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DECLARATION OF
COVENANTS AND RESTRICTIONS
FOR
COBBLESTONE VILLAGE

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DECLARATION OF
COVENANTS AND RESTRICTIONS

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DECLARATION OF COVENANTS AND RESTRICTIONS
FOR
COBBLESTONE VILLAGE

THIS DECLARATION, is made as of the 14th day of February, 2007, by FLAT ROCK VALLEY, LLC, a North Carolina Limited Liability Company (the "Declarant"), as hereinafter defined.

WITNESSETH:

WHEREAS, Declarant is the Owner of the Development, as hereinafter set forth, and desires to make, execute and declare this Declaration Of Covenants And Restrictions For Cobblestone Village.

NOW, THEREFORE, the undersigned hereby makes this Declaration for the purposes and subject to all the terms and provisions hereinafter set forth, by the execution hereof.

ARTICLE I

DEFINITIONS

1.1 Definitions. The terms defined below shall be deemed to have the meanings specified whenever they appear in this Declaration, unless the context otherwise requires. These definitions shall apply whether or not the defined terms are capitalized. All terms defined in the Act, as herein below defined shall have the same meaning as contained in the Act and similar terms contained herein, as contained in the Act, shall have the same meaning as contained in the Act, when the context so requires.

"Act" shall mean the North Carolina Planned Community Act, which is Chapter 47F of the North Carolina General Statutes, as amended.

"Additional Property" means such additional tracts or parcels of land which are submitted to this Declaration by the Declarant pursuant to an Instrument recorded in the Office of the Register Of Deeds of Henderson County, North Carolina containing provisions indicating the intention of Declarant to subject such Additional Property to the provisions of this Declaration.

"Architectural Review Committee" means a committee appointed by the Board of Directors, or the Board of Directors, in the event that the Board of Directors does not appoint a separate committee for said purpose, to perform the duties and responsibilities described in Section 10.1 and elsewhere within this Declaration.

“Articles of Incorporation” means the articles of incorporation of the Association, as amended from time to time, a copy of the initial Articles of Incorporation being attached to this Declaration.

“Assessment” means the share of the Common Expenses from time to time assessed against a Lot and its Owner by the Association in the manner herein provided.

“Association” means the Cobblestone Village Of Henderson County Owner’s Association, Inc., a North Carolina Non-Profit Corporation formed for the purpose of exercising the powers of the Association under the Instruments and the Act. The Association shall possess all the powers and have all the responsibilities as provided in Article 3 of the Act, in addition to those provided herein.

“Board of Directors” or “Board” means the executive board of directors of the Association, which is the governing body of the Association, which shall have the authority to act on behalf of the Association.

“Bylaws” means the bylaws of the Association, as amended from time to time, a copy of the initial Bylaws being attached to the Instruments.

“Common Areas and Facilities” means all portions of the Development other than the Lots and shall have the same meaning as the term “common elements” as that term is defined in the Act.

“Common Expenses” means all sums lawfully assessed against the Owners by the Association; ad valorem taxes, public assessments or governmental liens, if any, levied on Common Areas and Facilities; expenses of administration, maintenance, repair or replacement of the Common Areas and Facilities; expenses agreed upon as Common Expenses by the Association; expenses declared Common Expenses by this Declaration or the Bylaws together with any such expenditures as may be permitted or required by the Act; and, insurance premiums.

“Declarant” means initially Flat Rock Valley, LLC, a North Carolina Limited Liability Company the fee simple owner of the Development, which has executed this Declaration.

“Declaration” means this Declaration, as amended from time to time.

“Development” means the property described on Exhibit A and being all of the property, which is currently subject to the Declaration.

“Director” means a member of the Board of Directors.

“Dwelling Unit” means any improved property intended for use as a detached dwelling unit located within the Development.

“First Mortgagee” means the holder of a first-in-priority Mortgage.

“Foreclosure” includes, without limitation, the judicial foreclosure of a Mortgage or the exercise of a power of sale contained in any Mortgage.

“Institutional Mortgagee” means one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds, or business trusts, including, but not limited to, real estate investment trusts, any other lender regularly engaged in financing the purchase, construction, or improvement of real estate, or any assignee of loans made by such a lender, or any combination of any of the foregoing entities.

“Instruments” means this Declaration, the Articles of Incorporation, the Bylaws and the Plat(s), including any and all exhibits, schedules, certifications, and amendments thereof, as they may exist from time to time, made and recorded with respect to the Development.

“Lease” means any lease, usufruct, tenancy, sublease, rental contract, or other occupancy agreement whether oral or written.

“Lot” means a physical portion of the Development designed for separate ownership or occupancy, on such Lot by a Lot Owner and shall initially include the Lots as described in Article 3.

“Lot Designation” means one or more numbers and/or letters that identify each Lot, as set forth in the Schedule Of Lot Information, and as shown on the Plat.

“Lot Owner” has the same meaning as Owner, when the context so requires, and means one or more persons, including Declarant, who owns a Lot. This term does not include a Mortgagee in his capacity as such.

“Majority” means more than fifty percent (50%) in any context, unless a different percentage is expressly required.

“Mortgagee” means the holder, guarantor or insurer of a Mortgage or a beneficiary under a Deed of Trust.

