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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR FOUNDERS RIDGE

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THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR FOUNDERS RIDGE is made this the 1st day of MAY, 1998 by NewWoods Development Corporation, a Delaware Corporation, hereinafter referred to as "Declarant."

RECITALS

Declarant is the Owner of certain real property located in Dare County, North Carolina, and which is described in Exhibit A, attached and hereby incorporated by reference. Declarant desires to subject the property to the provisions of this Declaration and to develop the property under the name of Founders Ridge and desires to create thereon a residential community (the "Community") together with streets, roads, footways, open spaces, entrances, drainage facilities, access easements, signage, and any other Community Properties (herein after referred to collectively as the "Community Properties") for the benefit of the Community; and

Declarant desires to provide for the preservation of the values and amenities in the Community and for the maintenance of the Community Properties and, to this end, desires to subject the real property described on the attached Exhibit A to the covenants, conditions, restrictions, easements, charges and liens, hereinafter set forth, each and all of which is, and are, for the benefit of, each real property and each owner of a portion thereof; and

Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Community, to create an organization to which should be delegated and assigned the powers of maintaining and administering the Community Properties and facilities, administering and enforcing the covenants, conditions and restrictions, and collecting and disbursing the assessments and charges hereinafter created; and

Declarant has caused to be organized under the laws of the State of North Carolina a nonprofit unincorporated association, Founders Ridge Association (the "Association"), for the

purpose of exercising the functions contained in this Declaration and its Articles of Organization and Bylaws; and

Declarant anticipates that the Common Properties shown on all of the recorded plats of the Community Properties subject to this Declaration will be conveyed by Declarant to the Association.

NOW, THEREFORE, Declarant does hereby declare that all of the property described above, together with any additional property which it may hereafter add by supplement to this Declaration, shall be held, transferred, conveyed, occupied and used subject to the following easements, covenants, conditions, restrictions, liens and charges which shall run with the title to the real property and which shall be binding upon and inure to the benefit of all of the parties having any right, title or interest in the above described properties, their heirs, successors and assigns.

ARTICLE 1

DEFINITIONS

Section 1.1. Definitions. The following words when used in this Declaration shall have the following meaning:

1.1.1. "Architectural Control Committee" or "ACC" or "Committee" shall mean the committee appointed by the Board for the purpose of establishing and enforcing the architectural standards of the Community.

1.1.2. "Articles" means the Articles of Organization and Bylaws of Founders Ridge Association

1.1.3. "Assessment" shall mean an Owner's share of the common expenses or charges established by the Association, and as hereinafter defined.

1.1.4. "Association" shall mean the Founders Ridge Association, a North Carolina nonprofit unincorporated association whose purpose is to administer the property which is subject to this Declaration.

1.1.5. "Board" or "Board of Directors" means the Board of Directors of the Association.

1.1.6. "Bylaws" shall mean the Articles of Organization and Bylaws of the Association.

1.1.7. "Common Properties" shall mean all real and personal property (a) designated and shown in writing and or on a plat by the Declarant as Common Properties; (b) conveyed to the Association for the use and benefit of the Association; and (c) held by Declarant for the benefit of the Association. Such real property may include, for example, roads, walkways, any rights-of-way reserved to the Association, or open spaces (both landscaped and natural). Nothing contained in this definition shall limit the type of personal property which may be owned by the Association and constitute Common Properties.

1.1.8. "Common Expenses" shall mean all expenditures made by the Association in carrying out its duties together with all funds assessed by the Association for the creation and maintenance of reserve under this Declaration.

1.1.9. "Community Properties" or "Community" or "Properties" shall mean the property described on the attached Exhibit A together with all improvements located or constructed thereon. It shall also refer to any additional property which may hereafter be made subject to this Declaration.

1.1.10. "Declarant" shall mean NewWoods Development Corporation, a Delaware Corporation, its successors and assigns. The Declarant may assign or pledge any or all of its rights reserved under the land use documents through an assignment or in an instrument of conveyance or assignment.

1.1.11. "Declaration" shall mean this document which includes the Covenants, Conditions and Restrictions for Founders Ridge together with all amendments which may be filed in the office of the Register of Deeds, Dare County, North Carolina.

1.1.12. "Dwelling" shall mean any single family residential dwelling quarters in a detached building located on a Lot.

1.1.13. "Lot" shall mean any unimproved parcel of land within the Properties to be used exclusively for a single family, detached Dwelling. A parcel of land shall be deemed a Lot rather than a Dwelling until the improvements constructed thereon are sufficiently complete to reasonably permit habitation thereof. Upon completion of the building, the Lot and the improvements thereon shall collectively be considered a "Dwelling" for purposes of this Declaration.

1.1.14. "Occupant" shall mean any person including, without limitation, any Owner, family member, guest, invitee, lessee, or tenant of an Owner occupying or otherwise using a Dwelling within the Properties.

1.1.15. "Owner" shall mean the record Owner, whether one or more persons or entities, of the fee simple title or contractual equitable title to any Lot or Dwelling in the Properties. Notwithstanding any theory of the mortgage, "Owner" shall not mean or refer to the mortgagee, unless and until such mortgagee has acquired title pursuant to foreclosure or any deed or proceeding in lieu of foreclosure.

1.1.16. "Person" shall mean a Natural Person, Corporation, Partnership, Limited Liability Company, Association, Trust or other legal entity, or any combination thereof.

1.1.17. "Rules" shall mean any and all regulations of the Association promulgated by the Board pursuant to its power under this Declaration or any other land use document.

1.1.18. "Supplemental Declaration" shall mean a Declaration filed by Declarant which describes one or more additional parcels of property which may be (but which is not required to be) located within the Properties, and which establishes covenants, conditions and restrictions for that particular parcel of property. Supplemental Declarations will be filed to add additional real property to the Community Properties not covered by this Declaration.

