant's discretion, such Architectural Guidelines may be Recorded, in which event the Recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

(b) Procedures. Except as otherwise specifically provided in the Architectural Guidelines, no activities shall commence on any portion of Edgewater on Lake Tillery until an application for approval has been submitted to and approved by the Reviewer. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application. So long as Declarant has any rights under this Article, Declarant has the right but not the obligation to require the Reviewer to review and issue a decision on "bulk" applications (same plans for different Units) submitted by a Builder.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation or obligation, the following: visual aesthetics, quality of workmanship and design, natural platforms and finish grade elevations; the suitability of the proposed building, improvements, structure, or landscaping and the materials of which it is to be built; the site upon which it is proposed to erect the same, the harmony of external design with surrounding structures and environment; and the effect thereof on the adjacent or neighboring property. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall use good faith efforts to make a determination on each application within thirty (30) days after receipt of a completed application and all required information. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

The Reviewer shall notify the applicant in writing of the final determination on any application within thirty (30) days after Reviewer's determination on such application. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

In the event that the Reviewer fails to respond within sixty (60) days after Reviewer's receipt of a completed application and all required information, approval shall be deemed to have been given. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5. Notice of the Reviewer's decision shall be deemed to have been given at the time the envelope containing the response is deposited with the U.S. Postal Service. However, personal delivery of such written notice shall be sufficient and shall be deemed to have been given at the time of delivery to the applicant.

If construction does not commence on a project for which plans have been approved within one

(1) year after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one (1) year of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant, or any aggrieved Owner.

The Reviewer may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

8.4 Preferred Builder Program. Declarant may select certain experienced builders to participate in the Edgewater on Lake Tillery Preferred Builder Program. These Preferred Builders, if any, will be identified in the Architectural Guidelines and are subject to change. The diverse talent represented by the Preferred Builders allows Owners to select the company best suited to the Owner's project and personality. Owner, by his acceptance of a deed, warrants and represents that improvements on Owner's Unit may only be constructed by: (i) a Preferred Builder or (ii) another builder that: (1) possesses a valid North Carolina General Contractor's license, and (2) has been approved in writing by the ARB, in accordance with the standards of the Architectural Guidelines, to build on the Unit. The Preferred Builders are not employees or agents of the Declarant. Any assurances of quality construction, compliance to the Architectural Guidelines, completion according to plan, and timeliness are the sole responsibility of any individual contracting directly with his or her Builder. Declarant is not a party to any contractual agreements between Builders and their clients. Even though Declarant has made background inquiries into each Preferred Builder, Declarant is not responsible for any home, home design, representation or promise made by a Builder. Declarant may provide marketing services for Builders for which Declarant is paid a fee by the Builders.

8.5 No Waiver of Future Approvals. Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

8.6 Variances. The Reviewer may authorize variances from compliance with any of its standards and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

8.7 Limitation of Liability. The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Edgewater on Lake Tillery; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for

ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring property owners.

Declarant, the ARB, the Association, the Board, any committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not Declarant has approved or featured such contractor as a builder in North Carolina; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Association shall indemnify the Board, the ARB, and the members of each as provided in Section 4.8.

8.8 Certificate of Compliance. Any Owner may request that ARB issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association, acting through the ARB, shall either grant or deny such request within thirty (30) days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall preclude the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

8.9 Enforcement.

(a) Once construction has been initiated on a Unit, the Owner thereof must complete such construction within one (1) year. If an Owner does not comply with such schedule, then Declarant, and/or the Association shall have the right (but not the obligation) to complete such construction on Owner's behalf and at such Owner's expense. In the event the Declarant or the Association exercises the right provided in the immediately preceding sentence, then the Declarant or the Association (as the case may be) shall be entitled to collect from such Owner, in addition to a reimbursement of all costs expended in the completion of construction of the Unit, an administrative fee for such work, which fee shall be equal to twenty percent (20%) of the costs incurred by such party in completing the work. Any and all of the foregoing costs and fees that may be incurred by or payable to Declarant or the Association shall be a charge and continuing lien upon such Unit until paid, and Declarant, the Board and/or the Association may bring an action against such Owner, or foreclose the lien against the property in the same manner as provided in North Carolina for the foreclosure of deeds of trust, or both, and, in either event, interest, costs and reasonable attorney's fees of any such action shall be added to the amount owed.