“Occupant” means any person, including, without limitation, any guest, customer, invitee, tenant, lessee or licensee of an Owner, occupying or otherwise using or visiting in a Unit or in a dwelling located on a Lot.

“Officer” means an officer of the Association.

“Owner” has the same meaning as Lot Owner and includes all of such owners when the context requires.

“Person” means a natural person, corporation, business trust, estate, joint venture, partnership, association, trust or other legal entity, or any combination thereof.

“Plat(s)” means the plat or plats of survey for the Development or portions thereof which is certified and recorded, as amended and certified from time to time, in the Henderson County Registry. “Plats” shall include Plats of survey showing any or all portions of the Development as recorded from time to time.

“Record” or “file for record” means filing for record in the Office of the Register of Deeds, Henderson County, North Carolina.

“Schedule of Lot Information” means the schedule attached hereto as Exhibit B, which schedule shows for each Lot, its Identifying Number, number of Votes in the Association, and share of liability (Allocated Interest in the) for Common Expenses.

“Size” means the square footage or acreage of a Lot as computed by reference to the Plat rounded off to the nearest one-hundredth (1/100th) of an acre or one-thousandth (1,000th) of a square foot.

“Vote” means the weight of the vote for each Lot in the Association as set forth in Section 3.5.

ARTICLE 2

DECLARATION OF COVENANTS AND RESTRICTIONS

2.1 Submission to the Declaration. Declarant hereby submits the Development to this Declaration. The Development and every interest therein shall, after the recording of this Declaration, be owned, held, transferred, sold, conveyed, used, leased, occupied, mortgaged, and deeded in trust subject to this Declaration. Every person acquiring or having an interest in the Development, by acceptance of a deed or other instrument of any kind, whether or not such deed or other instrument is signed by such person or otherwise agreed in writing, shall take such interest subject to the Instruments and shall be deemed to have agreed to the same. Further, Declarant hereby submits and subjects all of the Development to the provisions of this Declaration and the covenants and restrictions contained herein, to the extent applicable by the terms and provisions contained herein. Every person or entity who is a record owner of a fee or undivided interest in any Lot shall be a member of the Association and no other persons shall be entitled to membership in the Association.

2.2 Name and Location. The name of the Development is “Cobblestone Village”. The Development is located in Henderson County, North Carolina.

2.3 Governing Provisions. The Development, the Association, and each Owner shall be governed by the Instruments and any rules and regulations adopted by the Association pursuant to the Instruments.

ARTICLE 3DESCRIPTION OF THE DEVELOPMENT3.1 Development.

The Development is described on Exhibit A and shown on the Plats, and includes all improvements thereon and all rights and easements appurtenant thereto. The Development is expected to consist of approximately fifty-five (55) Lots all as more particularly shown on the Plats. Notwithstanding the foregoing, Declarant reserves the right to change the number of Lots, alter the boundary lines of each Lot still owned by Declarant and otherwise change and alter the location of the Common Areas And Facilities. In such event, Declarant may alter the undivided interests as provided in the Schedule of Lot Information in accordance with the provisions hereof. In such event, Declarant reserves the right at anytime, and regardless of whether Declarant owns a sufficient number of Lots to allow or permit Declarant under the provisions of Article 11 of this Declaration or under Section 47F-2-117 of the Act, to record an appropriate amendment to this Declaration, reflecting such change or alteration.

3.2 Lots.

The Lots shall consist of single family lots as shown on the Plat or Plats consisting of Lot Numbers 1 through 55, subject to the rights of Declarant to alter the number of Lots as provided herein and shall be intended for the construction thereon of one (1) single family residence in accordance with the provisions hereof. Nothing contained herein shall require the construction of a residence on any such Lot and Declarant may elect, at its sole discretion, to convey all or a portion of any such Lot to the Association, in which event such Lot, or portion thereof, shall become a portion of the Common Areas And Facilities. The Schedule of Lot Information contains the Identifying Numbers of each Lot and its undivided interest in Common Areas And Facilities.

3.3 Common Areas and Facilities. The Common Areas and Facilities consist of all portions of the Development other than Lots.

3.4 Increase of Size of Development. As of the recordation of this Declaration it is contemplated that the Development will contain approximately fifty-five (55) Lots, subject to the right of Declarant to alter the number of Lots as provided herein, being those set forth on Exhibit B attached hereto as Lots 1 - 55. In addition to the right, as reserved in Section 3.1 to change the number and type of Lots as contained in the Development, and to alter the size, location and improvements located on the Common Areas And Facilities, the Declarant further reserves the right to add Additional Property to the Development by filing an appropriate instrument in the Office of the Register Of Deeds of Henderson County, North Carolina subjecting such Additional Property to the terms and provisions of this Declaration, regardless of whether at such time Declarant shall own a sufficient number of Lots to permit it to amend this Declaration pursuant to the provisions of Article 11 of this Declaration or Section 47F-2-117

of the Act, reflecting such change or alteration. In the event that the Declarant shall exercise any of the rights contained herein, either to alter the size and location of the Lots or to add Additional Property, then the undivided interests in the Common Areas And Facilities shall be altered either in the Development or the Additional Property, as the case may be, and Declarant shall record an appropriate instrument adjusting such Allocated Interests as are described on Exhibit B attached hereto. Further, Declarant shall be absolutely and completely absolved and relieved from any liability or responsibility with respect to any determination of the appropriate Allocated Interests, Votes in the Association, and liability for (Allocated Interests in) Common Expenses in conjunction therewith, so long as Declarant exercises such discretion in good faith.