ARTICLE 2

MEMBERSHIP, VOTING RIGHTS AND GOVERNANCE OF THE ASSOCIATION

Section 2.1 Membership. Every person or entity who is a record Owner of a Lot or a Dwelling subject to this Declaration, which is situated in the Properties, shall be a member of the Association, provided that any such person or entity who holds an interest merely as security for the performance of an obligation shall not be a member.

Section 2.2. Voting Rights.

The Association shall have three classes of voting membership.

2.2.1. Class A Members shall be owners of Lots or Dwellings. Any Class A Member shall be entitled to one vote for each Lot or Dwelling owned.

2.2.2. The Class B member shall be the Declarant which shall be entitled to three votes for each lot or dwelling unit owned by it until the Turnover Meeting.

2.2.3. When more than one person or entity holds an interest in any Lot or Dwelling, all such persons shall be Members, and the vote for such Lot or Dwelling shall be exercised as they among themselves determine and such persons shall designate one (1) person to vote for their Lot or Dwelling, but in no event shall more than one (1) vote be cast with respect to any such Lot or Dwelling.

Section 2.3. Governance. The Association shall be governed by a Board of Directors. In accordance with the Bylaws, the Association shall elect a Board of Directors. The Declarant shall appoint all of the Directors until Turnover.

Section 2.4. Turnover. Within one hundred eighty (180) days after the Declarant no longer holds the title to any of the Lots in the Properties, the Association shall conduct a special meeting of the membership, hereinafter called the Turnover Meeting, for the purpose of assuring the transition of the Association to Owners other than the Declarant. Prior to or at the time of the Turnover Meeting, the Declarant shall convey the title of the Common Properties to the Association by Non-Warranty Deed, at no cost to the Association, free and clear of all liens and encumbrances except this Declaration and any supplements and amendments thereto. The Association covenants that it will accept a conveyance of all of the Common Properties.

ARTICLE 3

PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 3.1. Owners' Easements Of Enjoyment In The Common Properties. Subject to the provisions of the Section herein entitled "Easement For Governmental, Health, Water, Sewage Disposal, Sanitation And Emergency Services" and any additional provisions of this Declaration, every Owner, members of the Owner's household, guests of the Owner, agents, and licensees, shall have a permanent and perpetual easement for the use and enjoyment of the Common Properties and each easement shall be appurtenant to and shall pass with a title to every Lot or Dwelling. Such easements of enjoyment shall include but not be limited to the Owners' right of ingress and egress over the streets, roadways and walkways over the Common Properties for the purpose of access to the Owners' Lot or Dwelling. It is the intention of Declarant to dedicate

the interior streets to public use and to turn over the interior streets to the North Carolina Department of Transportation for maintenance and for acceptance into the State Highway System.

Section 3.2. Limitation Of Owners' Easements. The rights of easement, use and enjoyment created hereby shall be subject to the following:

3.2.1. The right of the Association to adopt and enforce, at any time, rules and regulations governing the use of the Common Properties and all facilities situated thereon. Any rules and/or regulations so adopted shall apply until rescinded or modified the same as if originally set forth at length in this Declaration.

3.2.2. The right of the Association to set specific charges for the use and maintenance of the Common Properties.

3.2.3. The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of maintenance, repair and improvement of the Common Properties and in aid thereof to mortgage such properties.

3.2.4. The right of the Association as provided in its Articles and Bylaws to suspend the enjoyment rights of any Owner for any period during which any assessment remains unpaid, or for a period that may be determined by the Board of Directors for any violation of this Declaration, the Association's Articles, Bylaws, or published rules and regulations; provided however, that the right of a member of ingress and egress over the streets shall not be abrogated.

3.2.5. The right of the Declarant and the Association to dedicate or transfer all or any part of the Common Properties to any public agency, authority or utility for such purpose.

3.2.6. The right of the Declarant, without approval of the Association or any Owner, to add to or delete part of the Common Properties and to dedicate easements and rights-of-way over the Common Properties in accordance with the terms of this Declaration.

Section 3.3. Easement For Utilities. There is hereby reserved for the benefit of the Declarant, the Association, any public utility or governmental unit providing services in the Community, and their respective successors and assigns, an easement upon, over, under and across all of the Common Properties and all land located within ten (10) feet of any Lot line as shown on all plats of record, for the purpose of installing, replacing, maintaining and operating all utilities.

Section 3.4. Easement For Governmental, Health, Water, Sewage Disposal, Sanitation And Emergency Services. A non-exclusive easement is hereby granted to the appropriate governmental authorities and to the appropriate private organizations supplying health, sanitation, police services and emergency service such as fire, ambulance and rescue services, for purpose of ingress and egress over the Common Properties. Declarant further reserves an easement over the Common Properties as needed for the installation, maintenance and operation of any central water and sewage disposal systems which may serve the Properties.

Section 3.5. Maintenance Easement. The Declarant reserves for itself and the Association and their respective agents and employees an easement to enter upon any unimproved areas in the Properties for the purpose of mowing, removing, clearing, cutting or pruning underbrush, weeds, stumps or other unsightly growth and removing trash therefrom so as to maintain reasonable standards of health, fire safety and appearance within the Properties. This reservation shall not impose any duty or obligation upon the Declarant or the Association to perform any such action.

Section 3.6. Environmental Easements. Declarant reserves for its benefit and the Association and their respective agents and employees an easement on, over and across any and all unimproved areas in the Properties for the purpose of taking any action necessary to effect

compliance with environmental rules, regulations, procedures promulgated or instituted by the Board of Directors or by any governmental entity.

Section 3.7. Easement For Declarant. The Declarant reserves to itself, its successors and assigns the right of temporary roads, utility services and drainage systems as are necessary in its sole discretion for the proper development and administration of the Properties. Such right shall extend over, through, under and across the Common Properties.

Section 3.8. Changes In Boundaries; Additions To Designated Common Properties. Declarant expressly reserves for itself and its successors and assigns the right to change and realign the boundaries of any designated Common Property within the Properties, and to make additions thereto.