(b) Any structure or improvement placed or made in violation of this Article or the Architectural Guidelines shall be deemed to be nonconforming. Upon written request from the Board or the Declarant, Owners shall, at their own cost and expense, remove such structure or improvement and restore the land to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, then Declarant, the Board, and the Association shall each have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the Unit's Owner and the benefited Unit and collected as a Specific Assessment pursuant to Section 6.7. In the event the Declarant, the Board and/or the Association exercises any right provided hereto in this section, then Declarant, the Board and/or the Association (as the case may be) shall be entitled to collect from the relevant Owner, in addition to a reimbursement of all costs expended in the removal of the violation and/or the restoration of the property, an administrative fee for such work, which fee shall be equal to twenty percent (20%) of the costs incurred by such party in performing the work.

(c) Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Architectural Guidelines may be prohibited by the Board from entering and conducting any activities within Edgewater on Lake Tillery. In such event, neither the Association, nor its officers or its directors shall be held liable to any Person for exercising the rights granted by this subsection.

(d) The Association shall have the authority to establish and levy fines for violations of this Article and the Architectural Guidelines, including fines for continuing violations thereof. The fine amounts may be deducted from any bond posted. If the fines are not paid, the Association may levy a Specific Assessment in accordance with the provisions of Section 6.7.

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

(f) The terms and conditions of this Section 8.9 shall not apply to Declarant or any affiliate of Declarant or to any property within Edgewater on Lake Tillery owned by Declarant or any affiliate of Declarant.

Article IX Insurance; Repair and Restoration; Condemnation

9.1 Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering “risks of direct physical loss” on a “special form” basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area to the extent that Association has responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then “broad form” coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Common Area, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a commercially reasonable limit per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Master Association shall obtain such additional coverages or limits;

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

(iv) Directors and officers liability coverage;

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board’s business judgment but

not less than an amount equal to (A) one-quarter of the sum of Annual Assessments on applicable Units plus (B) reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

Premiums for all insurance described in this Section 9.1(a) shall be Common Expenses.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the surrounding area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 9.1(a). In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall (to the extent reasonably available):

(i) be written with a company authorized to do business in North Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a coinsurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);

(vii) provide a waiver of subrogation under the policy against any Owner or household member of an Owner;

(viii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable

defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(ix) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(iv) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(v) a cross liability provision; and

(vi) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless (i) repair or reconstruction would be illegal under any state or local health or safety statute or ordinance or (ii) Members representing at least 80% of the total Class "A" votes in the Association, 100% of total votes attributable to Units entitled to use and enjoy any Limited Common Area within such damaged portion of the Common Area, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Notwithstanding anything herein to the contrary, post-hurricane or other storm cleanup of the Common Area (or any other cleanup or repair of the Common Area necessitated by an Act of God or

natural disaster) shall be the obligation of the Association. If necessary, the Board shall be entitled to impose a Special Assessment to cover the costs of such cleanup. Nothing in this paragraph shall be deemed to limit the types of costs and expenses that may justify a Special Assessment hereunder.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 9.1(a).

9.2 Owner's Personal Property. Neither the Association nor Declarant shall be liable in any manner for the safekeeping or condition of any personal property belonging to or used by any Owner or his family, tenants, guests or invitees, located on or used at the Common Areas. Further, neither the Association nor Declarant shall be responsible or liable for any damage or loss to any personal property of any Owner, his family, tenants, guests or invitees located on or used at any parking area or other Common Areas. Each Owner shall be solely responsible for all personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase of, at such Owner's sole cost and expense, any liability or other insurance for damage to or loss of such property. Each Owner shall be solely responsible for all such personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase, at such Owner's sole cost and expense, of any liability or other insurance for damage to or loss of such property.

9.3 No Obligation to Insure Owners' Property. By virtue of taking title to a Unit within the Edgewater on Lake Tillery, each Owner acknowledges that neither the Association nor Declarant has any obligation to provide any insurance for any portion of such Unit or other property located thereon.

9.4 Condemnation.

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least 67% of the total Class "A" votes in the Association and of Declarant, as long as Declarant owns any property subject to this Declaration or which may be made subject to this Declaration in accordance with Section 14.1 by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

(a) If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within sixty (60) days after such taking Declarant, so long as Declarant owns any property subject to this Declaration or which may be made subject to this Declaration in accordance with Section 14.1 and Members representing at least 75% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board; or

(b) If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for

such purposes as the Board shall determine.