3.5 Allocation of Interests in Common Areas and Facilities. The Allocated Interests in the Common Areas and Facilities, Votes in the Association, and liability for (Allocated Interests in) Common Expenses are allocated among the Lots located within the Development as follows: the undivided interests in the Common Areas and Facilities, Votes in the Association and liability for Common Expenses, shall be allocated among the Lots located within the Development all as shown on Exhibit B attached hereto. In the event that Declarant shall exercise the right to subject Additional Property to the terms and provisions of this Declaration as described in Section 3.4 hereinabove, Declarant shall allocate the Allocated Interest in the Common Areas and Facilities, as described in the immediate preceding sentence. Votes in the Association and liability for (Allocated Interests in) Common Expenses.

ARTICLE 4

EASEMENTS

In addition to the easements created and shown by the Plat(s), the easements described in this Article 4 from each Owner to each Owner, to the Association and to the Declarant are hereby granted, reserved and established, subject to and in accordance with the following terms and conditions:

4.1 Use and Enjoyment. Every Owner and Occupant shall have a right and easement of use and enjoyment in and to the Common Areas and Facilities located throughout the Development (including the right to access, ingress, and egress to and from his Lot over those portions of the Common Areas and Facilities designated for such purpose), and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions and limitations:

4.1.1 The right of the Association to control the use and enjoyment thereof as provided by the terms of this Declaration, which shall include, but not be limited to, the right of the Association to limit the use and enjoyment thereof to the Owners and their respective Occupants, as well as to provide for the exclusive use and enjoyment of specific portions thereof at certain designated times by an Owner and his Occupants.

4.1.2 The right of the Association to suspend the Vote of an Owner for any period of time during which an Assessment against his Lot remains unpaid or for a reasonable time for infraction of any provision of the Instruments or rules and regulations.

4.2 Utilities. To the extent that any utility line, pipe, wire, or conduit serving any Lot, Lots, or the Common Areas and Facilities shall lie wholly or partially within the boundaries of another Lot or the Common Areas and Facilities, such other Lot, Lots, or the Common Areas and Facilities shall be burdened with an easement for the use, maintenance, repair and replacement of such utility line, pipe, wire or conduit, such easement to be in favor of the Lot, Lots or Common Areas and Facilities served by the same and the Association. Declarant, the Association and each such Owner may assign to any public or quasi-public utility some or all of the rights granted herein.

4.3 Encroachments. If any portion of the Common Areas and Facilities encroaches upon any Lot, or if any Lot encroaches upon any other Lot or upon any portion of the Common Areas and Facilities, as a result of the construction, reconstruction, repair, renovation or restoration of any portion of the Development by Declarant, an easement for the encroachment and for the maintenance, repair, and replacement thereof shall exist so long as the encroachment exists.

4.4 Maintenance and Repair; Overhangs. There shall be an easement in favor of the Declarant, the Association and the Owners through, under and across the Lots, and the Common Areas and Facilities as may be reasonably necessary for the installation, maintenance, repair and replacement of Common Areas and Facilities. Declarant, the Association and each such Owner may assign to any public or quasi public utility some or all of the rights as granted herein. Use of this easement shall be only upon prior notice during normal business hours, except that access may be had at any time in case of emergency. There is also reserved unto the Owner of each Lot an easement over and across a strip or tract of land five (5') feet in width and immediately adjacent to the Lot line of any Lot in which a dwelling is immediately abutting (zero lot line) for the purpose allowing overhangs to encroach, and for purposes of drainage and maintenance and repair of any dwellings, together with the right of ingress, egress and regress for such purpose.

4.5 Rights of Association. There shall be a general easement to the Association, its Directors, Officers, contractors, agents, and employees (including, but not limited to, any manager employed by the Association) to enter upon the Development, or any portion thereof and to enter or take access through the Lots, and the Common Areas and Facilities as may be reasonably necessary for the installation, maintenance, repair and replacement thereof, for making emergency repairs and for other work for the proper maintenance and operation of the Development and for the performance of their respective duties. Each Owner shall afford to other Owners and to the Association, their respective contractors, agents, representatives, and employees, such access through such Lot as may be reasonably necessary to enable them to perform such work and to exercise and discharge their respective powers and responsibilities. Except in the event of emergencies, however, such easements are to be exercised only during normal business hours and upon advance notice to and with the permission of the Owner or Occupant of a Lot directly affected thereby. The Association shall have the power to grant and accept permits, licenses and

easements on, over, across and through the Common Areas and Facilities for the installation, maintenance or operation of the Development. An easement is hereby established for the benefit of the County of Henderson, City of Hendersonville, Village of Flat Rock, Duke Power, BellSouth, Mediacom, Public Service Company and any other agency or utility performing any of the following services over, across and through all Common Areas and Facilities for the setting, removal, and reading of water and electricity meters, the maintenance and replacement of water, electricity, sewer, cable service, telephone, natural gas and drainage facilities. In addition thereto, an easement is hereby established over all of the Development for the benefit of the County of Henderson, City of Hendersonville, Village of Flat Rock and any and all other agencies and personnel performing any of the following duties and services for the fighting of fire, mail delivery, private parcel delivery, collection of garbage, ambulance services, and police protection.