ARTICLE 4

COVENANT FOR ASSESSMENTS

Section 4.1. Creation Of The Lien And Personal Obligation Of Assessments. Except as hereinafter more fully provided, the Declarant, for each Lot or Dwelling owned by it which is subject to this Declaration, hereby covenants and each Owner of any Lot or Dwelling, by acceptance of a deed therefor, whether or not it shall be so expressed in the particular deed of conveyance, shall be deemed to covenant and agree to all the Covenants and Restrictions of this Declaration and to pay the Association: (1) Periodic Assessments and (2) Special Assessments for capital improvements and other assessments to be fixed, established, and collected from time to time as hereinafter provided. The Periodic and Special Assessments, together with such interest thereon and costs of collection thereof as hereinafter provided, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment

fell due. Each Owner expressly covenants, by acceptance of a deed, that liens may be placed against the Owner's Lot or Dwelling for nonpayment of assessments.

Section 4.2. Purpose Of Assessments. The assessment levied by the Association for Common Expenses shall be used exclusively for the general purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners and occupants of the Community and maintaining the Community and improvements therein, all as may be more specifically authorized from time to time by the Board of Directors. The Common Expenses to be funded by the periodic assessments may include but shall not necessarily be limited to the following: (a) utility charges for utilities serving the Common Properties and charges for other common services for the Community including trash collection and security services if any such services or charges are in fact paid by the Association; (b) the cost of insurance coverage as the Board of Directors determine to be in the interest of the Owners; (c) the expenses of maintenance, operation and repair of the Common Properties; (d) the expenses of the Architectural Control Committee which are not defrayed by plan review charges; (e) any real or personal property taxes assessed or levied against the Common Properties; (f) the expense of maintenance, operation, repair and reconstruction of any and all roadways, pathways, trails, and landscaped areas within the property which have not been conveyed to the Association; (g) the establishment and maintenance of a reasonable reserve fund for maintenance, repair and replacement of the Common Properties, to cover emergency repairs as a result of casualties which are not covered by insurance and to cover unforeseen operating contingencies or deficiencies arising from unpaid assessments; (h) management fees and expenses of administration; and (i) such other expenses as may be determined from time to time by the Board of Directors of the Association to be Common Expenses.

Section 4.3. Date Of Commencement Of "Periodic Assessments"; Due Date: Assessment Period. The periodic assessment provided herein for Owners shall commence upon conveyance of a Lot or Dwelling to the Owner. Once the assessment period has commenced, the assessments shall thereafter be due on the first day of every assessment period as this term is defined in the Bylaws of the Association.

Section 4.4. Basis And Amount Of The Periodic And Special Assessments. Periodic and special assessments shall be divided among the Lots and Dwellings made subject to this Declaration. The Owner of each Lot or Dwelling in the property shall pay a periodic assessment set by the Board based on the actual and estimated costs in carrying out its duties for the assessment period. The Board shall set a budget and establish the amounts of any periodic or special assessment without a vote of the general membership of the Association. The Board shall provide written notice to all Owners of a change in the amount of the periodic assessment by mailing such notice to all members at least thirty (30) days in advance of the effective date of the adopted change.

Section 4.5. Special Assessments. In addition to the periodic assessment authorized by this Article, the Board may levy in any assessment period a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Common Properties including the necessary fixtures and personal property related thereto, or for other purposes deemed appropriate by the Association. The due date of any special assessment under this Article shall be fixed in a resolution of the Board of Directors authorizing such assessment.

Section 4.6. Duties Of The Board Of Directors. The Board of Directors of the Association shall prepare a roster of Owners and assessments applicable thereto which shall be

kept in the office of the Association and shall be open to inspection by any Owner. The Association shall, upon demand at any time, furnish to any Owner liable for an assessment a certificate in writing signed by an officer of the Association setting forth whether the Assessment has been paid. The certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid and shall be binding on the Association.

Section 4.7. Effect Of Non-Payment Of Assessment; The Personal Obligation Of the Owner; The Lien; Remedies Of The Association; Late Fee. If an assessment is not paid on the date when due (being the dates specified in the notice of the assessment given to each Owner), then it shall become delinquent and shall, together with interest thereon, become a continuing lien on the property which shall bind such property in the hands of the then Owner, his heirs, devisees, personal representatives and assigns. The personal obligation of the then Owner to pay such assessment, however, shall remain his personal obligation for the statutory period. If the assessment is not paid within thirty (30) days after the delinquency date, the assessment shall bear interest from the date of delinquency at the rate established by the Board of Directors not to exceed the maximum legal rate of interest, and the Association may bring an action at law against the Owner personally obligated to pay the outstanding assessment and/or bring an action to foreclose the lien against the property. In the event of foreclosure, the Association may place a bid to purchase the property at the sale and if the successful bidder, the Association may receive a deed from itself to complete the purchase. There shall be added to the amount of such assessment all costs of collection, including, but not limited to the cost of preparing and filing the complaint in such action, the cost of any and all attorneys' fees incident to collection whether or not suit is brought, including attorneys fees on appeal. In the event a judgment is obtained, such judgment shall include interest on the assessments as provided above and a reasonable attorneys' fee to be fixed by the Court, together with costs incident to the action. In addition to

the foregoing remedies, the Board of Directors may assess a one-time "Late Fee" as may have been theretofore established by the Board of Directors for each periodic or special assessment which is more than thirty (30) days delinquent, for the purpose of helping defray collection costs. The Board may also suspend the enjoyment rights of the delinquent Owner in the Common Properties pursuant to the provision herein entitled "Limitation of Owners' Easements."

Section 4.8. Subordination Of The Lien To Mortgages. The lien for the assessments provided for in this Declaration shall be subordinate to the lien of any mortgage now or hereafter placed upon an Owner's property subject to assessment, unless such assessment is secured by a Claim of Lien that is recorded prior to the recording of such mortgage.

