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REGISTER OF DEEDS
NEW HANOVER, NC

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**DECLARATION
OF
PROTECTIVE COVENANTS
AND
RESTRICTIONS
FOR
DEMAREST VILLAGE**

RETURN TO JACKSON, MILLS & CARTER

599500

**DECLARATION OF GENERAL PROTECTIVE COVENANTS AND RESTRICTIONS
FOR
DEMAREST VILLAGE**

THIS DECLARATION is made this 18th day of August 1999, by INLAND HARBOUR PROPERTIES LIMITED LIABILITY COMPANY hereinafter called "DECLARANT."

WITNESSETH:

WHEREAS, DECLARANT is the developer of a new community development in New Hanover County, North Carolina, know as DEMAREST VILLAGE and desires to create a quality planned community; and

WHEREAS, DECLARANT is desirous of imposing certain protective covenants, conditions and restrictions on the Properties in DEMAREST VILLAGE including Section I, as specifically set forth herein, a part of DEMAREST VILLAGE, and may in the future elect to subject additional lands in DEMAREST VILLAGE to this Declaration and to amend this Declaration with respect to such additional lands, and as well to impose additional protective covenants, conditions and restrictions on such lands as may be necessary and appropriate to each district Neighborhood; and

WHEREAS, DECLARANT desires to provide for the preservation and enhancement of the property values, amenities and opportunities in the community and for the maintenance of The Properties and Improvements thereon and to this end desires to subject The Properties, together with such additions as may hereafter be made thereto, in accordance with the provisions hereof, to the protective covenants, conditions and restrictions and other provisions hereinafter set forth, each and all of which is and are for the benefit of said property and each OWNER thereof; and

WHEREAS, to provide a means for meeting certain, but not all, of the purposes and intents set forth herein, DECLARANT has incorporated under the laws of the State of North Carolina, a community services association, DEMAREST VILLAGE COMMUNITY ASSOCIATION, INC. (hereinafter referred to as the COMMUNITY), a nonprofit corporation; and

WHEREAS, DECLARANT may in its sole discretion, from time to time, convey, lease or grant a license, easement or other use right to lands with or without DEMAREST VILLAGE, to the COMMUNITY, and the COMMUNITY must accept the same for the purpose of maintenance, landscaping, drainage, recreation, fire protection, mosquito control, security or other purposes that will be for the use and benefit of its Members and their families, tenants and guests, as determined by DECLARANT.

NOW, THEREFORE, DECLARANT declares that the real property described in EXHIBIT "A" and such additions thereto as hereafter may be made pursuant hereto, is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, restrictions, easements, encroachments and liens (sometimes referred to as "covenants and restrictions") hereafter set forth, specifying that this Declaration shall constitute a covenant running with the land and this Declaration shall be binding upon the undersigned, and on all Persons gaining title through the undersigned.

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ARTICLE I

DEFINITIONS

Section 1.01. "Assessed Value" shall mean and refer to the value of a Plot or Unit as shown on the most recent tax evaluations prepared by the New Hanover County Tax Appraiser.

Section 1.01 "Assessment" shall mean and refer to those charges made by the COMMUNITY from time to time against each Plot within The Properties for the purpose set forth herein.

Section 1.03 "DEMAREST VILLAGE" shall mean and refer to those certain lands located in New Hanover County, North Carolina, and owned by DECLARANT, within the general boundaries of Map Book 36, Page 369, Section 2, 3.51 acres; Map Book 37, Page 84, Tract 1B, 1.3 acres; Map Book 37, Page 173, Tract 2R, 1.22 acres; Map Book 37, Page 173, Tract 3R, 1.3 acres, Deed Book 1571, Page 0764, 13.8 acres and Deed Book 1571, Page 0764, Tract 4, 1.3 acres and such other lands as may, from time to time be added to or subtracted from said lands pursuant to Article III.

Section 1.04. "DEMAREST VILLAGE SECTION I" shall mean and refer to those certain lands, located in DEMAREST VILLAGE, containing approximately 2 acres within the boundaries of the plot or subdivisions recorded in the Public Records of New Hanover County, North Carolina at Map Book 38, Page 304, inclusive, as more fully described in Exhibit A.

Section 1.05 "Commercial" shall mean and refer to all uses which are not Institutional or Residential.

Section 1.06 "Common Areas" shall mean and refer to those areas of land shown on any recorded and subdivision plat of The Properties and Improvements thereto, or which are otherwise dedicated, conveyed, leased or for which a license is granted to the COMMUNITY and which are intended to be devoted to the common use and enjoyment of the residents of The Properties.

Section 1.07 "Common Expenses" shall mean and refer to all expenses incurred by the COMMUNITY in connection with its ownership, maintenance and other obligations set forth herein.

Section 1.08 "COMMUNITY" shall mean and refer to DEMAREST VILLAGE COMMUNITY ASSOCIATION, INC., a North Carolina not-for-profit corporation, its successors and assigns.

Section 1.09 "DECLARANT" shall mean and refer to Inland Harbour Properties LLC., a North Carolina Limited Liability Company, with a place of business in New Hanover County, North Carolina, its successors or assigns or all of its rights under this Declaration.

Section 1.10 "Declaration" shall mean and refer to this document entitled DECLARATION OF GENERAL PROTECTIVE COVENANTS and RESTRICTIONS as the same may be amended from time to time.

Section 1.11 "Governing Documents" shall mean (i) in the case of the COMMUNITY and By Laws, this Declaration, any supplementary Declaration and the Articles of Incorporation of the COMMUNITY, and (ii) in the case of a Neighborhood Association, the Neighborhood Declaration, any supplementary Declaration, and the Articles of Incorporation of the Neighborhood Association and By Laws, as the same may be amended from time to time and filed of record. In the event of conflict or inconsistency among Governing Documents applicable to the COMMUNITY or Neighborhood Association, as the case may be, to the extent permitted by law the Declaration and any Supplementary Declaration in that order shall control. One Governing Document's lack of a provision with respect to a matter for which provision is made in another Governing Document shall not be deemed a conflict or inconsistency between such Governing Documents.

Section 1.12 "Improvements" shall mean and refer to all structures of any kind, including, without limitation, any building, fence, wall, sign, paving, grating, parking and building addition, alteration, screen enclosure, sewer, drain, disposal system, decorative building, recreational facility, landscaping, exterior lighting, or landscape device or object.

Section 1.13 "Institutional" shall mean and refer to nonresidential and noncommercial uses including but not limited to churches, schools, libraries, museums, governmental facilities, and nonprofit recreational facilities.

Section 1.14 "Master Development Plan" shall mean and refer to the DECLARANT's plan of DEMAREST VILLAGE as may be amended from time to time by DECLARANT showing the land uses and residential units assigned by DECLARANT to the various portions of the properties.

Section 1.15 "Members" shall mean and refer to those Persons who are entitled to membership in the COMMUNITY as provided in its Articles of Incorporation and Bylaws. The two classes of membership are:

A. "Class A" shall mean and refer to the class of membership which includes all Members with the exception of the DECLARANT for so long as he is a Class B Member.

B. "Class B" shall mean and refer to the class of membership which includes only the DECLARANT.

Section 1.16 "Neighborhood" shall mean and refer to any single family development, townhome development, patio home development, row house development, commercial development or other sub-area development.

Section 1.17 "Neighborhood Association" shall mean and refer to any property owners association, homeowners association, or other such entity, their successor and assigns for any particular Neighborhood.

Section 1.18 "Neighborhood Common Area" shall mean and refer to all real property including any Improvements and fixtures thereon which are dedicated, owned, leased or the use of which has been granted to the Residents of a particular Neighborhood or to a Neighborhood Association for the common use and enjoyment of its members.

Section 1.19 "Neighborhood Covenant" shall mean and refer to any and all covenants, conditions, restrictions and other provisions imposed by recorded instrument, applicable to one or more specific Neighborhoods, but not to all Neighborhoods. The term "Neighborhood Declaration" shall mean and refer to the document containing Neighborhood Covenants.

Section 1.20 "Owner" shall mean and refer to a record OWNER of fee simple title to any Plot located within the Properties, but excluding those having an interest in a Plot merely as security for the performance of any obligation.

Section 1.21 "Person" shall mean and include an individual, corporation, governmental agency, business trust, estate, trust, partnership, association, two or more persons having a joint or common interest, or any other legal entity.

Section 1.22 "Plot" shall mean and refer to a platted lot, a platted parcel, a tract of land which has been fractionalized pursuant to the Master Development Plan, a detached/attached single family home, a patio home, a row house, duplex, a townhome and/or condominium unit together with the undivided share of the common elements which are appurtenant to the Unit or to any quantity of land, including any Improvements thereon capable of being described with such definiteness that its location and boundaries may be established, which is designated by the DECLARANT to be used, developed and conveyed as a Unit and which is the smallest undivided Unit of ownership at any point in time.

Section 1.23 "Property Unit" shall mean and refer to:

A. For Residential property, any dwelling unit intended to occupancy by one family or household.

B. For Institutional and Commercial property, a Property Unit shall be each twelve hundred (1,000) square feet of Floor Area as defined in Article II.

Section 1.24 "PD" shall mean and refer to New Hanover County Ordinance Section 153.5-3, establishing a Planned Development District classification as it may from time to time be modified or amended.

Section 1.25 "Resident" shall mean and refer to the legal occupant of any plot.

Section 1.26 "Residential" shall mean and refer to use of property as a dwelling unit.

Section 1.27 "Special Development District" shall refer to any section of the Master Development Plan in which the use, regulations and assessments are not uniform with the Demarest Village Master Development Plan and Neighborhood Covenants.

Section 1.28 "Street" shall mean and refer to any street, highway or other thoroughfare constructed within DEMAREST VILLAGE that is dedicated to or owned by the COMMUNITY or a Neighborhood Association, whether same is designated as street, avenue, boulevard, drive, place, court, road, terrace, way, circle, land, walk or other similar designation.

Section 1.29 "The Properties" shall mean and refer to all real property which has become subject to this Declaration together with such other real property as may from time to time be annexed thereto under the provisions of Article III hereof.

Section 1.30 "Unimproved Plot" shall mean and refer to a Plot upon which no building has been substantially completed for use.

Section 1.31 "Unit" shall mean and refer to:

- (a) An improved Plot for a single family dwelling, or
- (b) A portion of a building designated for separate ownership having delineated boundaries and being located on an improved Plot, or
- (c) A portion of an Unimproved Plot in The Properties which at a given time is so delineated and designated for separate ownership, or
- (d) A portion of an Unimproved Plot which at a given time is feasible for future delineation and designation for separate ownership in conformity with the Master Development Plan, the Declaration and public regulations.

ARTICLE II**MEMBERSHIP AND VOTING RIGHTS****Section 2.01 Members.**

A. Every OWNER and the DECLARANT, so long as they are OWNERS, shall be members of the COMMUNITY. Membership shall be appurtenant to and may not be separated from ownership of a Plot which is subject to Assessment by the COMMUNITY. Persons other than an OWNER may become Members of the COMMUNITY only if a membership right is created in such Person by the recordation of a written instrument as provided for in Section 3.05, which subjects lands within DEMAREST VILLAGE, owned by such Person, to Assessment by the COMMUNITY in the manner provided for in Article VII.

B. Members' rights, powers, duties, and privileges shall be as set forth in the Articles of Incorporation, Bylaws of the COMMUNITY, and this Declaration.

Section 2.02 Classes of Voting Rights.

The COMMUNITY shall have two classes of voting membership:

Class A. Class A Members shall be all OWNERS, with the exception of the DECLARANT when it is a Class B Member, who shall have voting rights as provided below for each Plot owned.

Class B. The Class B Member shall be the DECLARANT who shall have voting rights as provided below for each Plot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

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

(b) on January, 2025, or such earlier date as DECLARANT in its sole discretion establishes by recorded instrument executed by DECLARANT.

Section 2.03 Determination of Voting Rights.

A. Residential Plots. The number of dwelling units which may be constructed within DEMAREST VILLAGE is governed by the PUD. Improved Residential Plots shall be entitled to one Property Unit per dwelling unit located on each Plot. Unimproved Residential Plots not owned by DECLARANT shall be entitled to one Property Unit for each dwelling unit which has been assigned to the Plots by DECLARANT. DECLARANT shall assign the number of dwelling units which may be constructed on a Residential Plot prior to the sale of such Plot to a third party. Unimproved Residential Plots owned by DECLARANT shall be entitled to one Property Unit for each proposed dwelling unit, according to the following table:

R-1 - 1.9 Dwelling Units per Acre

Dwelling units for Unimproved Residential Plots owned by DECLARANT which contain fractions of an acre shall be calculated by multiplying such fraction times the number of dwelling units allowed per acre, rounded to the nearest whole number.