4.6 Rights of Declarant. So long as Declarant owns any Lot primarily for the purpose of sale, Declarant and its duly authorized contractors, representatives, agents and employees shall have a transferable easement for the maintenance of signs, a sales office, a business office, promotional facilities and models for the Development, together with such other facilities as in the opinion of the Declarant may be reasonably required, convenient, or incidental to the completion, renovation, improvement, development or sale of Lots or dwellings on Lots within the Development. The Declarant may use any Lots for models and/or sales offices, or dwellings on Lots within the Development, which Lots may be changed from time to time. During the period that Declarant owns any Lot, Declarant, its duly authorized contractors, representatives, agents and employees, shall have a transferable easement on, over, through, under and across the Common Areas and Facilities for the purpose of making improvements on the Development and the Additional Property, and for the purpose of doing all things reasonably necessary and proper in connection therewith. In exercising the easements reserved by Declarant in this Section 4.6, Declarant shall cause as little interruption and inconvenience as possible under the circumstances and further, Declarant shall remove any construction debris and repair any damage or unsightly conditions within a reasonable time.

4.7 Expansion. In the event Declarant exercises the option to expand set forth in Section 3.4, Declarant, its contractors, agents and employees, shall have an easement over and through the Lots, and the Common Areas and Facilities as may be reasonably necessary for the purpose of exercising such options to expand and for constructing the improvements thereon.

ARTICLE 5

MAINTENANCE AND REPAIR

5.1 Association. The Association shall maintain, repair and replace all portions of the Common Areas and Facilities, except as may be herein otherwise specifically provided herein. No diminution or abatement of Assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or perform some function required to be taken or performed by the Association under this Declaration, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken by the

Association to comply with any law, ordinance, order or directive of any municipal or other governmental authority. The Association shall have all of the responsibilities as provided in G.S. §47F-3-107 of the Act with respect to maintenance, repair or replacement.

5.2 Lot Owner. Each Lot Owner shall maintain, repair and replace all portions of his Lot, including the dwelling unit located thereon, except those portions, if any, as have been subjected to use by the Association for the benefit of exercising one or more of the Easements contained hereinabove. In no event shall the Association have any responsibility for maintaining any portion of the Lot except as specifically provided herein, except, that in the event that any Lot Owner shall fail to maintain any portion of his Lot so as to render same in substantial disrepair, the Association shall have the right, after reasonable notice to such Lot Owner, to go upon such property and maintain same.

ARTICLE 6

ASSESSMENTS

6.1 Lien. Each Owner covenants and agrees to pay to the Association all Assessments (general and special) provided by this Declaration which shall be fixed, established, and collected from time to time as hereinafter provided. The proportionate liability of each Lot and its Owner for Assessments shall be as set out in the Schedule of Lot Information, as amended in accordance with Article 3. All Assessments and other charges provided by this Declaration, together with interest thereon and cost of collection thereof as hereinafter provided, shall be a charge against and a continuing lien upon the Lot against which each such Assessment or charge is made. Each Owner shall be personally liable for Assessments coming due on his Lot while he is the Owner. Any Lot shall be conveyed subject to a lien for any unpaid Assessments subject to the provisions of Section 6.7 hereof. No Owner may waive or otherwise escape liability for Assessments by non-use of the Common Areas and Facilities or abandonment of his Lot.

6.2 General Annual Assessment. The amount of all Common Expenses not specially assessed against one or more but less than all of the Lots pursuant to the provisions of this Declaration, less the amount of all undistributed and unreserved Common Profits, shall be assessed against the Lots in accordance with the Schedule of Lot Information attached as Exhibit B. The general annual Assessment shall be established by the Board of Directors in the manner set forth in this Section. During that portion of the Association's fiscal year from the recording of this Declaration to the end of such fiscal year, the annual Assessment applicable to each Lot shall be as set forth in the estimated budget for the Development delivered to each purchaser of a Lot. At least thirty (30) days prior to the annual meeting of the Association, the Association shall prepare and submit in writing to the Owners an estimated budget of the Common Expenses for the next succeeding fiscal year to be paid by Assessments collected from the Owners, together with the amount of the annual Assessment payable by each Owner during such fiscal year. If the estimated budget proves inadequate for any reason at any time during the year, then upon the affirmative Vote of Owners or Directors having at least two-thirds (2/3rds) of the total Vote, the Board of Directors may levy at any time a further Assessment against the Owners and notify the Owners accordingly. If for any reason an annual budget is not approved by the Board, a payment in the amount

required by the last prior Assessment shall be due upon each Assessment due date until changed by a new Assessment. Common Expenses of the Association to be paid through annual Assessments shall include, but shall not necessarily be limited to, the following:

6.2.1 Management fees and expenses of administration, including management, legal and accounting fees.

6.2.2 Utility charges for utilities serving the Common Areas and Facilities and charges for other common services.

6.2.3 The cost of any master or blanket policies of insurance purchased for the benefit of all Owners and the Association as required by this Declaration, including fire and other hazard coverage, on Common Areas and Facilities, public liability coverage, and such other insurance coverage as the Board of Directors determines to be in the interest of the Association and the Owners.