ARTICLE 5

MAINTENANCE AND INSURANCE OF PROPERTIES

Section 5.1. Maintenance Responsibilities Of Owners. Each Owner is responsible for maintaining the grounds of their Lot and exterior appearance of their Dwelling, including upkeep and care of walls, roofs, gutters and downspouts, excessive weeds and grass growth and unsightly trash. In the event that any Lot or Dwelling is neglected and uncared for through failure of an individual Owner to maintain their property as outlined herein so that its condition creates a hazard and presents an unsightly appearance within the Community, the Association shall have the right, but not the obligation, to provide necessary maintenance.

Section 5.2. Maintenance Action By The Association. Where the Board determines that an Owner has failed or refused to carry out their duties under this Article, the Board shall take such action as is necessary to restore the property to the standards of the Community. Entry upon any property for this purpose by the Association, its agents or employees shall not be deemed a

trespass. Except in emergency situations, however, the Association shall give such Owner fifteen (15) days notice prior to its entry on the premises to perform such work.

Section 5.3. Assessment For Association Maintenance Of Owner's Lots Or Dwellings.

Where the Association, in the interest of the Community, authorizes maintenance on individual lots, the work shall be performed in a cost efficient manner and the Association shall have the right to assess the individual property Owner. In the case of failure to pay the charges or assessment, the Board shall place a lien on the Lot or Dwelling which shall be a personal obligation of the Owner and shall be due and payable in all respects.

Section 5.4. Maintenance Of Common Properties. Unless otherwise provided, the Association shall maintain and keep in good repair the Common Properties including any improvements or structures located thereon. No diminution or abatement of assessments, fees or charges, however, shall be claimed or allowed by any Owner by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by it under this Declaration.

Section 5.5. Insurance Of Common Properties. The Board shall maintain liability insurance on the Common Properties.

ARTICLE 6

ADMINISTRATION OF THE COMMON PROPERTIES

Section 6.1. Management. The Association, subject to the rights of the Declarant and the rights and duties of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Properties and all improvements located thereon.

Section 6.2. Duties And Powers. The duties and powers of the Association shall be those set forth in (a) this Declaration, and (b) the Articles and Bylaws. Should there be conflicts or inconsistencies between any of these documents then the order of authority shall be this Declaration, and the Articles and Bylaws. Notwithstanding any other provision in this Declaration to the contrary, as long as the Declarant shall own any Lot or Dwelling in the Properties, the Association shall not, without the consent of the Declarant, borrow money or pledge, mortgage, deed in trust, or hypothecate all or any portion of the Common Areas.

Section 6.3. Agreements. All Agreements and actions lawfully authorized by the Board of Directors shall be binding upon all Owners, their heirs, successors and assigns. The Association may perform its duties and responsibilities through its Board of Directors and further shall have the authority to delegate to persons of its choice such duties as may be determined by the Board of Directors to be expedient. The Board shall have the power to employ such managers, agents and employees as necessary in its discretion to carry out its functions under this Declaration. In addition the Association may pay for and the Board of Directors may hire and contract for such legal, accounting and other professional services as are necessary or desirable in connection with the operation of the Properties or enforcement of this Declaration or the Bylaws or the rules and regulations of the Association.

Section 6.4. Restraint On Transfer. The shares of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated or transferred in any manner except to the extent that a transfer of ownership of a Lot or Dwelling also transfers the membership in the Association which is an appurtenance to such Lot or Dwelling.

Section 6.5. Rules And Regulation. The Association, acting through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of all Lots,

Dwellings, Common Properties, and all other areas within the Properties. These rules and regulations shall be consistent with the rights and duties established by this Declaration.

Section 6.6. Condemnation Of Common Properties. Should any portion of the Common Properties be taken through eminent domain or conveyed by deed in lieu of condemnation by the Association, the award or proceeds made or collected by the Association shall be disbursed or held as follows: (a) to the extent practical in the discretion of the Board, the funds shall be used for the replacement of the condemned facility on some other part of the Common Properties; (b) if replacement at some other location within the Common Properties is not feasible then these funds shall be added to the reserves held by the Association; or (c) should the Board deem the funds not necessary for addition to the reserves then these funds shall be disbursed on a prorata basis to the membership of the Association.

ARTICLE 7

AFFIRMATIVE ARCHITECTURAL AND LANDSCAPING CONDITIONS

Section 7.1. Purpose. In order to preserve the natural setting and beauty of the Properties, to establish and present a harmonious and aesthetically pleasing design for the Properties, to protect and promote the value of the Properties, the Lots made subject to this Declaration, and all improvements located therein or thereon, including landscaping, shall be subject to the restrictions set forth in this Article. Every Grantee of any interest to any property subject to this Declaration, by acceptance of a deed or other conveyance of such interest, agrees to be bound by the provisions of this Article.

Section 7.2. Architectural Control Committee.

7.2.1. The Board of Directors, at its first meeting, shall establish an Architectural Control Committee (ACC) to provide and maintain standards as to harmony of external design

and location in relation to surrounding structures, topography and consistent with the principles of the Community.

7.2.2. The Committee Members shall be composed of at least three (3) persons, including a Chair, who need not be members of the Association. A majority of the Committee may designate a representative to act for it. In the event of death, resignation or removal by the Board of any member of the Committee, the Board shall have full authority to designate a successor. The members of the Committee may be paid a stipend or honorarium at the discretion of the Board. The Association shall maintain a list of the names and addresses of the Committee members or their designated representatives for the benefit of owners.

Section 7.3. Submission of Plans. Unless expressly authorized in writing by the ACC, no Dwelling, fence, wall, driveway or other structure nor any exterior addition or alteration to any existing Dwelling, nor any clearing or site work shall be commenced, erected or maintained upon the Properties, until plans and specifications therefor showing the shape, dimensions, materials, basic exterior finishes and colors, location on site, driveway, parking, well, septic tank and drain field, floor plan and elevations therefor (all of which is hereinafter referred to as the "Plans"), shall have been submitted and approved in writing, as to harmony of external design and location in relation to any surrounding structures and topography, by the Committee. The Board may establish a nonrefundable plans review fee to be paid by each applicant. The Committee shall have the absolute and exclusive right to refuse to approve any such plans and specifications which are not suitable or desirable in the opinion of the Committee based on the Code of Architectural and Landscaping Policies and Procedures, provided that the Committee shall not refuse to approve any plans and specification which are substantially similar to any other plans and specifications which previously have been approved for any Dwelling.