B. Commercial and Institutional. The square footage of Commercial Improvements which may be constructed within DEMAREST VILLAGE is governed by the approved Master Development Plan. Improved Commercial and Institutional Plots shall be entitled to one Property Unit for each 1,200 square feet, or fraction thereof of floor area, measured to the exterior face of walls, including access halls and facilities, and excluding areas for vehicular storage and major on-site services such as mechanical service equipment. Unimproved Commercial or Institutional Plots not owned by DECLARANT shall be entitled to one Property Unit for each 1,200 square feet of floor area, or fraction thereof, which has been assigned to the Plots by DECLARANT. DECLARANT shall assign the square feet of floor area which may be constructed on a Commercial or Institutional Plot prior to the sale of such Plot to a third party. Unimproved Commercial Plots owned by DECLARANT shall be entitled to one Property Unit for each 1,000 square feet, or fraction thereof, of proposed floor area, according to the following table:

C-1 - 10,000 Square Feet per Acre

The designation of a Plot as Institutional is determined by the actual or proposed use of the Plot. For purposes of determining DECLARANT'S Property Units for Unimproved Plots, all property owned by DECLARANT shall be considered as Residential or Commercial in accordance with the Master Development Plan.

C. The designations "R-1 shall refer to single family residential, town home, patio home, development and C-1 shall refer to commercial development

Section 2.04. Voting Rights.

The Class A Members shall be entitled to one vote for each Property Unit subject to assessment by the COMMUNITY, and the Class B Member(s) shall be entitled to three (3) votes for each Property Unit held by such Member.

Section 2.05. Multiple Owners of a Plot.

When more than one Person holds an interest in any Plot, all such Persons shall be Members. The vote of such Plot shall be exercised as they determine, but in no event shall the vote cast with respect to any Plot exceed the number of votes determined for the Plot in accordance with this Article of the Declaration.

Section 2.06. Voting Control.

Inasmuch as the total number of outstanding votes at any one time is determined by the total number of dwelling units assigned to and acreage of the Residential Plots and the floor area and acreage of the Residential Plots and the floor area and acreage of Institutional and Commercial Plots within The Properties at that time, subject to this Declaration or such other voting rights as are created by any other recorded instrument which creates membership rights in the COMMUNITY, it is important for all OWNERS to understand that the subjecting of additional lands to the jurisdiction of the COMMUNITY will make the OWNERS of real property within such additional lands Member to the COMMUNITY, which will increase the total number of votes, and will have the effect of enabling the DECLARANT to retain voting control for a longer period.

Section 2.07. Transfer of Control to the COMMUNITY.

A. When the total votes outstanding in the Class A membership exceeds the total votes outstanding in the Class B membership, the DECLARANT shall relinquish control of the COMMUNITY and the OWNERS of Plots other than DECLARANT shall accept control. Thereafter, the DECLARANT shall be entitled to elect a number of Directors of the Community equal to the percentage of votes held by the DECLARANT times the total amount of Directors, rounded to the nearest whole number greater than zero. When the DECLARANT no longer owns any Plot for development or for sale in the ordinary course of business, DECLARANT'S votes, if any, shall be counted the same as all other OWNER'S votes.

B. DECLARANT'S relinquishment of control shall not constitute a waiver or surrender of any power or right which is reserved to DECLARANT hereunder for a period longer than DECLARANT'S holding of voting control.

C. So long as the DECLARANT owns any Plot for development or for sale in the ordinary course of business, the COMMUNITY may not take any action that would be detrimental to the sales of Plots by the DECLARANT. New Hanover County's and/or City of Wilmington's, increase in value for Common Expenses without discrimination against the DECLARANT shall not be deemed to be detrimental to the sales of Plots.

Section 2.08. Subdivision of Plots.

A. Any OWNER of a Plot with more than one dwelling unit or more than 1,200 square feet of Commercial or Institutional floor area assigned to it shall, in the event that a portion of the Plot is conveyed to another OWNER, reassign a portion of the number of dwelling units or floor area originally assigned to the Plot. In no event shall such conveyance increase the total dwelling units, floor area, or Property Units assigned to the Plots after conveyance over that originally assigned to the Plot before the conveyance, nor shall such conveyance result in the casting of any fractional votes. At the time of such conveyance, the OWNER (seller) shall notify the COMMUNITY of the number of Property Units assigned to each Plot. In the event that an OWNER fails or refuses to make any necessary reassignment, then the COMMUNITY may make such reassignment and notify the OWNERS of each Plot involved in the conveyance.

B. Any assignment of dwelling units or floor area shall be done in compliance with the Master Development Plan.

Section 2.09. Voting Through Neighborhood Association.

If required by the COMMUNITY in its Bylaws, all OWNERS of Plots for which there is a Neighborhood Association shall cast their votes on COMMUNITY matters directly with the Neighborhood Association. Each Neighborhood Association shall, in its Bylaws, establish a procedure by which such OWNERS shall cast their votes on COMMUNITY matters. Each Neighborhood Association shall have the duty to collect and tabulate its Member's votes. Each Neighborhood Association shall have the privilege of casting with the COMMUNITY all of the votes to which its Members would be entitled to cast as Members of the COMMUNITY. Such procedure, subject to any restrictions, limitations or conditions which may be imposed by the Neighborhood Covenants or by other recorded instrument, shall provide for votes to be cast in a block, or in the same manner as originally cast by its Members, or in any other manner provided that it is fair, equitable, uniformly applied within the Neighborhood Association, and that does not result in the casting of fractional votes.

ARTICLE III

DECLARANT'S RIGHTS AND POWERS

Section 3.01. Additions to The Properties.

A. DECLARANT shall have the right and the power, but neither the duty nor the obligation, in its sole discretion to add any lands within the boundaries and/or adjacent lands to DEMAREST VILLAGE to the Properties by recording an instrument subjecting such additional lands to this Declaration. THE EFFECT OF SUCH ADDITION WOULD BE TO ALLOW FOR AN INCREASE IN THE NUMBER OF PLOTS, THE NUMBER OF POTENTIAL MEMBERS OF THE COMMUNITY, THE NUMBER OF PROPERTY UNITS AND THE TOTAL NUMBER OF VOTES WHICH COULD BE CAST BY MEMBER OF THE COMMUNITY.

B. At the time any additional lands are made subject to this Declaration, DECLARANT may also record an instrument which :

- i. modifies any of the provisions of this Declaration insofar as they may apply to such additional lands only; or
- ii. creates new provisions applicable only to such additional lands; or
- iii. omits the applicability of any of the provisions of this Declaration as to any such additional lands; or
- iv. does any, all, or none of the above.

C. The execution and recordation of this Declaration shall not be construed to require DECLARANT to subject any of the lands within DEMAREST VILLAGE other than those subjected hereby to the covenants, conditions and restrictions or other provisions of this Declaration or any other recorded instrument.

Section 3.02. Property Additions to DEMAREST VILLAGE

A. So long as there is a Class B Member, DECLARANT shall have the right and the power, but neither the duty nor the obligation, in its sole discretion to add lands outside the general boundaries of DEMAREST VILLAGE, as described in Section 1.03, to DEMAREST VILLAGE, thereby changing the boundaries of DEMAREST VILLAGE. Those lands which may be added without the consent of any OWNERS are those lands which currently lie outside the general boundaries of DEMAREST VILLAGE, including , but not limited to, Deed Book 873, Page 244, Tax Map 44-16, Lot 4, 100 acres.

B. Any lands not within the current general boundaries of DEMAREST VILLAGE or referenced in Section 3.01 and Section 3.02 may be added to DEMAREST VILLAGE by DECLARANT. This paragraph shall not prevent the COMMUNITY from acquiring, by purchase, gift, dedication, lease, license or other use right, any lands outside the boundaries of DEMAREST VILLAGE in accordance with Section 3.05 or Article IV.

Section 3.03. Additions of Land.

Any addition of land shall be made by recording an instrument which adds such lands to DEMAREST VILLAGE. The same shall not create nor shall it impose any duty or obligation on the DECLARANT to subject such additional lands to any covenants, condition, restriction or other provision of this Declaration, but in the event the DECLARANT so elects, it may subject such additional land to the provision of this Declaration in accordance with the provision of Section 3.01 or to the provision of any other recorded instrument.

Section 3.04. Establishment of Districts.

All OWNERS of Plots, by acceptance of a deed to such Plots, grant their consent to DECLARANT for the establishment of any Special Development District, including the consent required pursuant to North Carolina Statutes. The DECLARANT shall not be required to obtain any additional consent from such OWNERS prior to the establishment of a Special Development District. This section shall not prevent any unit of local or state government from exercising any powers granted to it under the North Carolina Constitution or Statutes as a unit of local or state government.

Section 3.05. Common Areas.

A. So long as there is a Class B Member, DECLARANT shall have the right and the power, but neither the duty nor the obligation in its sole discretion, to set aside, grant a license, or other use right to real property within or without DEMAREST VILLAGE for such purposes as may be expressed in the instrument or conveyance, lease or grant of license or use. No such real property shall be considered to be the COMMUNITY Common Area until actually so conveyed, dedicated by platting, leased or a grant of license or other use right is created by a written instrument.

1. Any such conveyance, dedication, lease or grant of license or use right to the COMMUNITY may be exclusive or nonexclusive so that Persons or entities other than the COMMUNITY may or may not have a right, power, duty or privilege with respect to all or any part of any real property so conveyed, leased, or licensed for the use to which it has been granted. The COMMUNITY must accept from DECLARANT any such conveyance, dedication, lease, grant of license, or grant of use right. So long as there is a Class B Member, the COMMUNITY shall not accept from any Person other than DECLARANT a conveyance, dedication, lease, grant of license, or grant of use right except upon the prior written approval and consent of the DECLARANT.

2. Prior to any conveyance, dedication, lease or grant of license or other use right by DECLARANT to the COMMUNITY of any property, DECLARANT shall have the right to charge reasonable fees for the use of such property; thereafter, the right to use such property may be subject to reasonable rents, fees and other charges in favor of the COMMUNITY; in the event, rents, fees and other charges required to be paid to DECLARANT under the leases, grants, licenses or contracts creating the use right shall continue to be paid

B. So long as there is a Class B Member, DECLARANT shall have the right, and the power, to regulate and control the external design and appearance of Common Areas in such a manner as to promote a quality environment which will preserve the value of the Member's Plots and to foster the attractiveness and functional utility of DEMAREST VILLAGE as a place to live, work and play, including a harmonious relationship among structures, vegetations and topography.

C. The Common Areas shall be subject to the provisions of Article VIII. The uses of Common Areas shall be in conformity with the uses permitted in Article VIII. The provisions of Article VIII shall not be applicable to any property owned by DECLARANT prior to its conveyance to the COMMUNITY or a Neighborhood Association.

D. No nuisance or obnoxious or offensive activity shall be conducted or permitted on any Common Area. So long as there is a Class B Member, the DECLARANT shall have the right and the power in the exercise of its reasonable discretion to determine what activities or uses constitute nuisances or obnoxious or offensive activity. Nothing shall be done within the Common Areas which may be or become a nuisance to Residents or Members.

E. So long as there is a Class B Member, any type use of Common Area shall be subject to the prior written approval of DECLARANT.

F. Neither the execution and recordation of the Declaration, nor the creation of the COMMUNITY or other entity, nor the recordation of any other instrument subjecting any land in DEMAREST VILLAGE to protective covenants, and restrictions shall obligate or require DECLARANT or any other Person to grant any right, power, duty or privilege of any nature or kind to the COMMUNITY or other entity; or obligate or require DECLARANT to perform any act permitted under this Declaration or to enforce any covenants, condition, restriction or other provisions thereof.

G. Except as otherwise specifically provided herein, so long as there is a Class B Member, DECLARANT reserves the right and the power to delegate or assign, either exclusively or nonexclusively, to any Person or entity, any or all of its rights, powers, duties or privileges created or provided for by this Declaration or by any other recorded instrument. DECLARANT shall be under no obligation to delegate or assign any of its rights, powers, duties and/or privileges to any Person or entity.

Section 3.06. Neighborhood Associations.

So long as DECLARANT owns land in DEMAREST VILLAGE for development, DECLARANT shall have the right and the power, but neither the duty nor the obligation, to amend the specific provisions of this Declaration insofar as they apply to one or more Neighborhoods and to supplement this Declaration by recording separate covenants, conditions, restrictions, and other provisions applying to any specific Neighborhood. Such amendments or separate instruments may or may not create property owners associations, homeowners associations, condominium associations, or entities other than the COMMUNITY.