6.2.4 The expense of maintenance, operation and repair of the Common Areas and Facilities as well as any maintenance upon the Lots which is the responsibility of the Association under the provisions of Article 5, if such expense is not covered by a Special Assessment.

6.2.5 Charges for any utilities provided to the Lots and not separately metered to a Lot, which shall be a Common Expense of the Association.

6.2.6 Such other expenses as may be determined from time to time by the Board of Directors to be Common Expenses, including, without limitation, taxes and governmental charges not separately assessed against each Lot, other than ad valorem real property taxes.

6.2.7 The establishment and maintenance of an adequate reserve fund or funds, including any initial capital assessment assessed against the Owner upon purchase of a Lot, for the periodic maintenance, repair and replacement of those Common Areas and Facilities (including Limited Common Areas and Facilities including building exteriors ie, roofs, porches, decks and patios) which the Association may be obligated to maintain and of a reserve to cover operating contingencies or deficiencies arising from unpaid Assessments or liens, emergency expenditures, and other matters, as may be authorized from time to time by the Board of Directors.

6.2.8 Any and all other Common Expenses as are permitted by the Act.

The general annual Assessment for Common Expenses described above shall be paid by and collected from the Owners in accordance with their respective proportionate liabilities for Assessment. Each Owner shall be obligated to pay such Assessments to the Association in equal installments paid no less frequently than monthly, but as specifically established by the Board of Directors. In any year in which there is an excess of Assessments and other income over expenditures, the Board of Directors, by resolution and without the necessity of a Vote of the Owners, shall determine either to apply such excess or

any portion thereof against and reduce the subsequent year's Assessments or allocate the same to one or more reserve accounts of the Association described above. Any of the foregoing provisions of this paragraph which may be construed to the contrary notwithstanding, no Assessment shall be payable under this paragraph by any Owner until this Declaration is filed of record. Therefore, the first annual Assessment payable under this Paragraph shall be prorated according to the number of days remaining in the Association's fiscal year after the date on which this Declaration is filed of record.

6.3 Special Allocation of Assessments. Any Common Expenses occasioned by the conduct of less than all the Owners or their Occupants may be specially assessed by the Board of Directors against the Lot or Lots, the conduct of any Owner or Occupant of which occasioned any such Common Expenses. Any Common Expenses benefiting less than all of the Lots may be assessed by the Board equitably among the Lots so benefited. Except or otherwise specifically provided in this Declaration there shall be no special Assessments against any particular Lots for any Common Expenses associated with the maintenance, repair, restoration, renovation or replacement of any Limited Common Area and Facilities; rather, such expenses shall be Common Expenses. The special allocation of assessments provided for in this paragraph shall be levied by the Board of Directors in its reasonable judgment, and the amount and due date(s) of such Assessments so specially allocated by the Board shall be as specified by the Board. In no event shall the Association or any member of the Board have any liability for any judgment or decision made reasonably and in good faith under this paragraph.

6.4 Special Assessments for Capital Improvements. In addition to the special and general Assessments authorized above, and in addition to the Special Assessments for reconstruction or repair of casualty damage, the Board of Directors may levy Special Assessments for the purpose of defraying, in whole or in part, the cost of any capital addition to or capital improvement of the Common Areas and Facilities (including the necessary fixtures and personal property related thereto), or for the cost of repair or replacement of a portion of the Common Areas and Facilities (including the necessary fixtures and personal property related thereto), which is for the benefit of all Owners; provided, however, any special Assessment levied by the Board of Directors under and pursuant to the provisions of this Section must first have the affirmative Vote of Owners having at least two thirds (2/3rds) of the total Vote in a meeting duly called and held for such purpose. Owners shall be assessed for Assessments against their respective Lots, and the due date(s) of any such special Assessments shall be specified by the Board of Directors or committee assessing same.

6.5 Non-Payment of Assessments; Remedies of Association. Any Assessment, or portion thereof, not paid when due shall be delinquent, and the Board of Directors shall have the duty to enforce the collection of all delinquent Assessments. Nothing contained herein shall be intended to create any personal liability on the part of any such Director for failure to collect such Assessments. Any Assessment, or portion thereof, not paid within thirty (30) days after the due date shall constitute a lien on such Owner's Lot when filed of record in the office of the Clerk of Superior Court, Henderson County, in the manner provided for filing statutory liens against real property. If the same is not paid within thirty (30) days after the due date, then a late charge of ten percent (10%) of the amount of each Assessment or installment thereof not paid when due, shall also be due and payable to the Association. If any Assessment or portion