Section 7.4. Code of Architectural and Landscaping Policies and Procedures. The Committee shall establish a written Code of Architectural and Landscaping Policies and Procedures which shall be binding as a part of this Article. The Code shall be given to each Owner on or before purchase of the property and acceptance of the deed shall constitute receipt and acceptance of the Code and all subsequent amendments, revisions, and replacements thereto. The Committee shall at its discretion revise and amend the Code, and where material changes are made, the Board shall approve the same and circulate them to every Owner. The Code of Architectural and Landscaping Policies and Procedures will contain an outline of the philosophy of the Community, basic design guidelines, siting setback requirements and considerations, landscaping guidelines, the process for submitting and obtaining approval of plans, fee structure and a list of contractor requirements during construction.

Section 7.5. Siting and Location. Because of its importance to the individual Owners and the Community as a whole, the Committee shall first approve the site plan and location of each Dwelling within the Properties. Then, following a stake-out of the approved site plan, the on-site location will be inspected by the Committee to determine that it is in compliance. Following a satisfactory inspection, written approval of same must be issued for construction to proceed.

Section 7.6. Construction. Prior to commencement of construction, a building permit must be issued by the Committee and prior to occupancy, an occupancy permit must be issued by the Committee. The Committee or its agents shall have the right to inspect all construction to ensure that the structure is in accordance with the approved plans, specifications and details. No structure or improvement shall be made unless it conforms strictly to the approved plans, specifications and details. These required permits are in addition to those required by the local, county, or state authorities.

Section 7.7. Completion. The exterior of any improvement permitted by the Committee shall be completed one (1) year from the start of construction. The Committee may permit an extension of this period in extenuating circumstances. Otherwise, the Committee shall recommend the Board to take whatever action is appropriate and necessary to stabilize and remedy the appearance of the property and Lot in accordance with the Section herein entitled "Maintenance Action By the Association."

Section 7.8. Landscaping.

7.8.1. To preserve the aesthetic appearance of the Properties, no landscaping, grading, excavating, or filling of any nature shall be implemented or installed by anyone other than the Declarant, unless and until the plans therefore have been submitted to and approved in writing by the Committee.

7.8.2. Standards and Plans for landscaping in general shall be part of the Code.

7.8.3. The landscaping and grading plans shall be reviewed and approved with consideration of the harmony of the proposed landscaping design, the environmental character of the surrounding area, the preservation of natural drainage patterns, the visual impact on the surrounding areas, and the establishment of adequate shading and buffering in regard to individual Lots.

7.8.4. No tree, shrub, bush or other vegetation having a trunk diameter of six (6) inches or more at a point of four (4) feet above ground level shall be cut, removed or mutilated without the prior approval of the Committee, provided this does not apply to dead or diseased trees or shrubs. If any such healthy tree, bush or shrub is removed with approval of the Committee, the Owner shall replace it with a tree, bush, or shrub of comparable value approved by Committee. In the event the Owner fails, within thirty (30) days, to satisfactorily replace the tree, bush or shrub removed, the Owner shall pay the Association a damage fee as established by

the ACC. The Association through its agents and employees, shall have the right to enter the property for the purpose of replacing the tree, bush or shrub. Damages provided for herein shall become a lien on the property of the Owner.

Section 7.9. Approval Not A Guarantee. Approval of plans, specifications and the publication of architectural and landscaping standards shall not be considered as representing or implying that the plans, specifications or standards if followed will result in properly designed improvements. Neither the Declarant, the Association, the Committee nor any agent thereof shall be responsible or liable in any way for defects in any such plans or specifications submitted revised or approved pursuant to the terms of this Article.

Section 7.10. Placement of Improvements and Setback Lines. Variances of the setback lines depicted on the recorded plats may be approved at the discretion of the Committee.

ARTICLE 8

RESTRICTIONS ON USE AND RIGHTS OF THE ASSOCIATION AND OWNERS

Section 8.1. Permissible Uses. No Lot shall be used except for residential purposes.

Section 8.2. Division of Lots. No Lot shall be further subdivided, or its boundary lines changed by its Owner, except with the written consent of the Declarant (or by the Association after Turnover). The Declarant may create a modified Lot by the sale of two or more adjacent Lots to one party, followed by the construction thereon of a Dwelling in such a manner as to require the total Lots to be treated as one modified Lot in order to meet the setback and side line requirements, without the necessity of replatting. The restrictions and covenants herein apply to each Lot so created.

Section 8.3. Minimum Square Feet In Dwelling. Each Dwelling shall contain a minimum of 2,500 square feet of heated Living Area.

Section 8.4. Animals and Pets. No animal or livestock of any description, except the usual household pets, shall be kept on any Lot or Dwelling. Owners are expected to keep pets under control so as not to disrupt the well being of the Community. Where necessary, the Board shall act to require owners to restrain animals causing a nuisance.

Section 8.5. Utilities and Easement. All utility lines of every type, including, but not limited to, water, electricity, telephone, television cables or sewage must be underground.

Section 8.6. Antennas. No television or radio antennas, or satellite dishes (including Direct Broadcast Satellite dishes), or other similar devices shall be attached or installed on any Dwelling or located within any portion of the Properties, unless contained entirely within the interior of the building.

Section 8.7. Temporary Structures. No temporary house, trailer, tent, garage, or other building shall be placed or erected on any Lot. However, the Association may grant permission for any such temporary structure for storage of materials during construction. No such temporary structure as may be approved shall be used at any time as a Dwelling.

