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DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS
FOR
CASTLE LAKES SUBDIVISION

THIS DECLARATION, made this 4th day of May, 1989, by CAMERON COMPANY LIMITED PARTNERSHIP, a North Carolina limited partnership, with its principal office in New Hanover County, North Carolina, RACHEL C. CAMP, of Guilford County, North Carolina, and RACHEL MACRAE DUELL of Charleston, South Carolina, all of whom are hereinafter collectively referred to as "Declarant"; and JOHN M. CAMP, JR., of Guilford County, North Carolina, husband of Rachel C. Camp, and CHARLES H. P. DUELL, of Charleston, South Carolina, husband of Rachel MacRae Duell, (the said Rachel C. Camp, Rachael MacRae Duell, John M. Camp, Jr., and Charles H. P. Duell acting by and through their attorney-in-fact, William H. Cameron);

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WITNESSETH:

Whereas, Declarant is the owner of certain property in New Hanover County, North Carolina, which is shown on the map of Castle Lakes subdivision, Section 1, recorded in Map Book 28, Page 138, of the New Hanover County Registry, and which is shown on the map of Castle Lakes subdivision, Section 2, recorded in Map Book 29, Page 155 of said Registry; and

Whereas, it is the desire and intention of the Declarant (as defined herein) to impose on that property shown on the said map of Castle Lakes subdivision, Section 1, recorded in Map Book 28, Page 138 of the New Hanover County Registry, and on that property shown on the said map of Castle Lakes subdivision, Section 2, recorded in Map Book 29, Page 155 of said Registry (all of which property is hereinafter referred to as the "Property"), restrictions, conditions, easements, covenants, and agreements under a general plan or scheme of improvement for the benefit of the Property and the future owners thereof; and

Whereas, Cameron Company Limited Partnership has heretofore recorded a Declaration of Covenants, Conditions, Easements, and Restrictions for Section 1 of Castle Lakes Subdivision in Book 1453, Page 561 of the New Hanover County Registry, and the Declarant desires that this Declaration of Covenants, Conditions, Easements, and Restrictions for all of Castle Lakes Subdivision completely replace and supersede said Declaration recorded in Book 1453, Page 561 of said Registry; and

Whereas, the said John M. Camp, Jr., and Charles H. P. Duell join in the execution of this instrument for the purpose of subjecting any interest they may have in said real estate to this Declaration of Covenants, Conditions, Easements, and Restrictions.

NOW, THEREFORE, Cameron Company Limited Partnership and the Declarant hereby declare that the said Declaration of Covenants, Conditions, Easements, and Restrictions for Castle Lakes Subdivision heretofore recorded in Book 1453, Page 561 of the New Hanover County Registry is hereby withdrawn, revoked, and rendered null, void and of no force and effect whatsoever; and

Declarant hereby further declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the desirability and value of, and which shall run with the title to, the Property and be binding on all parties having any right, title, or interest in the Property or any part thereof, their heirs, successors, and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

Definitions

Section 1. "Association" shall mean and refer to Castle Lakes Owners Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

RETURNED TO *William H. Cameron*
P.O. Box 2649
Wilmington, NC 28406
762-2676

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Section 2. "Board" or "Board of Directors" shall mean those persons elected or appointed and acting collectively as the Board of Directors of the Association.

Section 3. "Common Elements" shall mean all real property and any improvements constructed thereon, if any, owned by the Association for the common use and enjoyment of the Owners and members of the Association.

Section 4. "Common Expenses" shall mean and include:

(a) All sums lawfully assessed by the Association against its members;

(b) Expenses for maintenance of the roads, streets, and rights of way and any amenities as provided in this Declaration;

(c) Expenses of administration, maintenance, repair, or replacement of the Common Elements;

(d) Expenses declared to be common expenses by the provisions of this Declaration or by the Bylaws;

(e) Hazard, liability, and such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase; or as the Association may deem appropriate to purchase;

(f) Ad valorem taxes and public assessment charges lawfully levied against Common Elements;

(g) The expense of the maintenance of private drainage and utility easements and facilities located therein which are within the perimeter boundaries of the Property, or which are part of the Common Elements, or which are on the Common Elements, or which cross Common Elements and serve the Property or serve the Property and lands adjacent thereto;

(h) Any other expenses determined by the Board or approved by the members to be common expenses of the Association.