thereof is delinquent for a period of more than thirty (30) days, and then is not paid within ten (10) days after written notice is given to Owner to make such payment, the entire unpaid balance of the Assessment for the year in question may be accelerated at the option of the Board of Directors and be declared due and payable in full, and proceedings may be instituted to enforce such obligation and/or lien. Such notice shall be sent by certified mail, return receipt requested, to the Owner, both at the address of the Lot and at any other address or addresses the Owner may have designated to the Association in writing, specifying the amount of the Assessments then due and payable, together with authorized late charges. The Board of Directors may suspend the Vote of the Owner, as well as the right of such Owner the use of the Common Areas And Facilities, during the period in which any Assessment or portion thereof remains unpaid and after at least ten (10) days written notice is given to the Owner as aforesaid, and the Association may bring an action at law against the Owner obligated to pay the same or foreclose its lien against such Owner's Lot in accordance with the provisions of G.S. §47F-3-116, as amended, in which event late charges and costs of collection shall be added to and included in such lien, with such costs of collection to include court costs, the expenses of sale, any expenses required for the protection and preservation of the Lot and reasonable attorneys' fees. For the purposes of this Article, the amount of delinquent Assessments, if any, shall be considered a indebtedness and shall be evidenced by this Section 6.5 and therefore evidence of indebtedness shall exist hereby. All payments on account shall be applied first to the aforesaid costs of collection, then to late charges and then to the Assessment lien first due. All late charges collected shall be part of the Common Profits. Each Owners vests in the Board of Directors the right and power to bring all actions against him personally for the collection of said Assessments as a debt and to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. The lien provided for in this Article shall be in favor of the Association and shall be for the benefit of all Owners. The Association, acting through the Board, shall have the power to bid in the Lot at any Foreclosure sale and to acquire, hold, lease, encumber and convey the same. No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Areas and Facilities or abandonment of his Lot.

6.6 Priority of Lien. The lien for Assessments, once perfected, shall be prior to all other liens and encumbrances except only (a) the lien for real estate taxes on that Lot and (b) the lien of a Mortgage securing sums unpaid to Mortgagee or other lien or encumbrance recorded prior to the perfection of said lien for Assessment. The sale or transfer of any Lot shall not affect the Assessment lien.

6.7 Deed in Lieu of Foreclosure. Notwithstanding anything contained in this Declaration or the Act which may be construed to the contrary, in the event any First Mortgagee that is an Institutional Mortgagee shall acquire title to any Lot by virtue of any deed in lieu of foreclosure of a First Mortgage, such First Mortgagee shall not be liable for, nor shall such Lot be subject to a lien for any Assessment chargeable to such Lot on account of any period prior to the time such First Mortgagee shall so acquire title to such Lot; provided, however, that Common Expenses collectible thereafter from all Owners, including such First Mortgagee, shall be paid as set forth in this Declaration and this provision shall not relieve the Owner from personal liability for such Assessment

ARTICLE 7

ADMINISTRATION

7.1 Administration by the Association. The Association shall administer the Development, and have the rights and duties with respect thereto, as set out in and subject to the Instruments and the Act.

7.2 Control by Declarant. The Declarant shall have the right to appoint or remove all Directors and Officers or to exercise powers and responsibilities otherwise assigned to the Association, Board or Officers by the Instruments until the first to occur of: (i) the expiration of ten (10) years after the date of the recording of this Declaration; (ii) one hundred twenty (120) days after the date as of which Lots to which eighty-five percent (85%) of the undivided interests in the Common Areas and Facilities appertain shall have been conveyed by Declarant to Owners; (iii) two (2) years after Declarant has ceased to offer Lots for sale in the ordinary course of business; or (iv) the surrender by Declarant of such rights by an express amendment to this Declaration executed and recorded by Declarant, without the need for consent or joinder by any person. (the "Declarant Control Period"). Upon the expiration of the Declarant Control Period such rights shall automatically pass to the Owners (including Declarant if Declarant then owns one or more Lots) and a special meeting of the Association shall be called as set forth in the Bylaws. At such time, Declarant shall convey marketable fee simple title to the Common Areas And Facilities to the Association. The Association shall have no right or authority to consent or refuse to consent to such transfer. At such meeting, the Owners shall elect a Board of Directors, subject to the provisions of Article VII of the Articles of Incorporation attached hereto. Further, any management or other agreement or any lease entered into during the period of Declarant Control shall be subject to cancellation without cause and without penalty or termination fee upon not more than ninety (90) days prior written notice.

7.3 Duties and Powers. The duties and powers of the Association shall be those set forth in the North Carolina Nonprofit Corporation Act, this Declaration, the Act and the other Instruments, together with those reasonably implied to affect the purposes of the Association. Except to the extent otherwise required, the North Carolina Nonprofit Corporation Act, this Declaration, the Act, or the other Instruments, the powers herein or otherwise granted to the Association may be exercised by the Board of Directors, acting through the Officers, without any further consent or action on the part of the Owners. Subject to and in accordance with the provisions or limitations set forth in the Bylaws, each Director and each Officer shall be entitled to be indemnified by the Association in connection with any threatened, pending or completed action, suit or proceeding with respect to which such person was or is a party by reason of the fact that such person is or was a Director or Officer.

7.4 Property. All funds received and title to all properties acquired by the Association and the proceeds thereof, after deducting therefrom the costs incurred by the Association in acquiring the same, shall be held for the benefit of the Owners as herein provided and for the purposes herein stated. The shares of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated or transferred in any manner except as an appurtenance to a Lot. In any year in which there is an excess of Assessments over expenditures, such surplus shall be applied in accordance with the provisions of Article 6.

7.5 Rules and Regulations. Without limiting the generality of this Article, the Board of Directors shall have the power and authority to make, amend, and revoke reasonable rules and regulations concerning the use of the Lots and the Common Areas and Facilities as set forth in the Bylaws.