Article X Easements and Other Rights

Declarant, in addition to any other easements granted or reserved herein, hereby reserves unto itself; its successors and assigns, and grants to the Association and any other Persons hereinafter set forth, the following non-exclusive easements on, upon, over, across, through and under the Property. in addition, Declarant hereby reserves unto itself, its successors and assigns, the right, on behalf of itself and the Association, to grant additional easements on, upon, over, across, through and wider the Common Areas and any portion of the Property owned by Declarant as deemed to be in the best interests of and proper for the Edgewater on Lake Tillery, including easements in favor of Declarant, the Association, the Owners, and all their family members, guests, invitees and tenants and to various government and quasi-government authorities and agencies and private concerns for the purposes and uses hereinafter specified.

10.1 Easements and Cross-Easements on Common Areas. Declarant, for itself, its designees and the Association, reserves the right to impose upon the Common Areas henceforth and from time to time such easements and cross-easements for ingress and egress, installation, maintenance, construction and repair of utilities and facilities including electric power, telephone, cable television, master antenna transmission, surveillance services, governmental and quasi-governmental purposes, sewer, water, gas, drainage, irrigation, lake maintenance, storm water management, lighting, television transmission, garbage and waste removal, emergency services, and the like as it deems to be in the best interests of, and necessary and proper for, the Edgewater on Lake Tillery or any portion thereof.

10.2 Use of Common Areas. Subject to any limitation or restriction set forth in this Declaration, Declarant declares that the Common Areas are subject to a perpetual nonexclusive easement in favor of Declarant, the Association and their designees, the Owners and all their family members, guests, invitees and tenants, and appropriate governmental and quasi-governmental agencies to use the Common Areas for all proper and normal purposes including ingress, egress and access for the furnishing of services and utilities and for such use of the facilities as the same are reasonably intended in accordance with the terms of this Declaration and any Supplemental Declaration. If ingress or egress to any Unit or other portion of the Property is through any Common Area, any conveyance or encumbrance of such area is subject to this easement.

10.3 Right-of-Way Over Roadways. Declarant hereby reserves, for the benefit of itself, its agents, employees, lessees, invitees, designees, successors and assigns, and grants to the Association, its agents, employees, tenants, invitees, designees, successors and assigns, and to each Owner of a Unit, their family members, tenants, guests, invitees, successors and assigns, and to each Occupant of a Unit or Tract, and to all governmental and quasi-governmental agencies and service entities having jurisdiction over the Property while engaged in their respective functions, a perpetual non-exclusive easement, license, right and privilege of passage and use, both pedestrian and vehicular, over and across the Roadways for the purpose of providing access, ingress and egress to and from, through and between the Property.

10.4 Right of the Association and Declarant to Enter Upon the Common Areas. Declarant hereby reserves for the benefit of itself, its successors in interest and assigns, and grants to the Association and all agents, employees or other designees of Declarant or the Association an easement for ingress, egress and access to enter upon or over the Common Areas for the purposes of inspecting any construction, proposed construction, or improvements or fulfilling the rights, duties and responsibilities of ownership, administration, maintenance and repair of Declarant or the Association, as appropriate. Such easement includes an easement in favor of the Association and Declarant to enter upon the Common Areas now or hereafter created to use, repair, maintain and replace the same for the purposes for which they are initially

designated or for such purposes as they are hereafter redesignated or as Declarant otherwise determines them to be reasonably suited. Notwithstanding the foregoing, nothing contained herein shall be interpreted as imposing any obligation upon the Association or Declarant to maintain, repair, or construct improvements which an Owner is required to maintain, construct or repair.

10.5 Easement for Encroachments. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, the Owners, their successors and assigns, and to the Occupants of Units, easements for encroachments, to the extent necessary, in the event any portion of the improvements located on any portion of the Property now or hereafter encroaches upon any of the remaining portions of the Property as a result of minor inaccuracies in survey, construction or reconstruction, or due to settlement or movement. Any easement(s) for encroachment shall include an easement(s) for the maintenance and use of the encroaching improvements in favor of Declarant, the Association, the Owners and all their designees. The provisions of this Section 10.5 shall not be construed to allow any encroachment which could or does interfere with the acceptance of any Roadway or utility for public maintenance, all such encroachments being expressly prohibited and to be removed and the encroached upon area restored in a good and workmanlike manner at the expense of the Owner of the applicable Unit within such period of time as shall be specified by Declarant or the Association. Should any portion of the above-described removal and restoration work not be properly completed by the applicable Owner within the time period specified, Declarant and/or the Association may cause it to be completed (without obligation to do so), whereupon the Association shall make a Specific Assessment against such Owner to recover all costs incurred by Declarant and/or the Association in connection with completion of such removal and restoration work.