Section 5. "Declarant" shall mean and refer to Cameron Company Limited Partnership, a North Carolina limited partnership, Rachel C. Camp and husband, John M. Camp, Jr., and Rachel MacRae Duell and husband, Charles H. P. Duell, their heirs, successors and assigns, to whom the rights of Declarant hereunder are expressly transferred, in whole or in part, and subject to such terms and conditions as Declarant may impose.

Section 6. "Lot" shall mean and refer to: (i) any plot or tract of land that may be used for residential purposes, shown upon any recorded subdivision map of the Property, as such map or maps may be from time to time amended or modified.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Owner" or "Lot Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 9. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 10. "Property" shall mean and refer to that certain real property shown on the map of Castle Lakes subdivision, Section 1, recorded in Map Book 28, Page 138 of the New Hanover County Registry,

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and that certain real property shown on the map of Castle Lakes subdivision, Section 2, recorded in Map Book 29, Page 155 of the New Hanover County Registry.

ARTICLE II

Property Rights

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Elements, together with and including the right of access, ingress, and egress, both pedestrian and vehicular, on and over the drives, walkways, and parking areas of the Common Elements, all of which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to suspend the voting rights and the right to use the recreational or other Common Element facilities, if any, by an Owner for any period during which any assessment against his Lot remains unpaid, and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(b) the right of the Association to dedicate, sell, lease or transfer all or any part of the Common Elements, or any interest therein, to any public agency, authority, or utility, or to any other person for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication, sale or transfer shall be effective unless it has been approved by a vote of a majority of all of the votes of all of the members and an instrument of dedication, sale, lease, or transfer properly executed by the Association has been recorded. On such instrument the Secretary of the Association shall certify that the dedication, sale, lease, or transfer has been approved by a vote of a majority of all of the votes of all of the members and that certificate may be relied upon by any third party without inquiry and shall be conclusive as to any grantee, its successors and assigns; provided however, conveyances for general utility purposes, as specified herein, may be made by the Association without consent of the members;

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

(d) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and facilities and in aid thereof to mortgage the Common Elements, and the rights of such mortgagee in the Common Elements shall be subordinate to the rights of the members hereunder;

(e) the right of the Association in accordance with its Articles of Incorporation or Bylaws to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which rules and regulations may further restrict the use of the Common Elements, and to create Limited Common Elements;

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Elements and facilities to the members of his family, his tenants, or contract purchasers who reside on the Property.

Section 3. Title to the Common Elements. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Elements located within the Property to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first Lot, except for encumbrances of utility, service, access, storm drainage and other similar service and utility easements.

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Section 4. The Association may provide one or more central television or radio antennas for the convenience of the members and may supply cablevision and piped-in music, and the cost of these may be included in annual or special assessments. The Association may regulate or prohibit the erection of television, radio, or other antennas on individual Lots.

ARTICLE III

Membership and Voting Rights

Section 1. Every record Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to, and may not be separated from, ownership of any Lot.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members; however, the vote for such Lot shall be exercised as they among themselves determine, or as set forth in the Bylaws or articles of incorporation of the Association, but in no event shall more than one vote be cast with respect to any Lot by a class A member.

Class B. The Class B member shall be the Declarant and shall be entitled to three (3) votes for each Lot in which it owns an interest. The Class B membership shall cease and be converted to Class A membership with one vote for each Lot owned on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership; or

(b) ten (10) years from the date of conveyance of the first Lot by Declarant.

Section 3. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and the Articles and Bylaws of the Association and according to the provisions Article II, section (b) herein.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges which are Common Expenses, and (2) special assessments for extraordinary maintenance and capital improvements, (3) special assessments for purchase, construction or reconstruction of improvements; and (4) to the appropriate governmental taxing authority, a pro rata share of assessments for public improvement to the Common Elements and public roads if the Association shall default in payment thereof. The annual and special assessments, together with interest and costs, and reasonable attorney's fees for collection, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

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The Association shall also have the authority, through the Board of Directors to establish, fix and levy a special assessment on any Lot to secure the liability of the Owner thereof to the Association arising from breach by such Owner of any of the provisions of this Declaration, which breach shall require the expenditure of time and money or both, by the Association for repair or remedy.