7.6 Professional Management. The Board of Directors may employ a professional management firm to manage the operation and affairs of the Development and the Association. Any management firm employed shall be employed pursuant to a written agreement executed on behalf of the Association by a Majority of the Board of Directors. All such management agreements shall be terminable by the Association with cause upon thirty (30) days written notice and without termination fee and upon ninety (90) days prior written notice and without termination fee without cause, and the term thereof may not exceed one (1) year. The management firm shall be the agent of the Board of Directors and the Association. To the extent permitted by law, the Board of Directors shall be authorized to delegate to such management firm such of the duties and powers of the Association and of its Board of Directors and Officers as the Board of Directors shall determine. The Declarant or any person affiliated with Declarant may be employed as the professional management firm pursuant to this Section; provided, however, that notwithstanding the foregoing, any contract or agreement of any kind with the Declarant or any person affiliated with the Declarant whether for professional management or for another purpose shall be terminable by either party thereto without cause and without payment of a termination fee upon no more than ninety (90) days prior written notice.

7.7 Enforcement of Director's Duties. In the event that the Board of Directors shall fail to perform any duty or duties which, under the terms and provisions of this Declaration or the other Instruments, are to be performed by it, any Owner or First Mortgagee who is aggrieved by such failure shall have the right to proceed in equity to compel the Board of Directors to perform such duty or duties. In no event, however, shall any Director have any liability to any Owner or First Mortgagee for any failure by the Board of Directors to perform any such duty or duties, except to the extent specifically provided in the North Carolina Nonprofit Corporation Act.

ARTICLE 8

INSURANCE

8.1 General Obligation and Authority. The Association shall obtain not later than the first conveyance of a Lot and maintain at all times (a) insurance for all of the insurable improvements on the Development (with the exception of improvements and betterments made and/or owned exclusively by the respective Owners or Occupants) against loss or damage by fire or other hazards, including extended coverage, vandalism, malicious mischief, debris removal, cost of demolition, windstorm, and water

damage, in an amount consistent with full replacement value of such insurable improvements, (b) fidelity coverage against dishonest acts on the part of its Directors, Officers, employees, agents and volunteers responsible for handling funds belonging to or administered by the Association in an amount at least equal to the sum of three (3) months Assessments plus reserves or in such greater amount as the Board may determine, (c) comprehensive public liability insurance, in amounts established by the Board of Directors from time to time, but in no event shall such amounts be less than One Million Dollars (\$1,000,000.00) for single limit coverage, and (d) such other types of insurance either required by applicable governmental authority or law or authorized by the Board of Directors from time to time. When any policy of insurance has been obtained by or on behalf of the Association, written notice of the obtainment thereof, and of any subsequent changes therein or termination thereof shall be promptly furnished to each Owner by the Officer required to send notices of meetings of the Association. In the event activities are conducted within a Lot such as to materially increase the premium or cost of insurance obtained pursuant to the provisions hereof, then in that event, the increased amount of such premium shall be assessed against such Lots in accordance with Section 6.3.

ARTICLE 9

RECONSTRUCTION OR REPAIR OF CASUALTY DAMAGE

9.1 Reconstruction or Repair. In the event of damage by fire or other casualty to the Common Areas And Facilities or any part thereof, the provisions of this Article shall govern the repair and reconstruction. The terms "repair" or "reconstruction" as used herein shall mean repairing or restoring the Common Area And Facilities to substantially the same condition in which it existed prior to the fire or other casualty (excluding improvements and betterments made by an Owner or Occupant) with each Lot and the Common Areas And Facilities having the same boundaries as before. Any repair or reconstruction may reasonably take into account changes in construction and design techniques and materials and the cost or availability thereof. The portion of the Common Area And Facilities so damaged shall be repaired or replaced promptly by the Association unless (a) said portion of the Common Area And Facilities are terminated, ie, removed or deleted from inclusion within the Common Areas And Facilities (b) repair or replacement would be illegal under any State or local health or safety statute or ordinance, or (c) the Owners of Lots located within the Development decide not to rebuild by a Vote of at least eighty percent (80%). The cost of any such repair or replacement in excess of insurance proceeds and reserves shall be a Common Expense with respect to the Development. If the entire Development is not repaired or replaced, (1) the insurance proceeds attributable to the damaged Common Areas And Facilities shall be used to restore the damaged area to a condition compatible with the remainder of the Development, (2) the remainder of the proceeds shall be distributed to all the Owners or lienholders within the Development, as their interest may appear, in proportion to their interest in the Common Areas And Facilities.

9.2 Damage and Destruction.

9.2.1 Claims, Adjustments and Repair Estimates. Immediately after any damage or destruction to all or any part of the Common Areas And Facilities covered by insurance purchased by the

Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance with respect to property losses of Owners and obtain reliable and detailed estimates of the cost of repair or reconstruction of such damaged or destroyed property.

9.2.2 Responsibility for Repair or Reconstruction. All of the work of repairing or reconstructing any portion of the Common Areas And Facilities, the damage to or destruction of which resulted in the payment of any insurance proceeds under any insurance policy maintained by the Association, shall be the responsibility of the Association and shall be performed under the supervision of the Board of Directors. In discharging such supervisory responsibility, the Board of Directors shall be authorized, but shall not be obligated, to reemploy as its agent or consultant such building supervisors or architects as the Board of Directors shall determine. Any fees which shall be payable to any such building supervisor or architect as shall be employed by the Board of Directors, shall be a Common Expense.