10.6 Utility and Drainage Easements. The Property shall be subject to all easements and rights-of-way for utilities and drainage shown on the Plats. Such easements are hereby reserved for the use of Declarant, its successors and assigns, and are hereby established for the use of the Association, its successors and assigns, and include, without limitation, storm drainage easements of variable width, whether or not depicted on a Plat, over the entire area within all ditches along any Roadway.

Additionally, Declarant hereby reserves, for the benefit of itself; its successors and assigns, and grants to the Association, its successors and assigns, a non-exclusive easement and right-of-way over, under and along (i) a 10-foot strip of land adjacent to the front, side and rear boundary lines of all Units within the Property and (ii) all landscape easements, for the installation and maintenance of lines, conduits, pipes and other equipment necessary for furnishing electric power, gas, telephone service, cable service, water, irrigation, septic system, sanitary sewer and drainage facilities, storm drainage and/or other utilities. Within the easements established under this Section 10.6, no improvement, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation of utilities or which may change the direction or flow of drainage channels in the easements. The Owner of each Unit shall maintain that portion of the Unit lying within the easement areas as defined herein and shall maintain any Improvements located thereon, except those Improvements installed and maintained by a public authority or utility company. This reservation of easements shall not prohibit the construction of driveways, at locations approved by the ARB, over such easements.

Within certain drainage easements shown on the Plats and/or on other locations within the Property as initially installed by Declarant, there are underground storm drainage pipes, rip-rap, and similar storm drainage facilities. Each Owner shall be responsible for routine exterior maintenance of any such facilities located on his or her Unit, at such Owner's sole cost and expense, so that stormwater may continue to flow properly through such pipes and all drainage facilities, including keeping pipe outlets and swales clear of debris, leaves, and other material which may impede such flow of stormwater, If any Owner fails to perform such maintenance, the Association shall have the right, but not the obligation, to enter upon such Owner's Unit to perform such maintenance, and to assess the cost thereof as a Special

Assessment. If any obstruction within any such storm drainage facilities, whether on a Unit or on Common Area, is caused by the act or omission of any Owner or an Owner's Builder or contractor (e.g., situation resulting from construction activities), the Owner whose acts or omissions or whose contractor's acts or omissions caused such obstruction shall remedy such obstruction at such Owner's sole cost and expense, and if such Owner fails to do so, the Association shall have the right, but not the obligation, to remedy such obstruction and to assess the cost thereof as a Specific Assessment. If any obstruction within any such storm drainage facilities occurs on a Unit or on Common Area, and the Association reasonably determines that the source thereof cannot be determined with a reasonable degree of accuracy, the Association shall have the right, but not the obligation, to remedy such obstruction and to pay the cost thereof from the Annual Assessments or reserve fund collected from all Unit Owners. Each Unit Owner acknowledges that (a) within the drainage easements there will be, from time to time, standing water, and (b) as more dwellings are completed in the Edgewater on Lake Tillery, run-off water flow will increase over their respective Units.

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

10.8 Easement Reserved for the Association and Declarant. Full rights of access, ingress and egress are hereby reserved by Declarant for itself and the Association at all times over and upon any Unit or other portion of the Property for the exercise of the easement rights described in this Article X and for the carrying out by Declarant or the Association of the rights, restrictions, duties and obligations of each hereunder, provided, that any such entry by Declarant or the Association upon any Unit or portion of the Property shall be made with the minimum inconvenience to the Owner of such property as is reasonably practical, and any damage caused as a result of the gross negligence of Declarant, the Association or their employees or agents shall be repaired by Declarant or the Association, as the case may be, at the expense of Declarant or the Association, as the case may be.

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

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

10.11 Easements for Special Events.

Declarant hereby reserves for itself, the Association and their respective successors, assigns, and designees, a perpetual, non-exclusive easement over the Common Area for the purpose of conducting educational, cultural, entertainment, promotional, or sporting events, and other activities of general community interest at such locations and times as the Board, in its sole discretion, deems appropriate. Each Owner acknowledges and agrees that the exercise of this easement may result in a temporary increases in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the occupants of its Unit to take no action, legal or otherwise, which would materially, adversely interfere with the exercise of such easement or to recover damages for or as a result of any such activities.