Section 8.8. Fences and Mailboxes. Perimeter fences are not permitted except that a fence around the existing Cemetery shall be permitted. Fencing around a limited area within a Lot may be permitted following approval of a site plan showing the location of the fence, and a plan showing the design and materials of the fence by the ACC. Mailboxes are permitted providing they comply with the requirements of the Code.

Section 8.9. Garbage And Storage Receptacles. Garbage receptacles are permitted provided they are screened in accordance with the Code. Every fuel storage tank shall be buried below the surface of the ground or screened in accordance with the Code.

Section 8.10. Offensive And Illegal Activities. No noxious, offensive or illegal activities shall be carried on within the Properties nor shall anything be done that shall be or become an unreasonable annoyance or nuisance.

Section 8.11. Outside Burning. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted, except in accordance with a validly issued burning permit from Dare County and the Declarant or the Association.

Section 8.12. Discharge Of Firearms. Hunting or trapping of wild animals, fowl and game and the discharge of firearms and/or bows and arrows within the Properties is prohibited unless required for public safety.

Section 8.13. Motorized Vehicles. No dirt bike, go-cart, or similar vehicle may be used within the Properties at all under any circumstances. No recreational vehicles, campers or trailers shall be parked in plain view within the Properties at any time, except in closed garages or in parking areas designated for such vehicles. All motor vehicles operated on the Properties shall have quiet mufflers. Further, no person shall operate any motor vehicle on the Properties unless he holds a valid driver's license.

Section 8.14. Signs. No sign of any kind shall be displayed to the public view on any Lot or Dwelling, except for one sign with dimensions of not more than two feet by three feet advertising a Dwelling for sale. Any sign required by legal proceedings shall be permitted. A sign identifying each house name or number will be permitted providing it is in accordance with the Code.

Section 8.15. Sales And Construction. The Declarant, its agents, employees, successors and assigns may maintain such facilities and carry on such activities as may be reasonably convenient or incidental to the completion, improvement and sale of Lots or Dwellings within the Properties, including without limitation, the right to (a) install and operate construction

trailers, sales offices, signs and model Dwellings, and (b) maintain such facilities and carry on such activities.

Section 8.16. Time Shares.

8.16.1. No Dwelling or Lot may be subdivided to permit the creation of a time share or time shares as same is defined by Chapter 93A, Article 4 of the North Carolina General Statutes, or any subsequent legislation affecting time shares, unless such creation of a time share or time shares is approved as described below.

8.16.2. The Declarant must approve such creation of a time share or time shares in its sole discretion; provided, however, that after Turnover, the creation of a time share or time shares must be approved by both a three-quarters majority vote of the Directors of the Association, and by a four-fifths majority vote of the members of the Association at any annual or special meeting of members.

8.16.3. If the creation of a time share or time shares is approved as outlined above, an appropriate supplement or amendment to this Declaration shall be executed and filed with the Dare County Registry, designating both the approval and the property or properties which are affected by said approval.

Section 8.17. Stormwater Runoff Rule Compliance. No more than thirty percent (30%) of any Lot shall be covered by structures and/or paved surfaces, including walkways or patios of brick, stone, slate, or similar materials. This covenant is intended to ensure continued compliance with stormwater runoff rules adopted by the State of North Carolina and therefore may be enforced by the State of North Carolina.

ARTICLE 9

GENERAL PROVISIONS AND ENFORCEMENT

Section 9.1. Duration. This Declaration shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them until December 31, 2032 and shall continue in full force and effect thereafter until 60% of the Owners have, by written vote, agreed to amend or terminate them.

Section 9.2. Rule And Regulations. The Board of Directors is specifically granted the power to pass rules and regulations for purposes of enforcing this Declaration.

Section 9.3. Enforcement. Failure of an Owner, members of the Owner's household, the Owner's guests, licensees or invitees to comply with a provision of this Declaration or a provision in the Articles and Bylaws, or Rules and Regulations of the Association shall provide the Association with the right to bring legal action at law or in equity, including but not limited to an action for injunctive relief, damages, or a combination thereof against the Owner. All costs and expenses incurred by the Association in terminating or resolving a violation of this Declaration, inclusive of attorneys' fees (whether or not litigation is instituted) and court costs, shall be the responsibility of the Owner determined by the Association to be in violation. Collection of such attorneys' fees, costs and damages may be enforced by any method described in this Declaration providing for the collection of periodic assessments, or by a civil action to collect the debt.

Section 9.4. No Trespass. Whenever the Association, the Declarant, the Architectural Control Committee and their respective successors, assigns, agents or employees are permitted by this Declaration to enter upon or correct, repair, clean, maintain, preserve or do any other action within any portion of the Properties, the entering thereon and the taking of such action shall not be deemed a trespass.

Section 9.5. Interpretations. In all cases, the provisions of this Declaration shall be construed together and given that interpretation or construction which, in the opinion of the Declarant or the Board of Directors, will best effect the intent of the general plan of the Community. The provisions of this Declaration shall be given full force and effect notwithstanding the existence of any zoning ordinance or building codes which are less restrictive.

Section 9.6. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such a manner as to be effective and valid. However, if the application of any provision to any person or property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application and to this end the provisions of this Declaration are declared to be severable.

Section 9.7. Notices. Notices required under this Declaration shall be in writing and shall be delivered by hand or sent by United States mail, postage prepaid. All notices to Owners shall be delivered or sent to such address as have been designated in writing to the Association or if no such address has been so designated by the Owner, at the address of the Owner's Lot or Dwelling. All notices to the Declarant shall be delivered or sent to the Declarant's main office in Nags Head, North Carolina or to such other address as the Declarant from time to time may notify the Association.