Section 3.07. Enforcement and Inaction.

A. So long as DECLARANT owns land in DEMAREST VILLAGE for development, DECLARANT reserves unto itself the right and the power to enforce the covenants, conditions, restrictions and other provisions of this Declaration and to delegate or assign either exclusively or nonexclusively any or all of its rights, powers, duties or privileges hereunder to the COMMUNITY, or to any Neighborhood Association, or to an OWNER, or to any other Person.

B. So long as DECLARANT owns land in DEMAREST VILLAGE for development, DECLARANT shall have the right and power to enforce the covenants, conditions, restrictions and other provisions imposed by this Declaration by any proceeding at law or in equity against any Person violating or attempting to violate such provisions, to restrain any violation or attempted violation of such provisions, to require performance of such provisions, to recover damages for violations of such provisions and to levy against the land to enforce any lien created by this Declaration. Failure by DECLARANT or by the COMMUNITY, or by a Neighborhood Association or any other OWNER or any other Person to enforce any of such provisions shall in no event be deemed a waiver of their right to do so thereafter.

C. The costs and reasonable attorneys' fees, including those resulting from any appellate proceedings, incurred by DECLARANT or the COMMUNITY in any action against an OWNER to enforce any provisions of this Declaration shall be a personal obligation of such OWNER which shall be paid by such OWNER and any amount which remains due and unpaid shall be a continuing lien upon OWNER'S Plot collectible in the manner provided in Article VII.

Section 3.08 Transfer of DECLARANT'S Rights.

The COMMUNITY shall assume DECLARANT'S rights and obligations under this Declaration.

A. After DECLARANT no longer owns land in DEMAREST VILLAGE for development if the right or obligation extends to DECLARANT so long as it owns or controls land for development;

B. After DECLARANT becomes a Class A Member if the right or obligation extends to DECLARANT so long as it is a Class B Member; or

C. At such earlier time as DECLARANT may elect by written assignment of a right or obligation to the COMMUNITY. Any such assignment may be revoked in writing by DECLARANT, thereby allowing DECLARANT to reacquire the right or obligation previously assigned.

ARTICLE IV**COMMUNITY'S RIGHTS AND POWERS****Section 4.01. Maintenance of the COMMUNITY Property and Common Areas.**

The COMMUNITY shall be responsible for maintenance and repair of the following:

A. Such security systems, guardhouses and other security facilities which shall be operated and maintained for the benefit of the Plots within the Properties, except any security system, guardhouse or security facility established primarily for the benefit of a Neighborhood within The Properties.

B. All Streets, bikepaths and crossovers within any portion of DEMAREST VILLAGE which are dedicated to the COMMUNITY and any streetlights, traffic signs and signals and informational signs on or over such Streets, bikepaths and crossovers.

C. The surface water and stormwater management systems.

D. Any common or other areas conveyed, dedicated, or leased to or used by the COMMUNITY, including any Improvements on such Common Areas.

Section 4.02. Management of the Community Property and Common Areas.

The COMMUNITY'S authority to manage the COMMUNITY'S property and Common Areas shall include:

A. The right to establish rules and regulations governing the use of the COMMUNITY'S property and Common Areas;

B. The right to charge reasonable admission and other fees or Assessments for the use of COMMUNITY property and Common Areas;

C. The right to suspend a Member's right to vote, and a Member's right to use COMMUNITY Common Areas, for any period during which any Assessments against the Member's Plot or any obligation of the Member to the COMMUNITY remains unpaid, and for a reasonable period during or after any infraction of the COMMUNITY'S rules and regulations.

D. The rights to dedicate or transfer all or any part of COMMUNITY property and Common Areas to any governmental agency, public authority, Land Conservancy or utility;

E. The right to borrow money for the purpose of improving COMMUNITY property and Common Areas and in aid thereof to mortgage the same;

F. The right to take such steps as are reasonably necessary to protect COMMUNITY property and Common Areas against foreclosure;

G. The right to enforce the provision of this Declaration, or any other applicable recorded instrument adopted by the COMMUNITY, including the Articles of Incorporation and Bylaws of the COMMUNITY; and any rules and regulations governing use and enjoyment of the COMMUNITY property and Common Areas adopted by the COMMUNITY.

H. Except as provided in Article IX regarding optimal maintenance of individual property, corrective maintenance of Plots, and corrective maintenance of Neighborhood Common Areas, and Article X regarding management services to Neighborhood Associations, this Article shall not be construed to allow or require the COMMUNITY to manage or maintain Neighborhood property or Common Areas dedicated to, owned, leased or otherwise under the control of a Neighborhood Association solely for the use and benefit of Residents of such Neighborhood.

Section 4.03. Traffic Regulation.

A. The COMMUNITY shall have the right to post speed limits on Streets dedicated to the COMMUNITY and promulgate traffic regulations for use of its Streets and Common Areas. The COMMUNITY shall also have the power to restrict the type of vehicles which may travel on or prevent vehicles from traveling on its Common Areas. (The speed limits and traffic regulations are collectively referred to as "Traffic Regulations.")

B. The COMMUNITY shall have the right to establish enforcement mechanisms for violation of the Traffic Regulations, including without limitation, the assessment of fines which shall be collected as an individual Assessment from Members, the removal of vehicles from the Properties, and the suspension of a Member's rights and easements of enjoyment to the Common Areas.

Section 4.04. Insurance.

The COMMUNITY shall maintain insurance on the COMMUNITY Property and Common Areas of such types, in such amounts and with such companies as the COMMUNITY Board of Directors deems appropriate. So long as there is a Class B Member, all liability and hazard insurance policies shall name the DECLARANT as an additional insured.

ARTICLE V**MEMBERS' RIGHTS AND EASEMENTS****Section 5.01. Members' Rights and Easements.**

Every Member shall have a right of enjoyment and use in an easement to COMMUNITY Common Areas, which right and easement shall be appurtenant to and shall pass with the title to every Plot, subject to the rights of DECLARANT under Article III and the rights of the COMMUNITY under Article IV.

Section 5.02. Delegation of Right.

1 A. A member may delegate his right of use and easement to Common Areas to the members of his family, to business and residential tenants who reside or work in or on the Member's Plot and to the Member's guests, but only to the extent and subject to conditions, limitations and restrictions as may be provided for in the Bylaws and in accordance with The COMMUNITY's rules and regulations.

B. Each member shall be responsible for the actions of any Person to whom the Member has delegated his right to use the Common Areas. Any unpaid charge against such Person shall be charged against such Member personally and be assessed against such Member's Plot. Any infraction of the COMMUNITY'S rules and regulations by such Person shall be deemed to be an infraction by such Member.

ARTICLE VI**PROPERTY RIGHTS****Section 6.01. Dedication of Common Areas.**

Subject to the easements established in this Article and the provisions of Section 3.05, the COMMUNITY'S Common Areas designated in this Declaration, dedicated to the COMMUNITY in any recorded subdivision plat or conveyed to the COMMUNITY by DECLARANT for use as Common Areas, are not dedicated for use by the general public but are reserved for the common use and enjoyment of the OWNERS and tenants of The Properties or such portions thereof as may be designated in this Declaration, a subdivision plat, or instrument of conveyance.

Section 6.02. Easements.

The following easements are hereby granted and/or reserved over, across and through the Properties:

A. Easements for installation and maintenance of utilities are granted as indicated on the recorded subdivision plats of the Properties.

B. An easement is hereby granted to each Institutional Mortgagee for the purpose of access to the Plot subject to its mortgage.

C. Easements are hereby reserved throughout the Common Areas, including, without limitation, the Streets, by DECLARANT for its use and the use of its agents, employees, licensees and invitees.

Section 6.03. Restrictions on Owner Easements.

No OWNER shall grant any easement upon any portion of The Properties to any Person or entity, without the prior written consent of the DECLARANT.

ARTICLE VII
ASSESSMENTS

Section 7.01. Creation of the Lien and Personal Obligation.

A. The DECLARANT, for each Plot owned within The Properties, hereby covenants and each OWNER of any Plot by acceptance of a deed thereof, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the COMMUNITY:

1. Initial Reserve Assessments;
2. Annual Assessments;
3. Special Assessments for capital improvements; and
4. User fees for any optional facilities or services used by the OWNER, any occupant of the Plot or any guests of the OWNER or occupant.

B. The Initial, Annual and Special Assessments, together with interest and costs of collection, including reasonable attorneys' fees, which includes those resulting from any appellate proceeding, shall be a continuing lien upon the Plot against which such Assessment is made.

C. Each such Assessment, together with interest and costs of collection, including reasonable attorney's fees, which includes those resulting from appellate proceeding, shall also be the personal obligation of the Person who was the OWNER of the Plot at the time such Assessment fell due, and any due and unpaid ASSESSMENT shall also be the personal obligation of each Person who becomes the OWNER of the plot. Each OWNER, by acceptance of a deed for a Plot, is personally covenanting and agreeing to pay any such obligation falling due prior to or during the time of his ownership and such personal obligation shall survive any conveyance.

D. Delinquent Assessments shall bear interest at the maximum rate allowed by law from the date when due until paid.

E. The lien of Assessments shall be considered a restriction and servitude running with the land.

Section 7.02. Initial Reserve Assessment.

A. The Initial Reserve Assessment for single family, townhome residential and Commercial or Institutional Plots shall be paid at the time a Plot is sold from the DECLARANT to an OWNER.

B. The Initial Reserve Assessment for Residential Plots shall be paid at the time the Plot is sold by the Person who constructed the improvement on the Plot or when the Plot is actually used for Residential purposes, whichever comes first. The COMMUNITY shall have a lien on the Residential Plots from the time the Plot is sold by DECLARANT in an amount equal to the total Initial Reserve Assessment which will be payable for such Plot. The COMMUNITY may record a Claim of Lien against such Plot as described in Section 7.08, but shall not be entitled to bring an action to foreclose the lien until thirty (30) days after the Assessment is due in accordance with this Section 7.02 (B). The COMMUNITY shall issue partial releases of liens if the Plot is subdivided and sold as multifamily Plots or when multifamily Plots are used for Residential purposes provided that the Assessment is paid in accordance with this Section 7.02 (B).

C. In the event the DECLARANT retains ownership of Commercial and/or Institutional Plots for its own use, it shall pay the Initial Reserve Assessment at the time the Plot is used for Commercial or Institutional purposes.

D. The amount of such Assessment shall be established in accordance with the COMMUNITY Bylaws.

Section 7.03. Annual Assessment.

A. An Annual Assessment may be levied against all nonexempt Plots. The method of levying and amount of such Assessment shall be determined in accordance with the Bylaws of the COMMUNITY. If Assessed Value is used in computing the Annual Assessments, it shall be the tax assessed valuation (total assessment for land and Improvements exclusive of homestead exemption, if any) of each Plot for ad valorem tax purposes on the most recent New Hanover County and/or City of Wilmington tax roll.

B. The COMMUNITY shall have the authority at its discretion to collect a partial Annual Assessment in an amount lower than approved and thereafter collect supplemental Annual Assessments in an assessment year, provided that the sum of all partial Annual Assessments collected in the assessment year does not exceed the amount approved in accordance with the Bylaws.

Section 7.04. Commencement of Annual Assessments

A. Except as provided in Section 7.06 below, Annual Assessments levied under Sections 7.03 shall commence on the first day of the month following:

1. As to Residential Plots, twelve months after the Plot is sold by DECLARANT or upon the issuance of a certificate of occupancy for such Plot, whichever occurs first;
2. As to duplex (as defined in the New Hanover County Ordinance) Residential Plots, after the Plot is sold by the Person who constructed the Improvement on the Plot, when the Plot is actually used for Residential purposes, or one (1) year after the issuance of a certificate of occupancy for such Plot, whichever occurs first; and
3. As to Commercial Plots and Institutional Plots, the occupancy of the Plot for Commercial and Institutional purposes, as the case may be, or the expiration of one year after the issuance of a certificate of occupancy, whichever occurs first.

B. The first Assessment shall be adjusted according to the number of months remaining in the assessment period.

C. The COMMUNITY shall determine the amount of Assessments against each Plot, provide notice of the Assessments and establish an annual due date in accordance with the Bylaws.

Section 7.05. Special Assessments.

In addition to the Initial Reserve Assessment and the Annual Assessments authorized above, the Community may levy, in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement on the COMMUNITY'S property or Common Areas, including fixtures and personal property related thereto, and other major unanticipated cost incurred by the COMMUNITY, or charges arising pursuant to Sections 9.04, 9.05 or 9.06 herein. Such Assessments shall be levied, approved and commence in accordance with the Bylaws.