Each Owner covenants for himself, his heirs, successors and assigns, to pay each assessment levied by the Association on the Lot described in such conveyance to him within ten (10) days of the due date as established by the Board, and further covenants that if said assessment shall not be paid within thirty (30) days of the due date, the payment of such assessment shall be in default and the amount thereof become a lien upon said Owner's Lot as provided herein and shall continue to be such lien until fully paid.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the paying of Common Expenses; to promote the recreation, health, safety, and welfare of the Owners of Lots; and, in particular, but not limited to, for the acquisition, improvement and maintenance of Property, service, amenities and facilities, and for the use and enjoyment of the Common Elements, including but not limited to, the cost of repairs, replacements and additions, the costs of labor, equipment, materials, management and supervision, the payment of taxes and public assessments assessed against the Common Elements, the providing for security to the Property, the procurement and maintenance of insurance in accordance with the Bylaws or as deemed appropriate by the Board, the payment of common antenna or cable service, the employment of counsel, accountants and other professionals for the Association when necessary, and such other needs as may arise.

Section 3. Amount of Assessment.

(a) Initial Maximum Assessment. To and including December 31, 1990, the maximum annual assessment shall not exceed Seven Hundred Fifty Dollars (\$750.00) per Lot.

(b) Increase by Association. From and after December 31, 1990, the annual assessment effective for any year (including 1991) may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the greater of ten (10%) percent or the percentage increase reflected in the U.S. City Average, Consumer Price Index - United States and selected areas for urban wage earners and clerical workers, all items most recent index and percentage changes from selected dates (published by the U.S. Bureau of Labor Statistics, United States Department of Labor, Washington, D.C.), or such other Index as may succeed the Consumer Price Index, for that twelve-month period ending the immediately preceding October 1.

(c) Increase by Members. From and after December 31, 1990, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of a majority of the votes cast in person or by proxy, at a meeting of the members duly called for such purpose, which meeting may be the annual meeting of the members, provided notice of such proposed increase is contained in the notice of the meeting.

(d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of the higher of ten (10%) percent or the sums derived by application of the Consumer Price Index formula provided in Subsection (b) without the consent of members required by Subsection (c) of this Section 3.

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(e) Board Authority. The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

(f) Declarant Expenses. Until such time as the Declarant shall no longer control the Board, Declarant shall pay any Association expenses not otherwise covered by the assessment hereunder.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the costs of any construction, reconstruction, restoration, repair or replacement of a capital improvement upon the Common elements, any extraordinary maintenance, including fixtures and personal property related thereto and any property for which the Association is responsible, provided that any such assessment shall have the assent of a majority of the votes cast in person or by proxy at a meeting of the members duly called for this purpose, which meeting may be the annual meeting of the members provided notice of such proposed assessment is contained in the notice of the meeting.

Section 5. Replacement Reserve. Out of the Common Expenses assessment the Board shall create and maintain a reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Elements and any Limited Common Elements which the Association may be obligated to maintain.

Section 6. Notice and Quorum for Any Action Authorized Under Section 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under this Article shall be sent to all members not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast forty percent (40%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at one uniform rate for vacant Lots, and at another, higher uniform rate for all Lots upon which a residence has been constructed. Annual and special assessments may be collected on a monthly basis or other periodic basis established by the Board.

Section 8. Date of Commencement of Annual Assessments: Due Dates: Initial Working Capital. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Elements to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge if it deems appropriate, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of issuance.