10.12 Stormwater Runoff. All Lots and/or Units are subject to the State of North Carolina rules and regulations concerning stormwater runoff as these rules and regulations may be amended from time to time. Without limiting the foregoing, Declarant or its designee, including the ARB, reserves the right to impose additional restrictions upon the Property as and to the extent required by the terms of stormwater permits or regulations, if any, applicable to Edgewater on Lake Tillery or any portion thereof issued by the State of North Carolina. Such additional restrictions may be imposed by Declarant by the recording of a Supplemental Declaration, and no joinder or consent of the Association or any other Owner or person shall be required for such Supplemental Declaration.

Article XI Limited Common Areas

11.1 Purpose. Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of more than one but less than all Owners. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational areas and other portions of the Common Area within a particular Section. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be a Common Expense allocated among the Owners to which the Limited Common Areas are assigned.

11.2 Designation. During the Class "B" Control Period, Limited Common Area may be designated by Declarant in the deed conveying such area to the Association, on a subdivision plat relating to such Common Area or by Supplemental Declaration; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Units and/or Sections, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 14.1.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Board and the vote of Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Section(s) affected by the proposed assignment or reassignment. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 10.1, any such assignment or reassignment shall also require Declarant's written consent.

11.3 Use by Others. Upon approval of a majority of Owners of Units within the Section to which any Limited Common Area is assigned, the Association may permit Owners of Units in other Sections to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Common Expenses attributable to such Limited Common Area.

Article XII Gate Policy

12.1 Initial Gate Policy.

Declarant has developed Edgewater on Lake Tillery as a gated community, in that the main access road into Edgewater on Lake Tillery will be gated at certain times (but not necessarily 24 hours a day or every day) and will include facilities with limited entry. Owners within Edgewater on Lake Tillery will be provided with some type of bar reader or code in order to enter the gates when they are locked. Visitors without such bar reader or code may not be able to enter Edgewater on Lake Tillery. **EACH OWNER ACKNOWLEDGES AND UNDERSTANDS THAT ENTRANCE GATES IN OR ADJACENT TO THE PROPERTY WILL NOT BE STAFFED AND MAY OR MAY NOT BE LOCKED, BUT WHETHER STAFFED AND/OR LOCKED OR NOT, ANY SUCH GATES ARE NOT INTENDED TO BE SECURITY GATES.**

12.2 Changes to Gate Policy within Edgewater on Lake Tillery.

So long as Declarant owns any property described in Exhibit A or the Additional Property, Declarant may unilaterally amend the gate policy (including but not limited to operating hours, persons authorized to enter other than Owners for any purpose.

In addition, the Owners may amend the gate policy only by the affirmative vote or written consent, or any combination thereof, of Members representing 85% of the total Class "A" votes in the Association, including 85% of the Class "A" votes held by Members other than Declarant, and Declarant's consent, so long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 14.1.

Article XIII Unit Re-Sales

13.1 Applicability. Except for sales and conveyances by Declarant, no Unit (whether improved or unimproved) may be sold by any Owner except in compliance with the provisions of this Article XIII.

13.2 Re-Sale Certificate and Agreement. Before any Unit or any ownership interest therein (whether such Unit is improved or unimproved) may be sold by any Person other than Declarant to any Person other than Declarant, the seller of such Unit must comply with the following procedures and requirements:

(a) Promptly following the execution of any agreement for sale of a Unit, but in no event later than ten (10) business days prior to the closing of the sale and conveyance of such Unit, the Owner thereof shall submit the copy of such agreement to Declarant (if such agreement is executed prior to the end of the Class "B" Control Period) or to Association (if such agreement is signed after the end of the Class "B" Control Period). Such agreement must contain all provisions required under the terms of this Declaration and all provisions required under the purchase and sale agreement pursuant to which such selling Owner purchased the Unit; and must contain any and all provisions required by any Re-Sale Certificate and Agreement or other agreement between such Owner and Declarant or the Association.