Section 7.06. Declarant Assessment.

A. Until such time as the Class B membership shall expire, the DECLARANT shall be exempt from the payment of any Assessments levied under Section 7.03 and 7.05. In lieu of such Assessments, the DECLARANT shall pay an Assessment for all Plots it owns in an amount equal to the budget deficit, if any, of the COMMUNITY. Such deficit shall be the difference between the amount collectible from other assessable Plots and the budgeted operating expenses with the exception of the reserves, of the COMMUNITY.

B. Upon and after the expiration of the Class B membership, the DECLARANT shall pay, as determined by the DECLARANT, either the budget deficit, if any, or 25% of the Assessment levied under Sections 7.03 and 7.05, on any Unimproved Plot it owns and on any Improved Plot it owns that has not been occupied. The DECLARANT shall pay 100% of Assessments for any Plot it owns that is or has been occupied.

Section 7.07. Exempt and Partial Exempt Property.

A. The following property is exempt from the payment of any Assessments.

1. Any property owned by or leased to the COMMUNITY.
2. The COMMUNITY'S Common Areas.
3. Neighborhood Common Areas.
4. Property owned by a governmental agency and used solely for a public purpose.

Section 7.08. Lien.

A. If any Assessment, or any installment thereof, is not paid within thirty (30) days following the due date, the COMMUNITY may declare the entire Assessment immediately due and payable. The COMMUNITY may at any time thereafter record in the Public Records a Claim of Lien against the Plot for which the Assessment was due and bring an action to foreclose the lien in the manner in which mortgages on real property are foreclosed. The COMMUNITY may also bring an action at law against an OWNER to pay his personal obligations to the COMMUNITY.

B. The Claim of Lien shall include a description of the property encumbered, the OWNER'S name, the amount then due and the date when due.

C. No OWNER shall be relieved of the liability for payment of Assessments because of nonuse or abandonment of a Plot.

D. No OWNER may waive or otherwise escape liability for the payments provided for herein by nonuse or abandonment of his Plot.

Section 7.09. Priority and Extinguishment of the Lien.

A. The lien herein created is specifically declared to be subordinate and inferior to the lien and operation of any first mortgage encumbering the Plot in question given by the OWNER to an institutional mortgagee. For the purpose of this Section, an institutional mortgagee shall be a bank, savings and loan association, insurance company, union pension fund or any agency of the United States government, or any Person given a mortgage insured by the Federal Housing Administration, the Veterans Administration, Federal National Mortgage Association, or any branch or agency of the United States government or the government of the State of North Carolina. Furthermore, the term "institutional mortgagee" shall be deemed to include any mortgage that DECLARANT shall declare by instrument in writing and placed of record among the public records of New Hanover County, North Carolina, to be an institutional mortgagee.

B. In the event the lien herein created is extinguished by the sale or transfer of a Plot pursuant to a foreclosure of a first mortgage, such delinquent Assessments which were extinguished may be reallocated and assessed to all of the Plots in DEMAREST VILLAGE. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a Plot from liability for, nor the Plot from the lien of, any Assessments arising thereafter.

C. The lien herein created is specifically declared to be superior to any lien created by any Neighborhood Declaration of imposed by any Neighborhood Association.

Section 7.10. Collection by Neighborhood Association.

If required by the COMMUNITY in its Bylaws, all OWNERS of Plots for which there is a Neighborhood Association shall pay any Assessments levied by the COMMUNITY to the Neighborhood Association. Each Neighborhood Association shall have the duty to collect COMMUNITY Assessments on Plots within the Neighborhood, timely remit the same to the COMMUNITY, and notify the COMMUNITY of Plots for which Assessments are delinquent and the name and address of the OWNERS thereof. The COMMUNITY shall be entitled to rely upon the OWNERS thereof. The COMMUNITY shall rely upon the information given by a Neighborhood Association regarding delinquencies, and impose a lien upon such delinquent OWNER'S Plot in accordance with this Declaration. Provided, however, the COMMUNITY may, in its sole discretion, elect to collect COMMUNITY Assessments and other charges directly from any OWNER personally.

ARTICLE VIII

RESTRICTIONS

Section 8.01. Lie Restrictions.

The Properties may be used for those purposes as provided in the DECLARANT'S Master Development Plan. The Master Development Plan contains certain provisions which allow flexibility in assigning and reassigning various land uses to the real property within DEMAREST VILLAGE. DECLARANT reserves solely unto itself the right and the power to assign and reassign various land uses to real property within DEMAREST VILLAGE as provided by the Master Development Plan, and to inaugurate and implement variations from, modifications to, or amendments of the Master Development Plan and any other governmental plans, land development regulations, zoning classifications, development orders and development permits applicable to DEMAREST VILLAGE.

Section 8.02 Approval of Plans and Specifications.

A. DECLARANT shall have the authority to enforce the provisions of this Article so long as DECLARANT owns property in DEMAREST VILLAGE for development. The provisions of Section 3.07 shall apply to this paragraph.

B. No improvement shall be constructed, altered, planted, removed or maintained, including improvements undertaken by the COMMUNITY or a Neighborhood Association, without the prior written approval of the DECLARANT regarding (1) the harmony of its exterior design and location in relation to, and its effect upon surrounding structures and the overall community design; (2) the character of the exterior materials, and (3) the quality of the exterior workmanship. The DECLARANT may, but is not required to, promulgate Design Review Guidelines from time to time and require that the construction of the improvements be done in accordance therewith.

C. Each OWNER shall, prior to the commencement of any Improvement, submit such documents and materials as may be required by DECLARANT, including, but not limited to:

i. Initial plans to include a site analysis, schematic landscape plan, floor plans and exterior elevations;

ii. Final plans to include color and material selections, landscape plan, final site plan and a complete set of construction plans and specifications.

D. After receipt of each required submittal, the DECLARANT shall in writing approve, reject or approve subject to change, such required plans, proposals and specifications as are submitted to it.

E. If any Improvement is constructed or altered without the prior written approval of the DECLARANT, the OWNER shall, upon demand of the DECLARANT, cause such Improvement to be removed, remodeled or restored in order to comply with the requirements of this Section. The OWNER shall be liable for the payment of all costs of such removal or restoration, including all costs and attorney's fees incurred by the DECLARANT. Such costs may also be the basis for an individual Assessment. The DECLARANT is specifically empowered to enforce the architectural and landscaping provisions of this Declaration and the Declarations of covenants and restrictions for the Neighborhoods by any legal or equitable remedy. In the event that it becomes necessary to resort to litigation to determine the propriety of any constructed Improvement or to remove any unapproved Improvement, and DECLARANT shall be entitled to recovery of court costs, expenses and attorneys' fees in connection therewith. In the event that any OWNER fails to comply with the architectural and landscape provisions contained herein or in the Declaration of covenants and restrictions for a neighborhood, the DECLARANT may, in addition to all other remedies contained herein, record against the OWNER'S Plot a notice stating that the Improvements on the parcel fail to meet the requirements of this Section or the Neighborhood restrictions.

F. The DECLARANT may impose standards for construction and alteration of Improvements which may be greater or more stringent than standards prescribed in applicable building, zoning or other local development codes. However, the approval, rejection or withholding of any approval by the DECLARANT of the plans, proposals specifications and the location of all structures, and every alteration of any structure shall not be construed or interpreted as a representation or determination by the DECLARANT or the COMMUNITY that any building, plumbing, electrical code or other applicable governmental regulation or requirement has or has not been properly met by the OWNER. Each OWNER shall be responsible for obtaining all necessary technical data and for making application to and obtaining the approval of New Hanover County and any other appropriate governmental agencies prior to commencement of any work or construction. The DECLARANT shall be entitled to enter upon any Plot during construction of an Improvement to ensure compliance with approved plans and specification. Neither the DECLARANT, the Directors or Officers of the COMMUNITY, nor any Person acting on behalf of any of them shall be responsible for any defects in plans or specifications, nor for defects in any Improvements constructed pursuant thereto.

G. The DECLARANT may adopt a schedule of reasonable fees for processing requests for approval. Such fees, if any, shall be payable to the DECLARANT at the time that the plans and specifications and other documents are submitted to the DECLARANT. The payment of such fees, as well as other expenses of the DECLARANT required to be paid by a Plot OWNER shall be deemed to be an individual Assessment, enforceable against the OWNER and the Plot as provided hereinabove. Neither the DECLARANT, the Directors or Officers of the COMMUNITY, nor any Person acting on behalf of any of them, shall be liable for any costs or damages incurred by any OWNER within DEMAREST VILLAGE or any other party whatsoever, due to any mistakes in judgement, negligence or any action of the DECLARANT in connection with the approval or disapproval of plans and specifications. Each party submitting plans and specifications for approval shall be solely responsible for the sufficiency thereof and for the quality of construction performed pursuant thereto.

Section 8.03. Colors.

No exterior colors on any structures shall be permitted that, in the sole judgement of the DECLARANT, would be inharmonious or incongruous with DEMAREST VILLAGE, The Properties of the particular Neighborhood. Any future exterior color changes desired by OWNER must be first approved in writing by the DECLARANT in accordance with Section 8.02.

Section 8.04. Factory-Built Structures.

No structure of any kind that is commonly known as "factory-built," "modular" type of construction shall be erected without the prior written permission of the DECLARANT.

Section 8.05. Landscaping.

All areas not covered by structures, walkway's paved parking facilities or areas approved by DECLARANT to be left in their natural state shall be maintained as lawn or landscape areas with underground sprinkler systems to the pavement edge of any abutting Streets and to the water line of any abutting lakes, canals or water management areas. No stone, gravel, or paving of any type shall be used as a lawn unless approved as part of the final landscape plan. All landscaping shall be accomplished in accordance with a plan approved by the DECLARANT which shall be submitted prior to clearing of any Plot for construction. All required lawns and landscaping shall be completed at the time of completion of the structure, as evidenced by the issuance of a Certificate of Occupant by the appropriate governmental agency, and shall be kept in good and living condition by OWNER.

Section 8.06. Driveways and Parking Areas.

No gravel, blacktop or other paved residential parking strips will be allowed unless first approved in writing by the DECLARANT. Driveways and parking areas must be constructed with materials as first approved in writing by the DECLARANT.

Section 8.07. Underground Utility Lines.

All electric, telephone, gas and other utility lines must be installed underground.

Section 8.08. Antennas and Flagpoles.

No outside antennas, antenna poles, antenna masts, satellite television reception devices, electronic devices, electronic devices, antenna towers or citizen band (CB) or amateur band (ham) antennas shall be permitted except as approved in writing by the DECLARANT. A flagpole for display of the American flag or any other flag shall be permitted if first approved in writing by the DECLARANT. Both its design and location must be first approved in writing by the DECLARANT. An approved flagpole shall not be used as an antenna.

Section 8.09. Temporary and Accessory Structures

No tents or temporary structures shall be permitted unless their size, appearance and temporary location on the Plot have first been approved in writing by the DECLARANT. Any signs to be used in conjunction with any agent or temporary structure must also be approved in writing by the DECLARANT. Adequate landscaping shall be installed and maintained by the OWNER around any temporary structure in sufficient density so that it shall not be readily visible from any adjacent Street or properties. No accessory structure shall be permitted except with the prior written approval of the DECLARANT.

Section 8.10. Outdoor Equipment

All garbage and trash containers, oil tanks, bottled gas tanks, swimming pool equipment, housing and sprinkler pumps and other such outdoor equipment must be placed underground, walled-in or placed in sight-screened or fenced-in areas so that they shall not be readily visible from any adjacent Streets or properties. Otherwise, adequate landscaping shall be installed around these facilities and maintained by the OWNER. All mailboxes shall be either purchased from the COMMUNITY by the OWNER or be approved by the DECLARANT prior to installation. No newspaper tubes or driveway reflectors shall be installed on any Plot. All outside faucets shall be connected to potable water only.

Section 8.11. Air Conditioning and Heating Equipment

All air conditioning and heating units shall be shielded and hidden so that they shall not be readily visible from any adjacent Streets or properties. Wall air conditioning units may be permitted only upon the prior written approval of the DECLARANT. Window air conditioning units shall not be permitted.

Section 8.12. Solar Collectors

DECLARANT shall approve the design, size and location of and material used in the construction of solar collectors.

Section 8.13. SIGNS

No signs, freestanding or otherwise installed, shall be erected or displayed on any Plot or structure, unless the placement, character, form, size, lighting and time of placement of such sign is first approved in writing by the DECLARANT. All signs must also conform with governmental codes and regulations and with any master design plans for signs established by DECLARANT.