With respect to Lots sold after the above commencement date of the assessments, in addition to the regular assessments to be charged and paid hereunder, each Lot Owner shall, at the time of the initial

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sale of each Lot by Declarant to that Lot Owner, pay to the Association a sum equal to two (2) months assessment on that Lot as additional working capital of the Association. These amounts need not be segregated but may be commingled with regular assessment funds. This working capital amount shall be paid by the Lot Owner notwithstanding the fact that Declarant may have made prior regular assessment payments to the Association on the Lot being sold pursuant to the provisions of the first sentence hereunder.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall be delinquent, in default and shall bear interest from the due date at the highest rate then permitted by North Carolina law not to exceed eighteen (18%) per cent per annum. The Association may bring an action at law against the Owner personally obligated to pay the same plus interest, costs, late payment charges and reasonable attorney's fees, or foreclose the lien against the Lot. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Elements or abandonment of his Lot.

The lien herein granted unto the Association shall be enforceable pursuant to Article 2A of Chapter 45 of the General Statutes from and after the time of recording a Claim of Lien in the Office of the Clerk of Superior Court in the County in which the property is located in the manner provided therefor by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall state the description of the Lot encumbered thereby, the name of the record owner, the amount due and date when due. The claim of lien shall be recordable any time after thirty (30) days after the due date of the assessment of any installment thereof and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include all assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed by an officer, agent, or attorney at law of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

Section 10. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any institutional first mortgage and ad valorem taxes on said Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage or tax foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer, but shall not abate the personal obligation of the prior owner. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Responsibility for Maintenance of Private Streets. The maintenance responsibility of the private streets as shown on the subdivision maps recorded shall rest with the Association. In no case shall any governmental authority having jurisdiction over the Property be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property and/or occupants when the failure is due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Association, or Owners.

ARTICLE V

ARCHITECTURAL CONTROL

No site preparation (including, but not limited to, grading, elevation work, landscaping, sloping or tree work) or initial

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construction, erection or installation of any improvements, including but not limited to, buildings, fences, signs, walls, bulkheads, screens, landscaping, plantings, yard furniture, play areas, and play equipment, or other equipment, furniture or structures shall be commenced, erected, placed, altered or maintained upon the Property or any Lot, nor shall any addition to, or change, or alteration therein be made by any Owner, other than Declarant, until the plans and specification showing the nature, kind, shape, height, materials, exterior colors, siding, location and elevations of the proposed improvements or landscaping or yard equipment or furniture shall have been submitted to, and approved in writing by, as to harmony of external design and location in relation to surrounding structures and topography, the Board of Directors of the Association, or by an Architectural Committee composed of three (3) or more persons appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such submission within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with; provided that plans and specifications that contain inaccurate or missing data or information when submitted shall not be deemed to be approved notwithstanding the foregoing.

Upon request the Board shall provide any Owner with a letter stating that any such work plans and specifications have been approved and the same may be relied upon by third parties.

Refusal of approval of such plans, location or specifications may be based upon any grounds, including purely aesthetic and environmental, that in the sole discretion of the Board or Committee, it shall deem sufficient. The Association shall not be responsible for any defects in the plans and specifications submitted to it or in any structure erected according to such plans and specifications.

The Association, through the Board, the Committee or their appointed agents, shall have the right, at its election, but shall not be required, to enter upon any of the Property during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

The Board or the Architectural Committee appointed by the Board, as the case may be, shall have power to, and may allow variances of, and adjustments of, the restrictions on use and building restrictions established herein in order to overcome practical difficulties and prevent unnecessary hardships in application of the restrictions contained herein; provided, however, that variances or adjustments are done in conformity to the intent and purposes hereof; and, provided also, that in every instance such variance or adjustment will not be materially detrimental or injurious to the Property or other Lots in the immediate neighborhood. Variances and adjustments may be of the height, size, and setback requirements, but shall not be limited thereto.

In the event of the grant of any variance in the building or use restrictions, the Association shall execute a document attesting to such grant and the specific nature thereof in form suitable for recording, so that the Lot Owner may record same in the Registry of the County in which the Property is located. Such document shall be prepared at the cost of the Lot Owner and shall be binding upon the Association and may be relied upon by third parties.

Any reference to "Association" in this Article or that on Use Restrictions or Building Restrictions shall mean the Board or the Architectural Committee, whichever shall be vested with approval authority by the Board.