(b) Promptly following the execution of any agreement for sale of the Unit, but in no event later than ten (10) business days prior to the closing of the sale and conveyance of such Unit, the Owner seller of such Unit and the purchaser of such Unit must sign and deliver to the Association and Declarant

a Re-Sale Certificate and Agreement containing the following agreements, acknowledgments, disclosures, and waivers, and such other agreements, acknowledgments, disclosures and waivers as Declarant or Association shall deem reasonable or necessary in order to fully inform the purchaser as to the requirements of this Declaration, the requirements of any agreement entered into by and between Declarant or Association and such selling Owner with respect to the subdivision, the Unit, or the Association, and the requirements of any prior Re-Sale Certificate and Agreement:

- 1) Acknowledgement of the resale requirements and procedures set forth in this Article XIII;
- 2) Acknowledgement of the requirement for ARB review and approval before the commencement of any construction on the Property as provided in Article VIII;
- 3) Agreement to payment of the Capital Contribution Fee payable upon the transfer by such Owner to the purchaser, and acknowledgement of the obligation to pay Capital Contribution Fee on subsequent conveyances, as set forth in Section 6.9;
- 4) Disclosures and waivers concerning the Lake, the Allocation Lines, the Pier Zone, the Progress Energy Leased Area and the Progress Energy Guidelines;
- 5) Disclosures of the current amount of Annual Assessments, and the date through which Annual Assessments have been paid by the selling Owner;
- 6) The amount of any pending or current Supplemental Annual Assessments, Special Assessments, Specific Assessments or Special Septic System Assessments; and any pending fines and/or existing violations of the Governing Documents;
- 7) Disclosures and waivers concerning the Preferred Builder Program.

(c) Both the selling Owner and the purchaser shall be subject to the levy of fines pursuant to the terms of this Declaration for failure to obtain and execute a Resale Certificate and Agreement in connection with any transfer, until such Resale Certificate and Agreement is executed and the Capital Contribution Fee due is paid.

Article XIV Expansion of the Community

14.1 Expansion by Declarant. From time to time, Declarant may annex and subject to the provisions of this Declaration all or any portion of the Additional Property by Recording a Supplemental Declaration describing the additional property to be subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to expand Edgewater on Lake Tillery pursuant to this Section shall expire when all of the Additional Property has been subjected to this Declaration or twenty (20) years after this Declaration is Recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or the Additional Property. Any such transfer shall be memorialized in a written, Recorded instrument executed by Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject

additional property to this Declaration or to develop any of the Additional Property in any manner whatsoever.

14.2 Expansion by the Association. The Association may also subject additional property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Members representing not less than sixty-seven (67%) of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 14.1, Declarant's consent shall be necessary. The Association's President and Secretary, the owner of the property, and Declarant, if Declarant's consent is necessary, shall sign the Supplemental Declaration.

14.3 Additional Covenants and Easements. As long as Declarant owns any of the real property described on Exhibit "A" or the Additional Property, Declarant may subject any portion of Edgewater on Lake Tillery to additional covenants and easements, including covenants obligating the Association to maintain and insure such property. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. Except in cases under which the Declarant is exercising any right specifically reserved in this Declaration, if any Person other than Declarant owns the property, then the consent of the owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

14.4 Effect of Filing Supplemental Declaration. A Supplemental Declaration shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

Article XV

Additional Rights Reserved to Declarant.

15.1 Withdrawal of Property. Declarant reserves the right to amend this Declaration, so long as it has a right to annex additional property pursuant to Section 14.1, for the purpose of removing any portion of Edgewater on Lake Tillery which has not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of Units then subject to this Declaration by more than ten percent (10%). Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant.

15.2 Marketing and Sales Activities. Declarant may construct and maintain upon portions of the Common Area such facilities and activities as, in Declarant's sole opinion may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant shall have easements for access to and use of such facilities at no charge.

15.3 Right to Develop. Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion. Every Person that acquires any interest in Edgewater on Lake Tillery acknowledges that Edgewater on Lake Tillery is all or part of a master planned community, the development of which is likely to extend

over many years, and agrees not to protest, challenge, or otherwise object to (a) changes in density of property outside any Section in which such Person holds an interest; or (b) changes in the Master Plan as it relates to property outside any Section in which such Person holds an interest, so long as such changes do not materially alter the general or common scheme of development for the Property.

15.4 Right to Approve Additional Covenants and Associations. No Person shall Record any declaration of covenants, conditions and restrictions, declaration of condominium, amendment thereto, or any similar instrument affecting any portion of Edgewater on Lake Tillery without Declarant's review and written consent. Any attempted Recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and Recorded by Declarant. The creation of any sub-association having jurisdiction over any portion of Edgewater on Lake Tillery shall require the prior written consent of the Declarant.