Section 8.14. Walls, Fences and Shutters

No wall or fence shall be constructed on any Plot until its design, size and location shall have first been approved in writing by the DECLARANT. The height of any wall or fence shall be measured from the existing property elevations. Any dispute as to height, length, type, design, composition or material shall be resolved by the DECLARANT, whose decision shall be final. Hurricane or storm shutters may be used on a temporary basis, but shall not be stored on the exterior of any structure unless approved by DECLARANT.

Section 8.15. Lighting

All exterior lighting of a Plot shall be accomplished in accordance with a lighting plan approved in writing by the DECLARANT.

Section 8.16. Clothes Drying Area

No outdoor clothes drying area shall be allowed unless approved in writing by the DECLARANT.

Section 8.17. Trucks, Commercial Vehicles, Recreation Vehicles, Mobile Homes, Boats, Campers and Trailers

A. No Commercial vehicle of any kind shall be permitted to be parked on a Plot for a period of more than four (4) hours unless such vehicle is necessary in the actual construction or repair of a structure or for ground maintenance.

B. No truck, commercial vehicle, and no recreation vehicle shall be permitted to be parked overnight unless kept fully enclosed inside a structure.

C. No boat, boat trailer or other trailer of any kind, camper, mobile home or disabled vehicle shall be permitted to be permanently parked or stored on a Plot unless kept fully enclosed inside a structure.

D. A truck or commercial vehicle may be parked on a Commercial Plot for periods of more than four (4) hours, provided that such a vehicle is necessary and incident to the activities permitted on the Plot. Overnight parking of such vehicle is permitted only to the rear of a principal structure on a Commercial Plot.

E. None of the aforementioned vehicles shall be used as a domicile or residence, either permanently or temporarily.

F. Paragraphs A through E shall not be deemed to prohibit any temporary facility permitted pursuant to Section 8.09.

Section 8.18. Pets and Animals.

A. Commonly accepted household pets such as dogs, cats and birds may be kept in reasonable numbers. All animals shall be contained on the OWNER'S Plot and shall not be permitted to roam freely.

B. Commercial activities involving pets shall not be allowed except that reasonable commercial activities may be permitted on a Commercial Plot upon the written approval of the COMMUNITY. The COMMUNITY, with regard to Commercial Plots, and the DECLARANT, with regard to noncommercial Plots, may establish limits on the number and kind of pets that may be kept or permitted to be kept on any Plot.

C. No horses, cows, hogs, pigs, swine, goats, chickens, pigeons or any other such animals, fowl or reptiles shall be kept on any of the Properties.

Section 8.19. Maintenance of Premises.

No weeds, underbrush or other unsightly growth shall be permitted to grow or remain upon any Plot and no refuse or unsightly objects shall be placed or allowed to remain upon any Plot. All lawns, landscaping and sprinkler systems and any property, structure, improvements and appurtenances shall be kept in a safe, clean, orderly and attractive condition, and all structures shall be maintained in a finished, painted and attractive condition.

Section 8.20. Water Management and Drainage Areas.

A. No structure of any kind shall be constructed or erected, nor shall any OWNER in any way change, alter, impede, revise or otherwise interfere with the flow and the volume of water in any portion of a water management and drainage area reserved for, or intended by DECLARANT to be reserved for, drainage ways, sluiceway or for the accumulation of runoff waters, as reflected in any plat or instrument or record, without the specific written permission of the COMMUNITY and the DECLARANT.

B. An OWNER shall in no way deny or prevent ingress and egress by DECLARANT or the COMMUNITY to such water management and drainage areas for maintenance or landscape purposes. The right of ingress and egress, and easements therefor are hereby specifically reserved and created in favor of the DECLARANT, the COMMUNITY, or any appropriate governmental or quasi-governmental agency that may reasonably require such ingress and egress.

C. No Plot shall be increased in size by filling in any water retention or drainage areas on which it abuts. OWNERS shall not fill, dike, rip-rap, block, divert or change the established water retention and drainage areas that have been or may be created by easement without the prior written consent of the COMMUNITY and the DECLARANT.

Section 8.21. Nuisances.

Nothing shall be done which may be or may become an annoyance or nuisance to any Person or to a Neighborhood. No obnoxious, unpleasant or offensive activity shall be carried on, nor shall anything be done, which can be reasonably construed to constitute a nuisance, public or private in nature. Any question with regard to the interpretation of Section 8.21 shall be decided by the COMMUNITY whose decisions shall be final.

Section 8.22. DECLARANT'S and the COMMUNITY'S Exculpation.

The COMMUNITY and DECLARANT may grant, withhold or deny its permission or approval in any instance where its permission or approval is permitted or required without liability of any nature to OWNER or any other Person for any reason whatsoever, and any permission or approval granted shall be binding upon all Persons.

Section 8.23. Subdivision and Regulation of Land.

A. No plot shall be divided or subdivided without the express written consent of DECLARANT, who may impose certain requirements on OWNER to comply with the provisions of the Master Development Plan. DECLARANT shall assign the number of dwelling units for each Residential Plot, and the authorized square footage for each Commercial or Institutional Plot, which limits shall not be increased by any OWNER and shall not be exceeded without the prior express written approval of DECLARANT, which approval may be denied at the sole discretion of DECLARANT. Any action taken by DECLARANT or an OWNER pursuant to this paragraph shall be in accordance with the Master Development Plan.

B. No covenant, condition, restriction or other provision of this Declaration shall be construed in any manner as limiting or preventing any Plot, and the Improvements thereon, from being submitted to a plan of condominium ownership. A condominium shall not be construed as constituting a subdivision of any Plot, provided that the number of Residential Units in the condominium is not greater than the number of Residential Units assigned to the Plot.

C. An OWNER shall not inaugurate or implement any variation from, modification to or amendment of the Master Development Plan or any other governmental plans, land development regulations, development orders or development permits applicable to DEMAREST VILLAGE, to the Properties or to any Plot, without the prior written approval of DECLARANT.

Section 8.24. OWNERS and Member Compliance.

A. The protective covenants, conditions, restrictions and owner provisions of this Declaration shall apply not only to OWNERS, and Persons to whom an OWNER has delegated his right of use to any COMMUNITY Common Areas, Neighborhood Common Area or property, if any is created, but also to any other Person occupying an OWNER'S Plot under lease from the OWNER or by permission or initiation of the OWNER or his tenants, expressed or implied, licensees, invitee or guests.

B. Failure of an OWNER to notify any Person of the existence of the covenants, conditions, restrictions, and other provisions of this Declaration shall not in any way act to limit or divest the right of DECLARANT, the COMMUNITY or any Neighborhood Association to enforce the provisions of this Declaration. The OWNER shall be responsible for any and all violations of these provisions by his tenants, delegates, licensees, invitee or guests, and by guests, licensees and invitee of his tenants.

ARTICLE IX**PROPERTY MAINTENANCE****Section 9.01. Purpose and Authority**

The COMMUNITY shall regulate the maintenance of The Properties and the Improvements thereon to create and conserve a quality environment for the OWNER and occupants and to protect the investment and enhance the value of The Properties.

Section 9.02. Maintenance Requirements

A. In order to protect property values and to conserve the environment, maintenance of any of the COMMUNITY'S Common Areas, servitude or Improvements thereon shall be in full accordance with the restrictions and guidelines established pursuant to this Article and Article VIII. No situation shall be allowed to exist or continue that may be or could become an annoyance or nuisance to the Members of the COMMUNITY.

B. The preceding requirements of this Section shall also apply to any Plot, any Neighborhood Common Area or Improvement in the event that the Neighborhood Association fails to perform and enforce effectively comparable maintenance regulation provisions, as determined by the COMMUNITY. The cost of such maintenance regulation shall be assessed to any such Plot or Neighborhood Association and shall not be subject to the limitation of the Assessment in Sections 7.03 and 7.04.

C. The DECLARANT shall be entitled to enforce the provisions of this Article if the COMMUNITY fails to do so. The provisions of Section 3.07 shall apply to this paragraph.

Section 9.03. Guidelines

A. The COMMUNITY may develop and promulgate policy guidelines for the application of property design and maintenance provisions set forth in the Declaration, including but not limited to The Design Review Guidelines and the Property Owners Handbook. The policy guidelines may include (a) procedures, (b) aspects and objectives of property design and maintenance regulations, and (c) general principals and broad standards used as criteria in determining the achievement of the required objectives.

B. In addition to such policy guidelines for achieving the required objectives in particular maintenance problems frequently encountered in The Properties, the COMMUNITY may develop and promulgate typical specific practices that are generally acceptable and unacceptable. The design and/or policy guidelines and any such specific practices are intended to assist the COMMUNITY, OWNERS and Residents in the ongoing process of appropriate maintenance of the Plots and Common Areas.

Section 9.04. Optional Maintenance of Individual Property

The COMMUNITY may, but is not required to, offer optional exterior maintenance for any Plot. Such exterior maintenance may include (without being limited to) the painting, repair, replacement and care of roofs, gutters, downspouts, the exterior surfaces of buildings and, to the extent exposed to community view, fences, landscaping, walks and other exterior Improvements. When the COMMUNITY provides maintenance pursuant to the provisions of this Section, the cost may be added to and become part of the Assessment to which the Plot is subject.

Section 9.05. Corrective Maintenance of a Plot.

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In the event an OWNER of any Plot in The Properties shall fail in his obligation to maintain the premises and the Improvements situated thereon in compliance with comparable requirements and guidelines set out in this Declaration or by the COMMUNITY or the Neighborhood Association, either the COMMUNITY or the Neighborhood Association, after approval by a two-thirds (2/3) vote of its Board, shall have the right, through its agents and employees, to enter upon said Plot and to repair, maintain and restore the Plot and the exterior of the building and any other Improvements erected thereon. The cost of such exterior maintenance shall be added to and become part of the Assessment to which such Plot is subject.

Section 9.06. Corrective Maintenance of a Neighborhood Common Area.

In the event that any Neighborhood Association shall fail in its obligation to maintain any Neighborhood Common Area and/or the Improvements situated thereon in compliance with the requirements and guidelines set out in this Declaration, by the COMMUNITY after approval by a two-thirds (2/3) vote of its Board, shall have the right, through its agents and employees, to enter upon said parcel and to repair, maintain and restore the Neighborhood Common Area or Improvements thereto. The cost of such shall be added to and become part of the Neighborhood Association Assessment and be reimbursed by the Neighborhood Association to the COMMUNITY.

Section 9.07. Added Assessments.

Any such added Assessment under Sections 9.04, 9.05 or 9.06 above shall not be subject to the limitation of the Assessment in Sections 7.03 and 7.05.

Section 9.08. Entry Rights.

Each OWNER and each Neighborhood Association shall permit the COMMUNITY's Officers, Directors, agents and employees to enter upon the OWNER's or Neighborhood Association's premises at reasonable times, to maintain the COMMUNITY's Common Areas and easements, to remove refuse, and to provide the exterior maintenance permitted under this Article. Such entry shall include the right to use of the OWNER's of Neighborhood Association's water, from an outside spigot in reasonable amounts, without compensation to the OWNER or Neighborhood Association if used for maintenance on the OWNER's Plot, the Community or a Neighborhood Association's Common Areas or the COMMUNITY or Neighborhood Associations easement immediately contiguous with said premises. This provision shall not be construed as authorizing the entry into any building located on The Properties unless such entry is necessary to perform corrective maintenance pursuant to Sections 9.05 or 9.06.

ARTICLE X**MANAGEMENT SERVICES TO NEIGHBORHOOD ASSOCIATIONS****Section 10.01. Scope.**

The COMMUNITY may, but is not required to, perform association management services for any Neighborhood Association. Such services may include, but are not limited to:

- A. Consultations on policy determinations;
- B. Occupant information booklets, newsletters, leadership development, rules, enforcement, recreation programs and other community relations activities;

C. Compliant handling, emergency management, record keeping and other general administrative activities;

D. Assessment collection, expense disbursement and other financial operations;

E. Insurance, bond, security services and other risk management activities;

F. Design review and construction inspection of alterations to the property Improvements;

G. Maintenance of Common Areas and the exterior of Plots;

H. Supplemental security.

Section 10.02. Service Agreement.

Any such association management service shall be at the option of the COMMUNITY and the Neighborhood Association, and as contracted by them or otherwise agreed, including reimbursement and compensation therefor.

Section 10.03. Basis of Management Services.

The COMMUNITY and its Officers, committees, employees and contractors shall perform any such Association management service as the agent of the Neighborhood Association being served and in accordance with the Governing Documents, programs, budgets and other policies of the Neighborhood Association.