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ARTICLE VI

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Elements. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in this Declaration.

Section 2. Use of Property. No portion of the Property (except for a temporary office of the Declarant, or its representatives, and building models used by Declarant, or its representatives) shall be used except for single-family residential purposes and for purposes incidental or accessory thereto.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be, or may become, a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, birds, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats, pet birds or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and are controlled in accordance with applicable governmental ordinances and are not a nuisance to other Owners.

Section 5. Insurance. Nothing shall be kept, and no activity shall be conducted, on the Property which will increase the rate of insurance applicable to residential use for the Property or any Lots. No Owner shall do or keep anything, nor cause or allow anything to be done or kept, on his Lot or on the Common Elements which will result in the cancellation of insurance on any portion of the Property, or Lots therein, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Elements.

Section 6. Offensive Behavior. No immoral, improper, offensive, or unlawful use shall be made of the Property, or any part thereof. All laws, orders, rules, regulations, ordinances, or requirements of any governmental agency having jurisdiction thereof, relating to any Lot or a portion of the Property, shall be complied with, by and at the sole expense of the Owner or the Association, whichever shall have the obligation to maintain such portion of the Property.

Section 7. Structural Integrity. Nothing shall be done in, to, or upon any of the Common Elements which will impair the structural integrity of any building, or other improvement or portion of the Common Elements or which would impair or alter the exterior of any building, improvement or portion thereof, except in the manner provided in this Declaration.

Section 8. Business. No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any Lot, except that the Declarant or its agents may use any unsold Lots for sales or display purposes, and/or Declarant may maintain a sales or rental office on the Property.

Section 9. Signs. No Lot Owner shall display, or cause or allow to be displayed to public view any signs, placards, posters, billboards, or identifying name or number upon any Lot, or any portion of the Common Elements, except as allowed by the Association pursuant

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to its Bylaws or regulations or as required by local governmental authority; provided, however, that the Declarant or its respective agents, may place "For Sale" or "For Rent" signs on any Lots for sale and in suitable places on the Common Elements approved by the Association; provided, however, that during the development of the Property and the initial marketing of Lots, the Declarant or its respective agents may maintain a sales office and may erect and display such signs as the Declarant deems appropriate as aids to such development and marketing, provided that such signs do not violate any applicable laws. Such permitted signs by Lot Owners shall be placed in the approximate center of a Lot and six (6) feet from the road curb. No sign shall be nailed to trees.

Section 10. Alterations. No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Elements except at the direction or with the express written consent of the Association.

Section 11. Common Elements Use. The Common Elements shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the Property, subject to any rules or regulations that may be adopted by the Association pursuant to its Bylaws.

Section 12. Parking. No boats, trailers, campers, motorhomes, trucks or tractors shall be parked on any Lot, on the Common Elements, or on any right of way of any road or streets within the Property or adjoining the Property by any Lot Owner, his family members, tenants or contract purchasers, except inside an enclosed garage located on a Lot or in a specified storage area established by the Association. Provided, however, the Board of Directors may adopt Rules and Regulations allowing such parking, upon such terms and conditions as it may see fit.

Section 13. Trailers, etc. No trailer, tent, mobile home, modular home or other structure of a temporary character shall be placed upon any Lot at any time, provided, however, that this prohibition shall not apply to shelters or storage units used by the contractor during the construction of a dwelling, garage or accessory building, it being clearly understood that these latter temporary shelters may not, at any time, be used as residences or permitted to remain on the Lot after completion of construction.

Section 14. Fuel Tanks. No fuel tanks or similar storage receptacles may be exposed to view. Any such receptacles may be installed only within an accessory building or within a screened area, or buried underground; provided, however, that nothing contained herein shall prevent the Declarant or Association from erecting, placing or permitting the placing of tanks or other apparatus on the Property for uses related to the provision of utility or other service.