Section 9.8. Amendments. The Declarant reserves the right to modify or amend this Declaration at any time without prior notice and without the consent of any person or entity or the Association for any purpose whatsoever, provided any such amendment or modification may not materially alter the basic plan of development. Once the Declaration has been amended or modified, such amendment or modification shall extend to and be applicable to the Lots and Dwellings that were sold prior to or subsequent to such amendment or modification. Any such

amendment or modification of the Declaration by the Declarant shall not require the joinder of the Association or any Lender. The Declarant, by itself, shall not have the right to modify or amend this Declaration after Turnover. The Board of Directors of the Association, after Turnover, as herein provided may modify or amend this Declaration provided any such amendment or modification may not materially alter the basic plan of development. Notwithstanding anything contained in this Section to the contrary, any amendment or termination of this Declaration which shall materially and adversely affect the validity or priority of the lien of or the rights of Institutional Lenders (as hereinafter defined) holding first mortgage loans on property located with the Properties shall be required to have the prior approval of such Institutional Lenders. "Institutional Lender" shall mean and refer to banks, savings and loan association, insurance companies, other firms or entities customarily affording loans secured by first liens on residences and eligible insurers and governmental guarantors.

IN WITNESS WHEREOF, this Declaration together with Covenants, Conditions and Restrictions has been signed and executed by the Declarant the day and year first above written.

SEE NEXT PAGE FOR
CORPORATE SEAL

✓ (AFFIX CORPORATE SEAL)

DECLARANT:
NewWoods Development Corporation, a Delaware Corporation

BY: *[Signature]*
President

ATTEST: *[Signature]*
Secretary

STATE OF VIRGINIA
COUNTY/CITY OF FAIRFAX

I, BERNADETTE SCHUMANN, a Notary Public of the County or City of FAIRFAX, and State aforesaid, certify that Kraig Kirschenbauer personally came before me this day and acknowledged that he is Secretary of New Woods Development Corporation, a Delaware Corporation, and that by authority duly given and as the act of the Corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official stamp or seal, this 15 day of June, 1998.

Bernadette Schumann
Notary Public

My commission expires: January 31, 2000

(AFFIX NOTARY SEAL)

NORTH CAROLINA
DARE COUNTY

The foregoing or annexed certificate(s) of Bernadette Schumann a Notary Public of Comm. of Va. is/are certified to be correct.

This 23 day of June, 1998.

Barbara M. Gray
Register of Deeds

BY: Vivian M. Walton
Deputy/Assistant
Reg. of Deeds



EXHIBIT A

LEGAL DESCRIPTION FOR FOUNDERS RIDGE

All of the lots, streets, open spaces, and other Common Areas as shown on a map of Founders Ridge dated _____, 1998, and filed in Plat Cabinet _____, Slide(s) _____, Dare County Registry.

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042198-0944

**ARTICLES OF ORGANIZATION AND BYLAWS OF
FOUNDERS RIDGE ASSOCIATION
A North Carolina Nonprofit Unincorporated Association**

ARTICLE I

NAME AND LOCATION

The name of the Association is Founders Ridge Association. The principal office of the Association shall be located at ^{MODEL Home / OFFICE} #6 Settlers Lane, Duke, NC 27949, but meetings of Members and Directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

The Definitions section contained in the Declaration of Covenants, Conditions and Restrictions for Founders Ridge shall apply with equal force and effect to these Articles and Bylaws.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. ANNUAL MEETINGS: The annual meeting of Members shall be held on the Saturday before Labor Day in the month of September of each year at the hour of ten o'clock A.M. If the day for the annual meeting of Members is a legal holiday, the meeting will be held at the same hour on the next following day which is not a legal holiday.

Section 2. SPECIAL MEETINGS: Special meetings of Members may be called at any time by the President or by two (2) Members of the Board of Directors or upon written request of Members who are entitled to vote fifty-one percent (51%) of all votes of the membership.

Section 3. NOTICE OF MEETINGS: Written notice of each meeting of Members shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days, but not more than thirty (30) days, before such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of receiving notice. Such notice shall specify the day, hour and place of the meeting and in the case of a special meeting, the purpose of the meeting.

Section 4. QUORUM: The presence at the meeting, in person or by proxy, of Members entitled to cast a majority of the votes of the membership shall constitute a quorum for authorization of any action, except as may otherwise be provided in the Declaration or these Articles and Bylaws. If a quorum is not present at any meeting, the Members present who are entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 5. PROXIES: At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Proxies shall be revocable, and the proxy of any Owner shall automatically terminate on conveyance by the Owner of the Owner's Lot.

ARTICLE IV

BOARD OF DIRECTORS: TERM OF OFFICE: REMOVAL

Section 1. NUMBER: The affairs of the Association shall be managed by three (3) directors, who shall be duly elected by the Members of the Association from among the Members.

Section 2. TERM OF OFFICE: Directors shall serve three (3) year terms and until their successors are duly appointed or elected, as the case may be. Notwithstanding the foregoing, however, the first Board of Directors shall be elected as follows: One shall be elected for a one (1) year term, one shall be elected for a two (2) year term, and the third shall be elected for a full three (3) year term.

Section 3. REMOVAL: Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a director, his successor shall be appointed by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

ARTICLE V

BOARD OF DIRECTORS; MEETINGS

Section 1. REGULAR MEETINGS: Regular meetings of the Board of Directors shall be held annually, at such place and hour as may be fixed from time to time by resolution of the Board.

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

Section 3. QUORUM: A majority of the directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of directors present at a duly held meeting in which a quorum is present shall constitute the act or decision of the Board.

Section 4. ACTION WITHOUT MEETING: The Board shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all of the Directors to the action. Any action so approved shall be filed in the

Association's books and records and shall have the same effect as though taken at a meeting of the Board.

ARTICLE VI

BOARD OF DIRECTORS; POWERS AND DUTIES

Section 1. POWERS: The Board of Directors shall have the power to do the following:

(a) Exercise on behalf of the Association all powers, duties and authority vested in or delegated to the Association and not specifically reserved to the membership by the Declaration, or by other provisions of these Articles and Bylaws.

(b) Adopt and publish rules and regulations governing the use of the Common Properties and facilities including the personal conduct of the members and their guests thereon, and to establish penalties for infractions of such rules and regulations.