15.5 Right to Approve Changes in Edgewater on Lake Tillery Standards. No amendment to or modification of any Restrictions and Rules or Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 14.1.

15.6 Right to Transfer or Assign Declarant Rights. Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a written instrument Declarant signs and Records. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record any written assignment unless necessary to evidence Declarant's consent to such exercise.

15.7 Exclusive Rights To Use Name of Development. No Person shall use the name "Edgewater on Lake Tillery" or any derivative of such name or in logo or depiction in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "Edgewater on Lake Tillery" in printed or promotional matter where such term is used solely to specify that particular property is located within Edgewater on Lake Tillery and the Association shall be entitled to use the words "Edgewater on Lake Tillery" in its name.

15.8 Easement to Inspect and Right to Correct. Declarant reserves for itself and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the property within Edgewater on Lake Tillery, including Units, and a perpetual nonexclusive easement of access throughout Edgewater on Lake Tillery to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner, and no entry into a dwelling shall be permitted without the consent of the Owner. The person exercising this easement shall promptly repair, at such person's own expense, any damage resulting from such exercise.

15.9 Termination of Rights. The rights contained in this Article XV shall not terminate until the earlier of: (a) December 31, 2028 or (b) Recording by Declarant of a written statement that all sales activity has ceased.

Article XVI
Resolution of Disputes

16.1 Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving Edgewater on Lake Tillery without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 16.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to

(i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within Edgewater on Lake Tillery, other than matters of aesthetic judgment under Article VIII, which shall not be subject to review.

(c) Notwithstanding the foregoing to the contrary, the following shall *not* be considered Claims unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 16.2:

(i) any suit by the Association to collect assessments or other amounts due from any Owner;

(ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of this Declaration relating to the creation and maintenance of community standards;

(iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(iv) any suit in which any indispensable party is not a Bound Party; and

(v) any suit as to which any applicable statute of limitations would expire within one hundred eighty (180) days of giving the Notice required by Section 16.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

16.2 Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party

("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
- (iii) the Claimant's proposed resolution or remedy; and
- (iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in Section 16.2(a) (or within such other period as the parties may agree upon), the Claimant shall have thirty (30) additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Stanly County area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(a) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party hereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

16.3 Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if

applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast 75% of the total Class “A” votes in the Association and the Class “B” Member, if any, except that only the approval of the Class “B” Member shall be required for actions or proceedings:

- (a) initiated during the Class “B” Control Period;
- (b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge ad valorem taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section 16.3 shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

Article XVII Enforcement of the Governing Documents

In the case of failure of an Owner to comply with the terms and provisions contained in the Governing Documents, the following relief shall be available:

17.1 Enforcement. The Association, the Declarant and any aggrieved Owner within the Edgewater on Lake Tillery shall have the right to enforce by any proceeding at law or in equity, all of the conditions, covenants and restrictions of the Governing Documents any and all laws hereinafter imposed pursuant to the terms of the Governing Documents. The prevailing party shall be entitled to collect all costs thereof, including reasonable attorney’s fees (which shall be determined using reasonable hourly rates).

17.2 Remedies. The Association shall have the right to remedy the violation and assess the costs of remedying same against the offending Owner as an Specific Assessment as provided in Section 6.7 herein.

17.3 Suspension of Rights and Fines.

(a) Suspension of Rights. For any violation by an Owner of the conditions, covenants and restrictions of these Declaration or any provisions of the other Governing Documents (including, but not limited to, the nonpayment of any assessment), the Association shall, after providing the Owner with any notice and any opportunity to be heard as may be provided in the Bylaws, have the right to suspend: (a) the offending Owner’s voting rights, (b) the use by such Owner, his agents, lessees, employees, licensees and invitees of the Common Areas and recreational facilities in Edgewater on Lake Tillery, and (c) any other privileges or services provided by the Association (subsections “a”, “b”, and “c”, collectively herein called “Planned Community Privileges”) for any period during which a violation continues.