Section 15. Subdividing. No Lot shall be subdivided, or its boundary lines changed except with the prior written consent of the Declarant during the period of its control of the Association and thereafter by the Board. However, the Declarant hereby expressly reserves unto itself, its successors and assigns, the right to replat any two (2) or more Lots shown on the plat of any subdivision of the Property in order to create one or more modified lots; to further subdivide Tracts shown on any such subdivision plat into two or more Lots; to recombine one or more Tracts or Lots or Tract and lots to create a larger Tract; to eliminate from this Declaration Lots that are not otherwise buildable or are needed for access to any area of the Property or are reasonably necessary to make such replatted Lots or Tracts suitable and fit as a building site or access area or roadway, said steps to include, but not to be limited to the relocation of easements, walkways, and rights-of-way to conform to the new boundaries of the said replatted lots.

Section 16. Water Fill. No Lot shall be increased in size by filling in the waters on which it abuts without prior written approval of the Association, and the state and federal agencies having jurisdiction over the waters.

Section 17. Docks. No private docks, piers, moorings, boat houses, slips or similar structures may be erected on, placed on, or connected to, any Lot, unless specifically authorized in the deed of said Lot. In the event of such authorization, the lot Owner must comply with the provisions of Article V. All Lot Owners who construct or cause to be constructed private docks, piers, moorings, boat houses, slips or similar structures pursuant to this paragraph must maintain said structures in good repair and keep the same clean and orderly in appearance at all times; and said Lot Owners further agree to paint or otherwise treat with preservatives all wood or metal located above the water, exclusive of pilings, and to maintain such paint or preservatives in an attractive manner. The Association through the Board or its appointed committee shall be the judge as to whether such structures are clean, orderly in appearance, and properly painted or preserved in accordance with reasonable standards. Where a Lot Owner is notified in writing that such structures fail to meet acceptable standards, said Lot Owner shall thereupon remedy such conditions within thirty (30) days. Failing to so remedy such conditions, the Lot Owner hereby covenants and agrees that the Association, as the case may be, may make the necessary repairs (but is not obligated to make such repairs), or take such action as will bring such structures up to acceptable standards, all such repairs and actions to be at the expense, solely, of the Lot Owner.

Section 18. Mineral Extraction. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, nor oil, gas or mineral exploratory activity, shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon, in, or under any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any lot; nor shall sand, clay, or other materials be mined or removed from any lot for use elsewhere.

Section 19. Delivery Receptacle. No mail box, paper box or other receptacle of any kind for use in the delivery of mail, newspapers, magazines or similar material shall be erected or located on any Lot unless and until the size, location, design and type of material for the receptacle shall have been approved by the Board or the architectural committee.

Section 20. Antennae. Exterior radio and television antennae, aerials, disks and dishes for reception of commercial broadcasts shall not be permitted on any Lot and no aerials, disks and dishes (for example, without limitation, amateur, short-wave or ship-to-shore) shall be permitted on any Lot without permission of the Board as to design, appearance and location or pursuant to Regulations issued for that purpose.

Section 21. Construction Limitations. During construction, all vehicles involved, including those delivering supplies, must enter the Lot on a driveway only as approved by the Board so as not to damage unnecessarily trees, street paving and curbs. During construction, builders must keep the homes, garages, and building sites clean and free of debris. All building debris, stumps, trees, etc., must be removed from each Lot by the builder as often as necessary to keep the house and Lot attractive. Such debris will not be dumped in any area of the Property.

Section 22. Firearms: Hunting Prohibited. There shall be no discharging of firearms, guns or pistols of any kind, caliber, type,

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or method of propulsion; and no hunting of any type shall be carried on or conducted on the Property.

Section 23. Drying Areas. Clotheslines or drying yards shall not be located upon any Lot without the prior written consent of the Board, which consent may be conditioned or withheld in the sole discretion of the Board, or as set forth in Regulations established for that purpose.

Section 24. Wells. A well will be permitted for water supply, but drilling or construction for such well must have prior written approval by the Board. The pump, pressure tank, and pump house, if any, shall be considered structures requiring prior architectural approval.

Section 25. Unsightly Growth. No weeds, underbrush or other unsightly growth shall be permitted to grow or remain on any Lot, and no refuse pile or unsightly objects shall be allowed to be placed or suffered to remain thereon including vacant parcels.