(c) Suspend any Member's voting rights and right to use of the Common Properties during any period in which such Member is in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed thirty (30) days for infraction of published rules and regulations.

(d) Employ a manager, independent contractors, and such other employees as they may deem necessary, and to prescribe their duties.

(e) In the event the Association initiates a foreclosure due to nonpayment of assessments, the Association may place a bid to purchase the property at the sale and if the successful bidder, the Association may receive a deed from itself to complete the purchase.

Section 2. DUTIES: The Board of Directors shall have the following duties:

(a) Supervise all officers, agents, and employees of the Association and see to it that their duties are properly performed;

- (b) As more fully provided in the Declaration, to
- (1) Fix the amount of the annual assessment against each Lot in advance of each annual assessment period;
 - (2) Send written notices of each assessment to every Owner subject thereto in advance of each assessment period; and
 - (3) Foreclose the lien against any Lot for which assessments are not paid within thirty (30) days after the due date, or to bring an action at law against the Owner personally obligated to pay the same.
- (c) To issue, or cause an appropriate officer to issue on demand by any person a certificate setting forth whether or not any assessment has been paid. A statement in a certificate to the effect that an assessment has been paid shall constitute conclusive evidence of such payment. The Board may impose a reasonable charge for the issuance of such certificates.
- (d) To procure and maintain liability and hazard insurance on all property owned by the Association.
- (e) To cause all property owned by the Association to be maintained.
- (f) To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. ENUMERATION OF OFFICERS: The officers of the Association shall be a President and Vice President, both of whom shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create. The offices of Secretary and Treasurer may be combined or separated in the sole discretion of the Board.

Section 2. ELECTION OF OFFICERS: The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of members.

Section 3. TERM: The officers of the Association shall be elected annually by the Board. Each officer shall hold office for a term of one (1) year unless he shall sooner resign or shall be removed or otherwise disqualified to serve.

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

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

Section 6. VACANCIES: A vacancy in any office may be filled by appointment of the Board. The officer appointed to such vacancy shall serve for the unexpired term of the officer he replaces.

Section 7. MULTIPLE OFFICES: No person shall simultaneously hold more than one of any of the offices, except in the case of the offices of Secretary and Treasurer, and except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. DUTIES: The duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all leases, mortgages, deeds, and other instruments.

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

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; shall serve notice of meetings of the Board to Members; and shall keep appropriate current records showing the Members of the Association together with their addresses.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; shall keep proper books of the accounts; shall cause an annual audit of the Association books to be made at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures, a copy of which documents shall be delivered to each Member, and a report on which shall be given at the regular annual meeting of Members.

ARTICLE VIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien on the property against which such assessments are made. All annual assessments shall be paid as designated by the Board of Directors. Any assessments not paid when due are considered delinquent. Interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of any assessment due. No Owner may waive or otherwise escape liability for assessments by nonuse of the common properties or abandonment of his Lot.

ARTICLE IX

FISCAL MANAGEMENT

Section 1. FISCAL YEAR: The fiscal year of the Association shall be from January 1 to December 31. The fiscal year shall be subject to change by the Board of Directors in its discretion. Section 2. BOOKS AND ACCOUNTS: Books and accounts of the Association shall be the responsibility of the Treasurer and shall be kept under the direction of the Treasurer. All books and accounts of the Association shall be subject to an annual audit by an independent accountant according to generally accepted accounting principles. The books, records, and papers of the Association shall be subject to inspection by any Member upon fifteen (15) days prior written notice. The Declaration and Articles and Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies shall be made available for sale at a reasonable price.

Section 3. EXECUTION OF ASSOCIATION DOCUMENTS: With the prior authorization of the Board of Directors, all instruments and documents shall be executed on behalf of the Association by either the President or the Vice President and attested to by the Secretary or Treasurer (in the case of any instrument to be recorded in the office of the Register of Deeds of Dare County, only the Secretary is authorized to attest the signature of the President or the Vice President).

ARTICLE X

AMENDMENTS

These Articles and Bylaws may be amended by a vote of fifty-one percent (51%) of the membership votes in the Association in good standing, present at any regular or special meeting called with due notice. A statement of any proposed amendments shall accompany the notice of

any regular or special meeting at which such proposed amendment or amendments shall be voted on.

ARTICLE XI

ACTIVITIES

No part of the net earnings of the Association shall inure to the benefit of, or be distributed to its directors, officers, or other Members or individuals as defined for purposes of § 501 of the Internal Revenue Code of 1986 or any corresponding successor provision, except that the Association shall be authorized to (1) pay reasonable compensation for services rendered, and (2) make payments and distributions in furtherance of its purposes as set forth herein. No substantial part of the activities of the Association shall be carrying on of propaganda or otherwise attempting to influence legislation and the Association shall not participate in or intervene in (including the publishing and distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provisions of these Articles and Bylaws, the Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers not permitted to be engaged in or exercised by an Association exempt from Federal income tax under § 501(c)(3) of the Internal Revenue Code of 1986 (or any corresponding successor provision).

ARTICLE XII

DISSOLUTION

Upon the dissolution of the Association, the Board shall, after paying or making provision for the payment of all liabilities of the Association, dispose of all of the assets of the Association by transfer to such organization or organizations organized and operated for charitable, civic, or

social welfare purposes as shall at the time quantify as exempt under § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or any corresponding successor provision), as the Directors of the Association shall determine, exclusively for the purposes set out herein. Any assets not so disposed of shall be disposed of by the Superior Court of the county in which the principal office of the Association is then located, exclusively for the purposes set out herein or to such organization or organizations which are organized and operated exclusively for the purposes as said court shall determine.

ARTICLE XIII

ASSOCIATION SEAL

The typed or printed word "seal" in parenthesis following the name of the Association shall constitute the common seal of the Association and any instrument signed by the Association shall include the common seal.

The foregoing Articles of Organization and Bylaws were duly adopted by the Directors and Members of the Association on May 1ST, 1998, 1998.



Secretary

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