ARTICLE XI

GENERAL PROVISIONS

Section 11.01. Public Facilities.

A. In order to supplement the public facilities and services that may be furnished by any local governmental agency, and in order to provide additional facilities and services that may not be otherwise available, DECLARANT is hereby authorized and empowered by all of the OWNERS, when DECLARANT in its sole discretion determines that it is necessary or desirable, to act on their behalf to provide or contract with other Persons for the installation of a water supply system, irrigation water system, mosquito control facilities, fire fighting facilities, a gas system, a sewer disposal plant and sanitary sewer system, and any other facilities or services customarily furnished or provided by local governmental agencies and not furnished or provided by the COMMUNITY pursuant to Article IV. Any services provided hereunder and any facilities owned by DECLARANT may, in DECLARANT's discretion, be transferred to the COMMUNITY. OWNERS of Plots are not permitted to utilize any outside services if such services are provided by the DECLARANT or the COMMUNITY pursuant to this Article or Article IV.

B. Each OWNER shall install, subject to the written approval of DECLARANT and the COMMUNITY, if applicable, all sewer connections so that direct connections can be made to the nearest Street, alley, main or collection lines and the plan for such sewer connection shall be submitted to DECLARANT and the COMMUNITY, if applicable, for approval prior to commencement of said construction. No OWNER shall install any potable or irrigation well or draw irrigation water from any lake or drainage area without the prior written approval of DECLARANT and the COMMUNITY and if permission is granted, the OWNER may be required to connect to central potable or irrigation water system when available and thereafter to discontinue any private well or system. The COMMUNITY and/or the DECLARANT, whichever is applicable, in its sole judgement, shall determine when an OWNER must connect to central potable or irrigation water systems or disconnect any private system.

Section 11.02. Declaration and General Protective Covenants Run With the Land.

A. The covenants, reservations, restrictions and other provisions of this Declaration shall run with and bind The Properties subject hereto and shall inure to the benefit of the DECLARANT or any OWNER subject to this Declaration, their respective legal representative, heirs, successors and assigns for a term of thirty (30) years from:

i. the date this Declaration is recorded; or

ii the date of the last addition of land to DEMAREST VILLAGE or to the Properties in accordance with the provisions of Article III, whichever is later, but not more than twenty-five (25) years from the date of this Declaration, after which time these covenants, conditions, restrictions and other provisions shall automatically be extended for two (2) successive periods of five (5) years, unless an instrument signed by the then OWNERS of Plots assigned at least sixty percent (60%) of the Property Units has been recorded agreement to change or terminate these covenants, conditions, restrictions or provisions in whole or in part.

Section 11.03. Commencement and Completion of Construction.

A. After a Plot is sold by the DECLARANT, construction shall commence thereon within a reasonable time in accordance with the plans and specification approved by the DECLARANT.

B. Once construction has begun, work thereon must be prosecuted diligently and completed within a reasonable time. If for any reason work is discontinued or there is no substantial progress toward completion for a continuous sixty (60) day period, the DECLARANT and the COMMUNITY shall have the right to notify the OWNER of its intentions herein, enter the Plot and take such steps as might be required to correct the undesirable appearance. The reason for such correction shall be solely in the discretion of DECLARANT and the COMMUNITY and may include but not be limited to aesthetic grounds. The OWNER shall be liable for all costs incurred in such action as provided in Section 3.07.

Section 11.04. Nonliability of Declarant.

The DECLARANT shall not in any way or manner be held liable or responsible for any violation of these covenants, conditions, restrictions or other provision by any Person other than itself.

Section 11.05. Amendment.

In addition to any other right of amendment or modification provided for this Declaration, in which case those provisions shall apply, DECLARANT may, in its sole discretion, by an instrument filed of record, modify, enlarge, amend, waive or add to the covenants, conditions, restrictions and other provisions of this Declaration so long as the same do not substantially conflict with the Master Development Plan, provided, any amendment which would affect the surface water management system, including the water management portions of the Common Areas, must have the prior approval of the North Carolina Department of Health and Natural Resources (DEHNR), Division of Water Quality.

Section 11.06. Other Documents.

DECLARANT, the COMMUNITY, any Neighborhoods Association, or other entity provided for herein or in any applicable recorded instrument shall have such rights, powers, duties, and privileges as set forth herein or in the Articles of Incorporation, Bylaws and other constituent documents of such entity; however, no such entity may have rights, duties, powers or privileges that are in conflict with the provision of this Declaration which shall prevail in all events of conflict.

Section 11.07. Severability.

If any covenant, condition, restriction or other provision of this Declaration is held to be invalid in whole or in part by any Court of competent jurisdiction, then such holding shall in no way affect the validity of the remaining provisions of this Declaration, all of which shall remain in full force and effect.

Section 11.08. Dissolution.

In the event of dissolution of the Community, in accordance with the terms of its Articles of Incorporation, each Plot shall continue to be subject to the Annual Assessment specified in Article VII and each OWNER shall continue to be personally obligated to DECLARANT or the successor or assigns of the COMMUNITY as the case may be, for such Assessment to the extent that such Assessments are required to enable DECLARANT or any such successor or assign acquiring any real property previously owned by the COMMUNITY to properly maintain, operate and preserve it. The provisions of this Section 11.08 shall only apply with regard to the maintenance, operation and preservation of property which has been COMMUNITY common area and continues to be so used, as otherwise provided for in Article IV for the common use, enjoyment and benefit of the OWNERS.

Section 11.09. Gender.

Whenever in this Declaration the context so requires the singular number shall include the plural, and the converse; and the use of any gender shall be deemed to include all genders.

Section 11.10. Notices.

A. To DECLARANT. Notice to DECLARANT as may be required herein shall be in writing and delivered or mailed to DECLARANT as its principal place of business as shown by the records of the Secretary of North Carolina, or at any other location designated by DECLARANT.

B. The COMMUNITY. Notice to the COMMUNITY as may be required herein or the Bylaws of the COMMUNITY shall be in writing and delivered or mailed to the COMMUNITY at its principal place of business as shown by the records of the Secretary of State of North Carolina, or at any other location designated by the COMMUNITY.

C. The OWNER. Notice to any OWNER of a violation of any of these restrictions, or any other notice as may be required herein shall be in writing and shall be delivered or mailed to the OWNER at the address shown on the tax rolls of New Hanover County, North Carolina, or if not shown thereon, to the address of the OWNER, as shown on the deed recorded in the Public Records of New Hanover County, North Carolina.


Section 11.11. Construction.

The provision of this Declaration shall be liberally interpreted and construed to provide maximum flexibility consistent with the Master Development Plan and the purposes set forth herein, including the Preamble.

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IN WITNESS WHEREOF, Inland Harbour Properties LLC, a North Carolina Limited Liability Company does hereby execute this Declaration of Protective Covenants and Restrictions in its name by its undersigned authorized officers and affixed its corporate seal hereto this 18th day of August 1999.



Inland Harbour Properties LLC (Seal)

By: 

Scott D. Stewart
Inland Harbour Properties LLC Managing Member

STATE OF NORTH CAROLINA

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COUNTY OF NEW HANOVER

I, Dale S. Cove, a Notary Public of the County of Pender and State aforesaid, do hereby certify that Scott D. Stewart personally appeared before me this day and acknowledged the foregoing instrument as a Member of INLAND HARBOUR PROPERTIES, LLC, LIMITED LIABILITY COMPANY, MANAGING

WITNESS my hand and official stamp or seal, this 20 day of August, 1999.

Dale S. Cove
Notary Public

My Commission Expires:

March 16, 2001

(AFFIX NOTARIAL SEAL)



Notary Public

The foregoing Certificate of Dale B. Cove is certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

MARY SUE OOTS REGISTER OF DEEDS FOR NEW HANOVER COUNTY

By Mavis Ann Stewart Deputy/Assistant - Register of Deeds

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EXHIBIT "A"

**BEING ALL THAT PROPERTY AS SHOWN ON MAP FOR DEMAREST VILLAGE,
SECTION I, RECORDED IN MAP BOOK 38, PAGE 204 OF THE NEW HANOVER
COUNTY REGISTRY, REFERENCE TO WHICH IS HEREBY MADE FOR A MORE
PARTICULAR DESCRIPTION.**

EXHIBIT "B"

BY-LAWS
OF
DEMAREST VILLAGE COMMUNITY ASSOCIATION, INC.

ARTICLE I

General Provisions

SECTION 1 - INCORPORATION: The provisions of these By-Laws supplement and are enacted pursuant to the provisions of the above referenced Articles of Incorporation and are applicable to the record owners of lots located upon or within that certain development of real property known as DEMAREST VILLAGE SECTION I, as shown upon a map thereof recorded in Map Book 38, Page 204, lots 2R, 3R, 4R, 5R, 6R, 7R, 8R of the New Hanover County Registry.

SECTION 2 - APPLICATION: These By-Laws shall, in conjunction with the above referenced Articles of Incorporation govern the affairs, rights, privileges, duties and obligations of the Association, all owners, the Developer, all mortgagees, beneficiaries under Deeds of Trust, Lessees and occupants of all lots subject hereto, their employees and all others who may use or enjoy any of the property subjected hereto, and the acceptance of a Deed for or conveyance of, or the succeeding to title to, or the entering into a lease for, or the actual occupancy of, or use of a lot, the common areas, streets, and amenities, or any of the improvements thereon by any of the above shall constitute an acceptance by the same of the provisions of these By-Laws, the Rules and Regulations enacted pursuant hereto and the provisions of the herein above referenced Articles, and an agreement to comply and abide by the same.

SECTION 3 - PRINCIPAL OFFICE: The principal office of the Association and of the Board of Directors shall be located at 6933 Running Brook Terrace, Wilmington, New Hanover County, North Carolina 28411.

ARTICLE II

Membership

SECTION 1 - IDENTIFICATION: The Association shall have two classes of voting memberships:

Class A. Class A members shall be those Owners, with the exception of the Developer until its Class B membership has converted to Class A membership, who own lots within DEMAREST VILLAGE SUBDIVISION. Each Class A member shall be entitled to one vote for each such lot so owned.

Class B. The Class B member shall be the Developer, and it shall be entitled to three (3) votes for each lot owned by it. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs earlier: (a) when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership, or on December 31, 2020.

SECTION 2 - RECORDS: The Secretary of the Association shall maintain at the principal office of the Association a register of all of the current owners of membership in the Association and the mailing address of each Owner and of all mortgages or beneficiaries under Deeds of Trust of all such lots.

SECTION 3 - VOTING RIGHTS: If a membership is owned by one (1) person his right to vote shall be established by the record title to his lot. If a membership is owned by more than one (1) person, or is under lease, the person entitled to cast the vote for such membership shall be designated by a certificate signed by all of the record owners of such membership and filed with the Secretary of the Association. If a membership is owned by a corporation, the person entitled to cast the vote for that membership shall be designated by a certificate signed by

the President or Vice President and attested by the Secretary or the Assistant Secretary of such corporation and filed with the Secretary of the Association. If a membership is owned by a partnership, whether general or limited, or a joint venture, the certificate designating the voting member shall be signed by all partners or joint venturers, as the case may be. Such certificates shall be valid until revoked or superseded by a subsequent certificate or until a change occurs in the ownership of the membership concerned. A certificate designating the person entitled to cast the vote of a membership may be revoked by any owner of such membership. If such a certificate is not on file, the vote of such membership shall not be considered in determining the requirements for a quorum nor for any other purpose under these By-Laws.

SECTION 4. - MORTGAGEES AND TRUSTEES UNDER DEEDS OF TRUST: In the event that any such lot is conveyed by mortgage or by Deed of Trust, then the rights, duties, obligations, powers and privileges appurtenant to the membership appurtenant to such lot shall be exercised by the owner of the equity in the lot, and not by the mortgagee under any mortgage or the trustee or beneficiary under any Deed of Trust against such lot.

SECTION 5. - ANNUAL MEETINGS: Subject to the provisions of Article VI of these By-Laws, the annual meetings of the Association shall be held on the last Saturday in November of each year unless such date shall occur on a legal holiday, in which event, the meeting shall be held on the next succeeding business day. The purpose of the annual meeting shall be for the election of the Directors of the Association for the succeeding year and for the transaction of any and all business of the Association as may properly come before the meeting.

SECTION 6. - SPECIAL MEETINGS: It shall be the duty of the President to call a special meeting of the membership if so directed by resolution of the board of Directors or upon a petition calling for a special meeting presented to the Secretary of the Association and signed by at least twenty-five percent (25%) of the owners of memberships in the Association. The notice of any special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting except as stated in the notice.