Section 26. Independent Covenants. Each and every covenant and restriction contained herein shall be considered to be an independent and separate covenant and agreement, and in the event any one or more of said covenants or restrictions shall, for any reason, be held to be invalid, or unenforceable, all remaining covenants and restrictions shall nevertheless remain in full force and effect.

Section 27. Additional Restrictions. Declarant may include in any contract or deed hereafter made any additional covenants and restrictions that are not inconsistent with and which do not diminish the covenants and restrictions set forth herein.

ARTICLE VII

BUILDING RESTRICTIONS

Section 1. Square Footage. Any dwelling erected on Lot shall contain a minimum enclosed dwelling area of 1,800 square feet. The term "enclosed dwelling area" as used in this Section 1 shall mean the total enclosed area within a dwelling subject to heating and cooling; provided, that the term specifically does not include garages, terraces, open porches, decks, stoops and like areas regardless of heating or cooling.

Section 2. Setback Lines. No dwelling (including garage) shall be constructed nearer than forty (40) feet to the front Lot line, fifteen (15) feet to any side Lot line, or thirty (30) feet to the rear Lot line. This restriction shall prevail over any lesser governmental setback standard. Variances of these setback requirements may be granted pursuant to Article V hereof, but in no case will the setback be less than that required by the governmental agency having jurisdiction over the Property.

Section 3. Height and Accessory Building. No structure, except as hereinafter provided, shall be erected, altered, placed or permitted to remain on any Lot other than a detached single family dwelling not to exceed two (2) stories in height, unless the Board approves in writing a variance permitting a structure of more than two stories, and a garage and small accessory building (which may include a pool house, servants' quarters, or guest facilities), provided, the use of such dwelling or accessory building does not in the opinion of the Board or Architectural Committee overcrowd the site. Such accessory building may not be constructed prior to the construction of the primary dwelling. All garages must be attached to the main dwelling, unless the Board approves in writing a variance permitting a detached garage.

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Section 4. Multi-Family Use Prohibited. No multiplex residence or apartment house shall be erected or placed on, or allowed to occupy, any Lot, and no dwelling, once approved and constructed, shall be altered or converted into a multiplex residence or apartment house.

Section 5. Remedies. If the finished dwelling, garage, accessory building or other structure does not comply with the submitted and approved plans and specifications, the Board retains the right to make the necessary changes at the owner's expense to comply with the approved plans and specifications, the right to treat such charge or cost as an assessment, the right to file under the North Carolina lien statutes a notice of lien for any costs incurred, and the further right to resort to all remedies provided under the laws of North Carolina for the recovery of such costs and the expenses of collection, including without limitation, reasonable attorney's fees. Any changes in plans or specifications must first be reapproved by the Board or Architectural Committee in accordance with the procedure herein specified for architectural control.

Section 6. Trash Receptacles. Each Lot Owner shall provide receptacles for garbage in a screened area not generally visible from the road, or provide underground receptacles or similar facilities in accordance with standards established by the Association.

Section 7. Parking Spaces. Each Lot Owner shall provide space for parking two automobiles off the street prior to the occupancy of any dwelling constructed on said Lot in accordance with standards established by the Association.

Section 8. Trees and Shrubs. The Declarant encourages the planting of flowering shrubs and trees; however, no trees, bushes, shrubs, grasses or other vegetation whatever may be removed, planted or installed from or on any lot without prior written approval of the Board, based upon a site plan, landscaping plan or planting plan submitted to the Board or Architectural Committee.

Section 9. No more than Ten Thousand Eight Hundred Thirty Three (10,833) square feet of any Lot shall be covered by structures and/or paved surfaces, including walkways and patios of brick, stone, slate or similar materials. This covenant is intended to insure continued compliance with stormwater runoff rules adopted by the State of North Carolina and therefore this section may be enforced by the State of North Carolina.

ARTICLE VIII

EASEMENTS

Section 1. Utility Easements. All of the Property, including Lots and Common Elements, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage, gas lines, telephone and electric power lines and other public utilities as shall be established by the Declarant or by its predecessors in title, prior to the subjecting of the Property to this Declaration; and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Elements conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Property without approval of the membership as provided in the Articles of Incorporation and this Declaration.