(b) Fines. For any violation by an Owner of the conditions, covenants and restrictions of these Declaration or any provisions of the other Governing Documents (including, but not limited to, the nonpayment of any Annual, Special, Specific, or Service Assessment or the Capital Contribution Fee), the

Association shall, after providing the Owner with any notice and any opportunity to be heard as may be provided in the Bylaws, have the right to impose reasonable fines for any period during which a violation continues. Notwithstanding the foregoing, the Association shall not be required to provide any Owner with notice and an opportunity to be heard in order to impose reasonable fines for the late payment or nonpayment of any assessment which has remained unpaid for a period of thirty (30) days or longer. The Association may establish a schedule of fines for the violation of these Declaration or any provisions of the other Governing Documents. If an Owner does not pay the imposed fine within fifteen (15) days of its imposition, the fine shall be a Specific Assessment against the property and may be enforced by the Association in accordance with Section 6.7 herein and with applicable law.

17.4 Remedies Cumulative. The remedies provided by this Article are cumulative, and are in addition to any other remedies provided in the Governing Documents and/or by law.

17.5 Waiver. The failure of the Association or any person or Owner to enforce any restriction contained in the Governing Documents shall not be deemed a waiver of the right to do so thereafter.

Article XVIII Amendment of Declaration

18.1 By Declarant. In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class “B” Control Period, Declarant may unilaterally amend this Declaration for any purpose provided that such amendment or modification does not materially alter the general or common scheme of development for the Property described herein. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Master Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state, or federal governmental agency.

18.2 By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 75% of the total Class “A” votes in the Association, including 75% of the Class “A” votes held by Members other than Declarant, and Declarant’s consent, so long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 14.1. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

18.3 Validity and Effective Date. No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class “B” Member without the written consent of Declarant or the Class “B” Member, respectively (or the assignee of such right or privilege)

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

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a

change of conditions or circumstances operate to amend any provisions of this Declaration.

Article XIX
Miscellaneous

19.1 Severability. Invalidation of any one of the covenants or restrictions in this Declaration by judgment or any court, agency or legislative order shall in no way affect any other provision, covenants, conditions or restrictions contained in this Declaration.

19.2 Notice by Electronic Means. Any written notice required to be provided pursuant to the Governing Documents may be provided in accordance with the provisions of the applicable Governing Document. Alternatively, and to the extent permitted by North Carolina law, written notice may be provided by electronic means, including by electronic mail over the Internet, to an electronic mailing address designated in writing by the Member or other Person designated as a recipient of said notice. Permitted notice given electronically shall be deemed to be delivered when dispatched, unless an error message is reported back to the sending system.

19.3 Conflicts with the North Carolina Planned Community Act. To the extent any provision of this Declaration is directly inconsistent with the terms of the North Carolina Planned Community Act (N.C.G.S. §47F-1-101 et. seq.) (other than those provisions which are permitted to differ from the Act and are specifically stated herein to differ therefrom) and such provision of this Declaration cannot reasonably be reconciled with said North Carolina Planned Community Act, the terms of the North Carolina Planned Community Act shall be controlling with regard to such term.

-SIGNATURE PAGE FOLLOWS-

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

Edgewater Developers, Inc.,
a North Carolina corporation

By: _____
Name: _____
Its: _____

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public for said County and State, do hereby certify that _____, _____ President of **Edgewater Developers, Inc.**, a North Carolina corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of said corporation.

Witness my hand and notarial seal this ____ day of _____, 20__.

Notary Public

My Commission Expires:

CONSENT OF MORTGAGEE

_____ (“Lender”) is the holder of that certain Deed of Trust on the property as described in the foregoing Declaration of Covenants, Conditions and Restrictions for Edgewater on Lake Tillery (the “Declaration”), said Deed of Trust having been filed in Book ____, at Page _____, in the Office of the Register of Deeds of Stanly County, and as holder of said Deed of Trust, does hereby consent to the terms, conditions and covenants in the foregoing Declaration and agrees that the lien of said Deed of Trust is subordinate to and subject to the terms, conditions and covenants contained in said Declaration.

In witness whereof, Lender has caused this Consent of Mortgagee to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this the ____ day of _____, 2008, and _____ as Trustee, has hereunto set his hand and seal, this the ____ day of _____, 2008.

By: _____
_____ President

By: _____
_____ President

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public of said State and County, certify that _____ personally came before me this day and acknowledged that he is _____ of _____, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President.

WITNESS my hand and official seal this ____ day of _____, 2008.

Notary Public

My Commission Expires:

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public of said State and County, certify that _____ personally came before me this day and acknowledged that he is _____ of _____, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President.

WITNESS my hand and official seal this the ____ day of _____, 2008.

Notary Public

My Commission Expires:

EXHIBIT A