SECTION 7. - NOTICE OF MEETINGS: The Secretary shall mail to each owner of a membership in the Association notice of each annual or special meeting of the membership at least ten (10) days but not more than sixty (60) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held. Said notice shall be mailed to the address which the owner of each membership has designated to the Secretary on his current register of owners. The mailing of a notice of a meeting in the manner provided in this section shall be considered service of notice.

SECTION 8. - ADJOURNMENT OF MEETINGS: If any meeting of the membership cannot be held because a quorum has not attended, a majority of the membership who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

SECTION 9. - QUORUM: A quorum at all membership meetings shall consist of persons representing and entitled to cast the vote appurtenant to at least fifty-one percent (51%) of the memberships in the Association. The acts approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the membership, except when approval by a greater number of members is required by the Declaration, these By-Laws or by law, but those present at any meeting, though less than a quorum, may adjourn said meeting to a future time.

SECTION 10. - PROXIES: The vote appurtenant to each membership may be cast by the person designated as entitled to cast such vote by proxy. The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the owner of the membership to which said vote is appurtenant. Such proxy shall be valid only for the particular meeting designated in the proxy and must be filed with the Secretary before the appointed time of the meeting or any adjournment of such meeting.

SECTION 11. - PLACE OF MEETINGS: Meetings of the Association's membership shall be held at the principal office of the Association or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

SECTION 12. - ORDER OF BUSINESS: The order of business at all meetings of the Association shall be as follows: (a) roll call; (b) proof of notice of meetings; (c) reading of minutes of preceding meetings; (d) reports of offices; (e) reports of Board of Directors; (f) reports of committees; (g) election of members of the Board of Directors, if necessary (h) unfinished business; and (i) new business.

ARTICLE III

Board of Directors

The property, affairs and business of the Association shall be managed by the Board of Directors; provided, however that the provisions of this Article are subject to the provisions of Article VI of these By-Laws.

SECTION 1. - NUMBER, TERM OF OFFICE AND QUALIFICATIONS: The number constituting the Board of Directors shall be Three (3). Each director shall continue in office until the annual meeting of the membership held next after his election and until his successor shall have been elected and qualified or until his death or until he shall resign or shall have become disqualified or removed from office. Directors need not be residents of the State of North Carolina, nor year-round residents of DEMAREST VILLAGE; provided, however, that each Director shall be an owner or spouse of an owner in one of the developments subject hereto and in the case of partnership owners, shall be a member or employee of such partnership, and in the case of corporate owners shall be an officer, shareholder, or employee of such corporation, and in the case of fiduciary owners, shall be the fiduciary, or an officer or employee of such fiduciary.

SECTION 2. - ELECTION OF DIRECTORS: Except for the first Board of Directors, which is appointed in the Articles of Incorporation, and subject to the provisions of Article VII hereof, the election of the Board of Directors shall be conducted in the following manner: (a) election of Directors shall be held at the annual meeting of the membership; (b) nominations for Directorships shall be made from the floor by the membership or by the Board of Directors; (c) the election shall be by written ballot (unless dispensed with by unanimous consent) and by a plurality of the votes cast, each person representing a membership entitled to vote being entitled to cast one (1) vote for each of as many nominees as there are Directorships to be filled. There shall be no cumulative voting.

SECTION 3. - REMOVAL OF DIRECTORS: Except for the first Board of Directors, which is appointed in the Articles of Incorporation, and subject to the provisions of Article VII hereof, any Director may be removed by concurrence of two-thirds (2/3rds) of the votes of the membership of the Association present at a special meeting of the membership called for the consideration of such removal. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

SECTION 4. - ORGANIZATIONAL MEETINGS: The organizational meeting of a newly elected Board of Director shall be held within ten (10) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary.

SECTION 5. - REGULAR MEETINGS: Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of the regular meetings of the Board of Directors shall be given to each member of the Board of Directors, by personal delivery, mail or telegraph, at least fourteen (14) business days prior to the day named for such meetings.

SECTION 6. - SPECIAL MEETINGS: Special meetings of the Board of Directors may be called by the President of the Association on fourteen (14) business days notice to each member of the Board of Directors, given by mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notices on the written request of any member of the Board of Directors.

SECTION 7. - WAIVER OF NOTICE: Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors, in writing, and such waiver shall be deemed equivalent to the

giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all of the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 8. - QUORUM: At all meetings of the Board of Directors a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at such a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present any business which might have been transacted at the meeting originally called, may be transacted without further notice.

SECTION 9. - COMPENSATION: No member of the Board of Directors shall receive any compensation from the Association for acting as such.

SECTION 10. - JOINDER IN MEETING BY APPROVAL OF MINUTES: The joinder of a Director in the action of a meeting by signing and concurring with the minutes of that meeting shall constitute the presence of such Director at such meeting for the purpose of determining a quorum.

SECTION 11. - PRESIDENT OFFICER AT DIRECTORS' MEETINGS: The presiding officer of a Director's meeting shall be the President of the Association. In the absence of the presiding officer the Directors present shall designate one (1) of their number to preside.

SECTION 12. - ORDER OF BUSINESS AT DIRECTORS' MEETING: The order of business at Director's meetings shall be (a) the calling of the roll; (b) the proof of due notice of the meeting; (c) reading and disposal of any unapproved minutes; (d) the reports of officers and committees; (e) the election of officers; (f) unfinished business; (g) new business; and (h) adjournment.

SECTION 13. - POWERS AND DUTIES: The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association except such powers and duties as by law or these By-Laws may not be delegated to the Board of Directors by the membership of the Association. The powers and duties to be exercised and performed by the Board of Directors shall include, but shall not be limited to, the following:

- a. the operation, care, upkeep and maintenance of the streets, common areas and amenities, and the improvements thereon;
- b. the determination of the amounts required for the operation, maintenance, care and upkeep of the streets, common areas and the amenities, and the improvements thereto, and the amounts require for the general operation of the Association;
- c. the levying and collection of the assessment form the membership owners;
- d. the employment and dismissal of personnel as necessary for the efficient maintenance of the development and operation of the Association;
- e. the adoption and the amendment of rules and regulations governing the operation of the Association and the use and enjoyment of the streets, common areas and amenities;
- f. the opening and maintaining of bank accounts on behalf of the Association and designating the signatories required thereof.

g. the purchasing, leasing or otherwise acquiring in the name of the Association or its designee, corporate or otherwise, on behalf of all members of the Association, lots offered for sale or lease;

h. the purchasing of lots at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of the membership;

i. the selling, conveying, leasing, mortgaging of, voting the votes appurtenant to (other than for the election of member of the Board of Directors), or otherwise dealing with the lots acquired by, or subleasing lots by the board of Directors on behalf of the membership of the Association;

j. the organizing of the corporation to act as designee of the Board of Directors in acquiring title to or leasing lots by the Board of Directors on behalf of the membership of the Association;

k. the purchasing and maintaining of insurance for the streets, common areas and amenities, and the improvements thereto pursuant to the provisions of these By-Laws;

l. the making of repairs, additions and improvements to, or alterations of, the property, and repairs to and restoration of any property belonging to the Association, in accordance with the other provisions of these By-Laws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

m. the appointing of committees to be composed of members of the Association to aid in governance of the association in such numbers and for such specific purposes as the Board may determine necessary and proper;

n. the adoption of a seal for the Association;

o. the enforcing of the obligations of the members of the Association, allocating income and expenses of the Association and doing anything and everything else necessary and proper for the sound management of the Association;

p. the levying of fines or expenses against the members of the Association, allocating income and expenses of the Association;

q. adjusting and settling claims under insurance policies obtained pursuant to the By-Laws and executing and delivering releases on settlements of such claims on behalf of all lot owners, all holders of mortgages, Deeds of Trust or other liens on the lots and all owners of any other interest in the property;

r. employ or engage a manager, an independent contractor, attorney or accountant or such other employees and agent as they deem necessary, and to prescribe their duties. Provided, however, any such person so hired shall serve only at the pleasure of the Board of Directors hiring him, and no Board of Directors shall have the authority to bind any succeeding Board of Directors to any such contract.

SECTION 14. - LIABILITY OF THE BOARD OF DIRECTORS: The members of the Board of Directors shall not liable to the Association or any of its members for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The members of the Association shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Articles of Incorporation, or these By-Laws. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is also intended that the liability of any member of the Association arising out of any contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his interest in the Association bears to the interest in all members of the Association in the Association. Every agreement made by the Board of Directors on behalf of the Association shall provide that the members of the Board of Directors are acting only as

agents for the Association and shall have no personal liability thereunder (except as members of the Association), and that each member of the Association's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Association bears to the interest of all members in the Association.

SECTION 15 - FIDELITY BONDS: The Board of Directors shall obtain adequate fidelity bonds for all officers and employees of the Association. The premiums on such bonds shall constitute an expense of operating the affairs of the Association.

ARTICLE IV.

Officers

SECTION 1. - DESIGNATION: The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and Assistant Secretaries, and such other officers as in its judgement may be necessary. The President and Vice President must be members of the Board of Directors. All other officers need not be members of the Board of Directors or of the Association.

SECTION 2. - ELECTION OF OFFICERS: Officers shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected.

SECTION 3. - REMOVAL OF OFFICERS: Upon the affirmative vote of a majority of the members of the Association or members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting with the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

SECTION 4. - PRESIDENT: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the membership and at all meetings of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of the President of a corporation organized under the Business Corporation Laws of the State of North Carolina, including, but not limited to, the power to appoint from among the membership any committee which he deems appropriate to assist in the conduct of the affairs of the Association.

SECTION 5. - VICE PRESIDENT: The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President or Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

SECTION 6. - SECRETARY: The Secretary shall keep the minutes of all meetings of the membership and the Board of Directors; he shall have charge of all books, papers, accounts and records of the Board of Directors as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of Secretary of a corporation organized under the Business Corporation laws of the State of North Carolina.

SECTION 7. - TREASURER: The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of accounts showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all of the duties incident to the office of the Treasurer of a corporation organized under the Business Corporation laws of the State of North Carolina.

SECTION 8. - COMPENSATION: No officer shall receive any compensation from the Association for acting as such. However, the Board of Directors may appoint a manager to handle the day to day affairs of the Association, and may establish a rate of compensation and salary for said manager.

SECTION 9. - EXECUTION OF INSTRUMENTS: All instruments, including, but not limited to, agreements, contracts, Deeds or leases of the Association shall be executed in the name of the Association by the President, Vice President or Assistant Vice President and attested to by the Secretary or Assistant Secretary of the Association. All checks of the Association are to be executed by such person or persons as may be designated by the Board of Directors.

ARTICLE V.

Operation of the Association

SECTION 1. - RULE MAKING: The Board of Directors shall promulgate and establish, pursuant to the provisions set out hereinbelow, reasonable rules and regulations governing the use, enjoyment, maintenance, repair of and additions or alterations to the streets, common areas and amenities, and the improvements thereon.

Subsection 1.1. - PROCEDURES: The Board of Directors, or a rule making committee specifically appointed by the President, shall formulate reasonable rules and regulations, or amendments or modifications thereto, to be proposed to the membership of the Association. Such proposals may be considered by the membership of the Association for adoption either at the annual meeting of the membership or at a special meeting of the membership called by the President specifically for the consideration of the adoption of such proposals. All such proposals shall be stated in writing and sent to the owners of the memberships in the Association in any notice of the special meeting called for the consideration thereof, or at least fifteen (15) days prior to the annual meeting of the membership of the Association at which they will be considered. At such meeting such proposed rules and regulations shall be considered new business of the Association. In order to be adopted as rules and regulations, amendments or modifications thereof, of the Association such proposed rules and regulations must receive assent from two-thirds (2/3) of the votes of the entire membership of the Association present in person or by proxy at such meeting.

Subsection 1.2. - AMENDMENT, MODIFICATION, ADDITIONS OR REPEAL: In addition to the above, any member of the Association may propose a modification, amendment, addition to or repeal of any and all rules and regulations of the Association by stating the same in writing to the Board of Directors. If any such member shall have obtained to such proposal the signatures of at least twenty-five percent (25%) of the membership owners in the Association, then the Board of Directors shall submit such proposal to the Association at the next annual meeting of the Association for consideration or at a special meeting of the Association called pursuant to a request therefore made in such proposal when submitted to the Board of Directors. Adoption of any such proposal shall be as stated in Subsection 1.1 hereinabove.