Section 2. Utility Contracts and Easements to Carolina Power and Light Company. The Declarant reserves the right to subject the Property, or any part thereof (including but not limited to the Lots and the Common Elements), any additional sections of Castle Lakes Subdivision, and any additions to or enlargements of the Property, to a contract with Carolina Power and Light Company, its successors or

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assigns, for the installation of underground electric cables which may require an initial contribution and/or the installation of street lighting which will require a continuing monthly payment to Carolina Power and Light Company by the Association or by the owner of each lot on which a residence has been constructed.

Section 3. Easement for the Benefit of Governmental Authorities. An easement is hereby established for the benefit of any governmental authority having jurisdiction over the Property, or other governmental agency, over all Common Elements for the setting, removing and reading of water meters (which shall be separate for each Lot), maintaining and replacing water, sewage and drainage facilities, for police protection, firefighting and garbage collection and the rendering of such other services as are appropriate and necessary for the use and enjoyment of the Property. In no case shall the governmental authority or other responsible agency, be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property or to any of its occupants when such failure is due to the lack of access to such area due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Association, the Owners or occupants. All conveyances of any portion of the Property shall be subject to these limitations on the governmental authorities' responsibilities.

Section 4. There is hereby reserved an easement fifteen (15) feet in width along the side property lines and rear property line of each Lot for the purpose of installation, repair, maintenance, erection, construction and inspection of water lines, sewer lines, gas lines, electric lines, telephone lines, cablevision lines or other such utility or service lines, and for drainage cuts and storm sewer lines; provided, that if both sanitary sewer and storm sewer lines are located within the same easement, the easement reserved herein shall be twenty (20) feet in width.

Section 5. There is hereby reserved an easement twenty (20) feet in width along the border of each lake on the Property, for the purpose of cleaning, clearing, and grading the same, and removing, trimming, and planting trees, shrubs, flowers, or other vegetation on such border, together with an easement over and across any Lots lying between such lake and a street or road for the purpose of ingress and egress to such border with men, equipment, and machinery.

There are hereby reserved easements as shown on the recorded map or maps of the subdivision. In the event of a conflict in the width of any easement reserved herein or on the recorded map, the wider easement shall prevail.

Furthermore, in addition to the foregoing reserved specific easements, the Declarant so long as it controls the Association, and thereafter the Association, may cut and create drains and drainways both above ground and underground for the purpose of facilitating the removal of surface water whenever such action may appear to be necessary in order to maintain reasonable standards of health, safety and appearance along, over or across any Lot.

These reservations of easements expressly include the right to cut any trees, bushes or growth, the grading, cutting or ditching of the soil, and any other action necessary to complete installation, maintenance or repairs.

Section 6. Priority of Easements. Each of the easements hereinabove referred to shall be deemed to be established upon the recordation of this Declaration and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Lots, and the Common Elements, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

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Section 7. Declarant Easement. Every Lot shall be subject to an easement for entry and encroachment by the Declarant and/or the Association for the purpose of correcting any problems that may arise regarding utilities, grading and drainage. The Declarant and/or the Association, upon making entry for such purpose, shall restore the affected Lot or Lots to as near the original condition as practicable.

Section 8. Emergencies. Every Lot shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot that endangers any building or any portion of the Common Elements.

ARTICLE IX

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Rights Reserved to Institutional Lenders. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Authority, Federal National Mortgage Association and other reputable mortgage lenders and guarantors and insurers of such first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Lot, or shall be the Owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

A. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.

B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

C. To be given notice of default in the payment of assessments by any Owner of a Lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.

D. To inspect the books and records of the Association and the Declaration, Bylaws and any Rules and Regulations during normal business hours, and to obtain copies thereof.

E. To be given notice by the Association of any substantial damage to any part of the Common Elements.

F. To be given notice by the Association if any portion of the Common Elements is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

Whenever any Institutional Lender, guarantor or insurer desires the benefits of the provisions of this section requiring notice to be given or to be furnished a financial statement, such Lender shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, or to the address of the Property, identifying the Lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to