Subsection 1.3. - PROHIBITIONS: No rule or regulation, nor amendment, modification, addition to or repeal of any or all of the rules and regulations of the Association shall discriminate against any lot owner or against any lot or group of lots unless the owners thereof so affected shall consent in writing; nor shall any of the above change any lot nor the common areas and amenities, nor shall any of the above increase any owner's share in the common expenses of the Association nor change the voting rights of any member unless the owner of the membership appurtenant to the lot so affected and all record owners of liens thereon shall join in the execution of such rule, regulation, amendment, modification, addition to or repeal of the same.

Subsection 1.4 - RECORDING: A copy of all rules and regulations or amendments, additions, modifications to or repeals of rules and regulations of the Association shall be certified by the President and Secretary of the Association as having been duly adopted by the Association and shall be effective from the date the same is recorded in the corporate books of the Association.

SECTION 2 - INSURANCE: The Board of Directors shall be required to obtain and maintain, the extend possible, the following insurance:

Subsection 2.1 - FIRE INSURANCE with extended coverage, vandalism and malicious mischief endorsements, insuring all improvements upon the streets, common areas and the amenities, and covering the interests of the Association, the Board of Directors, and all owners and their mortgages or beneficiaries under Deeds of Trust, as their respective interests may appear, in an amount at least equal to the full replacement value of all structures insured, without deduction for depreciation; each of said policies shall contain a North Carolina standard mortgage clause in favor of each mortgagee or beneficiary under a Deed of Trust of a lot which shall provide that the loss, thereunder shall be payable to such mortgagee or beneficiary under Deed of Trust as its interest may appear, subject, however, to the loss payment provisions in favor of the Board of Directors hereinafter set forth.

Subsection 2.2 - FLOOD INSURANCE covering all or any portions of the Properties as required or deemed necessary by any government agency, institutional lender and/or Board of Directors.

Subsection 2.3 - PUBLIC LIABILITY INSURANCE in such limits as the Board of Directors may, from time to time, determine covering each member of the Board of Directors, each officer of the Association, the Association and each owner of a lot; such public liability coverage shall also cover cross-liability claims of one insured against another.

Subsection 2.4 - Such other insurance as the Board of Directors may determine is necessary for the protection of the development, the Association, its Directors, officers and members.

Subsection 2.5 - PREMIUMS: The premiums for all such insurance shall be an annual expense of the Association, and as such, shall constitute a portion of the annual assessment to be levied against each member of the Association pursuant to the provisions of these By-Laws.

Subsection 2.6 - ADJUSTMENT FOR LOSS: All such insurance policies shall provide that adjustment of loss shall be made by the Board of Directors and that the net proceeds thereof shall be payable to the Board of Directors.

Subsection 2.7 - WAIVERS, CANCELLATIONS, MODIFICATIONS, RENEWALS: All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defence based on coinsurance or other insurance or of invalidity arising from any acts of the insured and of prorata reduction of liability, and shall provide that such policies may not be canceled or substantially modified without at least ten (10) days' prior written notice to all insured, including all mortgagees and beneficiaries under Deeds of Trust. Duplicate originals of all policies of physical damage insurance and all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees or beneficiaries under Deeds of Trust at least ten (10) days prior to expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Directors shall obtain an appraisal from a fire insurance company or otherwise of the full replacement value of the common areas, the amenities, and all improvements thereon, without deduction for depreciation, for the purpose of determining the amount of fire insurance to be effected pursuant hereto.

Subsection 2.8 - OWNERS' INSURANCE: The owners of lots shall not be prohibited from carrying other insurance for their own benefit provided that the liability of the carriers issuing

insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any lot owner.

Subsection 2.9. - INITIAL MINIMUM AMOUNTS: Until the first regular meeting of the Board of Directors following the first annual meeting of the membership of the Association, the Board of Directors shall obtain and maintain all such insurance in the following amounts:

a. Fire insurance in an amount of not less than \$100,000.0 for the streets, common areas, the amenities, and the improvements thereon;

b. Public liability insurance in the amount of not less than Five Hundred Thousand Dollars (\$500,000.00) covering all claims for personal injury arising out of one occurrence, and not less than One Hundred Thousand Dollars (\$100,000.00) covering all claims for property damage arising out of one occurrence.

Subsection 2.10. - REPAIR OR RECONSTRUCTION AFTER CASUALTY: In the event of damage to or destruction of any or all of the streets, common areas and amenities, and/or improvements to the common areas as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration of all damaged improvements. The Board of Directors shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any costs of such repair and restoration in excess of the net insurance proceeds received by or payable to the Board of Directors shall constitute a common expense of the Association.

In the event of a repair or restoration of the improvements to the property and in the event that the net proceeds of insurance received by or payable to the Board of Directors shall exceed the cost of such repair or restoration, then such excess shall be held by the Association in its Capital Improvement account.

Whenever in this Subsection the words "promptly repair" or "prompt repair" are used, it shall mean repairs are to commence not more than sixty (60) days from the date of receipt of the Board of Directors of proceeds of insurance on account of such damage or destruction, whether or not sufficient to pay the estimated costs of such work. Wherever the words "promptly resolve" are used hereinabove, it shall mean corrected not more than sixty (60) days from the date the Board of Directors notifies the interested members of the Association that it holds proceeds of insurance on account of such damage or destruction and that such proceeds are not sufficient to pay the estimated costs of such work, as the case may be.

SECTION 3. - MAINTENANCE: The Board of Directors shall provide for the upkeep care, preservation, protection and maintenance of the streets, common areas, amenities, and the improvements thereon, as follows:

- a. repair and repave, when necessary, all pavements existing upon the streets and other common areas;
- b. upkeep, maintain and preserve all grasses, lawns, trees, shrubs, gardens and other vegetation maintained upon the common areas; and
- c. repair, reconstruct, repaint, and maintain any and all other improvements, of whatever nature, made to the common areas and amenities.

Subsection 3.1. - RIGHT OF ACCESS: For the purposes solely of performing all of the above described maintenance, etc., the Association, through its duly authorized agents or employees, shall have the right, after reasonable notice to all Owners concerned to enter upon any lot, at any reasonable hour of the day.

Subsection 3.2. - OWNERS' REPAIRS: Any maintenance, repair, replacement, etc., to any of the streets, common areas, amenities, or any of the improvements thereon, caused by the negligence, misuse, neglect or willful act of any owner, his family, tenants, guests or invitee shall be performed by the Association at the sole cost and expense of said Owner, said cost and expense therefor to be added to said owner's annual assessment.

Subsection 3.3. - Expense: All maintenance, repair, reconstruction, replacement, etc., as outlined hereinabove, is to be performed by or through the Board of Directors and the cost and expense thereof shall, except as provided in Subsection 3.2. hereinabove, be an annual expense of the Association.

SECTION 4. - FISCAL MANAGEMENT: The Board of Directors shall, from time to time, and at least annually, prepare a budget for the Association, determining the projected annual costs to the Association of performing all of the duties of and fulfilling all of the obligations of the Association. These costs shall include all of the costs incurred by the Association in the performance of those duties and obligations outlined in the Articles of Incorporation, applicable to the development, and Article III, Section 13., and Article V. of these By-Laws, as well as the costs necessary for the efficient management of the Association (including amounts for an operations reserve and a capital improvements reserve, if deemed necessary by the board of Directors). The budget, so prepared, shall be submitted to the membership of the Association for approval at the annual meeting of the membership. The proposed budget must be approved by a vote of at least fifty-one percent (51%) of the votes of the entire membership of the Association, represented in person or by proxy at such meeting.

Subsection 4.1. - ANNUAL ASSESSMENTS: After approval of the proposed budget of the Association, the Board of Directors shall assess each lot within the developments subject hereto an equal amount of the projected annual costs to the Association as described hereinabove, subject to the provisions of Article VI (6) hereof, hereinafter set forth. The Board of Directors shall cause the Secretary of the Association to provide each member of the Association a statement of the annual assessment against his lot in writing, stating the date payment thereof is due at least thirty (30) days prior to the due date. All assessments shall be due and payable on the date and in such installments, if allowed, as the Board of Directors may determine.

Subsection 4.2. - NATURE AND ENFORCEMENT OF ASSESSMENTS: The nature and enforcement of the collection of assessments is set forth in the Declaration of Restrictions for DEMAREST VILLAGE, which are recorded or to be recorded in the New Hanover County Registry.

Subsection 4.3. - SUBORDINATION: The lien for unpaid assessment provided for hereinabove shall be subordinate to the lien of any first mortgage or first Deed of Trust against any lot.

SECTION 5. - RECORDS AND AUDITS: The Board of Directors shall keep detailed records of the action of Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the membership of the Association and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each lot which, among other things, shall contain the amount of each annual assessment, and other assessments, against each lot, the date when due, the amount paid thereon, and the balance remaining unpaid. A written report summarizing all receipts and expenses of the Association shall be rendered by the Board of Directors to all members of the Association at least semi-annually. In addition, an annual report of the receipts and disbursements of the Association shall be rendered by the Board of Directors to all members of the Association who have requested the same, promptly but after the end of each fiscal year. Each member of the Association shall be permitted to examine all of the books and accounts of the Association at reasonable times on business days, but not more than once a month.

SECTION 6. - CONDEMNATION: In the event of a taking in condemnation or by eminent domain of part or all of the property, the award made for such taking shall be payable to the Board of Directors, and the

Board of Directors shall disburse the net proceeds of such award in the same manner as they are required to distribute insurance proceeds where there is no repair or restoration of the damage, as provided in these By-Laws.

ARTICLE VI

Parliamentary Rules

Robert's Rules of Order (latest edition) shall govern the conduct of all Association meetings, not in conflict with the Articles of Incorporation, the Declaration of Articles of Covenants, Conditions and Restrictions, and these By-Laws.

ARTICLE VII

Amendments

These By-Laws may be amended in the following manner: (a) any member of the Association may propose any amendment or modification to these By-Laws by submitting the same in writing to the President of the Association, (b) in order to qualify for consideration by the Association, any such amendment or modification must be signed by at least twenty-five percent (25%) of the owners of the memberships in the association; (c) upon receipt of such proposed amendment or modification, the President of the Association shall immediately follow the procedures outlined hereinabove under Article II., Section 6., entitled SPECIAL MEETINGS; (d) any such proposed amendment or modification in order to become a part of these By-Laws must be approved by seventy-five percent (75%) of the votes of the entire membership of the Association present in person or by proxy at such meeting; provided however, that no amendment or modification shall discriminate against any owner, any lot class or group of owners, or lots unless all of the owners so affected so consent; and further, no amendment or modification shall change any lot, the common areas, nor increase any owner's assessment, nor change the voting rights of any members unless the owner or owners of the memberships or lots so affected and all holders of liens against such owner's or owners' lots shall approve in writing such amendment or modification.

ARTICLE VIII

Miscellaneous

SECTION 1. - NOTICES: All notices to the Board of Directors shall be sent by registered mail, return receipt requested, to the principal office of the Board of Directors. All notices to owners shall be sent by registered mail, return receipt requested, to such addresses as may have been designated by such owners in writing to the Secretary of the Association. All notices to mortgagees of or beneficiaries under Deeds of Trust against lots shall be sent by registered mail, return receipt requested, to their respective addresses designated by them in writing to the Secretary of the Association. All notices, if received, as proven by the return receipt, shall be deemed to have been given when mailed, except notices of change of address which shall be deemed to have been given when received.

SECTION 2. - WAIVER OF NOTICE: Whenever any notice which is required to be given to any member, Director or officer of the Association by the provisions of the North Carolina Nonprofit Corporation Act, the provisions of the Article of the Incorporation or these By-Laws, is waived in writing, signed by the person or entities entitled to such notice, whether before or after the time stated therein, such shall be equivalent to the giving of such notice.

SECTION 3. - INVALIDITY: The invalidity of any provision of these By-Laws by any court, agency, or legislature shall in no way affect the validity of any other provisions of these By-Laws, and the same shall remain in full force and effect.

SECTION 4. - CAPTIONS: The captions herein used are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.


SECTION 5. - GENDER: The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the neuter gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 6. - WAIVER: No restrictions, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

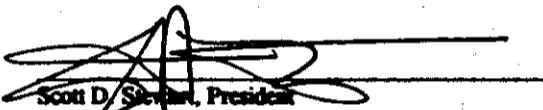
SECTION 7. - FISCAL YEAR: The fiscal year of the Association shall be the calendar year

SECTION 8. - SEAL: The seal of the Association shall be in such form as shall be approved from time to time by the Board of Directors of the Association.

IN WITNESS WHEREOF, the President of the Association and the Secretary thereof do hereby certify that this is a true copy of the duly enacted By-Laws of Demarest Village this 18th day of August 1999.



(Seal)
Demarest Village Community Association, Inc.



Scott D. Stevens, President
Demarest Village Community Association, Inc.