9.3 Insurance. Each Owner shall secure and maintain in full force and effect, at such Owner's expense, one or more insurance policies insuring Owner's residence and the improvements therein for the full replacement value thereof against loss or damage from all hazards and risks normally covered by a standard "Extended Coverage" insurance policy, including fire and lightning, vandalism and malicious mischief.

Each Owner, at Owner's expense, shall secure and maintain in full force and effect comprehensive personal liability insurance for damage to person or property of others occurring in said Owner's residence, in an amount not less than the amount designated by the Association. Owner shall provide the Association with satisfactory evidence that such insurance as herein required in full force and effect and the Association will be given thirty (30) days notice prior to the expiration or cancellation of any Owner's insurance coverage. In the event Owner fails or refuses to maintain such insurance coverage as herein required, the Association may, but shall not be obligated to, through its agent or representative, secure and maintain such insurance coverage for Owner's benefit, and the cost or expense thereof shall be deemed a special assessment levied by the Association against the Owner and Owner's Lot in accordance with the other provisions of this Declaration, and the Owner covenants and agrees to pay the Association such special assessment upon demand.

ARTICLE 10

ARCHITECTURAL CONTROL, USE RESTRICTIONS AND SALE OR LEASING OF UNITS

To assure a community of congenial Owners and thus protect the value of the developed Lots, the Development shall be subject to the restrictions set forth in this Article and the rules and regulations of the Association.

10.1 Architectural Review.

(a) The Architectural Review Committee (herein the "ARC") shall review all construction and improvements or modifications thereto, on any Lot or Dwelling Unit and make a recommendation as to approval or disapproval to the Board of Directors. The Board retains the right to appoint all members of the ARC who shall serve at the discretion of the Board. The Board shall have power to levy fees and charges payable by the builder or property owner for the service provided by the ARC and to require deposits to ensure that construction and landscaping plans are completed as approved. The Board shall also have the power to promulgate and enforce all reasonable and necessary rules and regulations in this regard and levy appropriate fines.

(b) No Dwelling Unit, garage, fence, wall, swimming pool, tower or other structure shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition to any existing structure or change or alteration therein, nor shall any landscaping or site work be done until complete final plans and specifications showing the nature, kind, shape, height, materials, basic exterior finishes and colors, location and floor plan therefor, and showing front, side and rear alterations thereof, the name of the contractor, septic tank contractor and landscaper, have been submitted to and approved by the ARC, as to harmony of exterior design and general quality with the standards of the Development, and as to location in relation to surrounding structures and topography.

(c) Prior to the construction of any structure, a site plan to scale must be submitted on a topographic map which shows the location of the house, septic tank, drain field, all drives, walks and parking areas, with each clearly indicated. Prior to any physical disturbance of the site, special and/or irreplaceable features are to be identified and provisions for their protection clearly established. This includes large and/or specimen trees, rock outcroppings, springs and streams, and concentrations of azaleas, rhododendrons, and other shrubs and wild flowers.

(d) Refusal or approval of plans, specifications, contractor, septic system contractor and landscaper, or location of any structure may be based upon any grounds including purely aesthetic considerations, which at the sole discretion of the Board shall be deemed sufficient. In the event that the Board fails to approve or to disapprove any application within thirty (30) days after submission of all information, the application shall be deemed approved. However, no approval, whether granted or deemed granted pursuant to the foregoing shall be inconsistent with this Declaration unless a variance has been granted in writing by the Board.

(e) Any contractor must be approved by the Board prior to performing any work within the Development. No person, firm or entity shall be approved as a contractor unless such person, firm or entity obtains his income primarily from construction or landscaping of the type which the contractor is to perform and is licensed by the State of North Carolina for his services. No Lot Owner will be permitted to act as his own builder for the exterior of any structure, except where such Lot Owner obtains his income primarily from the construction of the type of structure to be

constructed and otherwise as a licensed service provider meets the qualifications for approval by the Board.

(f) At the completion of all construction in accordance with the plans submitted, the Lot Owner shall request an on-site inspection by the Board. No home may be occupied until a written Occupancy Permit has been issued by the County government authority authorized to issue such permits. In addition to the above, the following will be required:

1. Final landscaping development plans must be approved and carried out without undue delay.
2. Exterior lighting must be approved.
3. All clean-up must be completed.

(g) No structure except as herein provided, shall be erected, altered, placed or permitted to remain on any Lot other than one (1) Dwelling Unit not exceeding two (2) stories in height above the basement, with a minimum requirement of at least a two (2) car garage which may be attached or unattached. The main building shall contain a minimum of 2,200 square feet of living space for a one-story dwelling. All two-story Dwelling Units shall contain a minimum of 1,800 square feet of enclosed living space for the main floor, with a total minimum of 3000 square feet of enclosed living space. Garages, porches, patios, greenhouses, unfinished basements, cellars, or similar areas shall not be considered floor space in meeting the above requirements. One accessory building may include a private garage and/or servants' quarters, providing the use of such accessory building does not overcrowd the site and; provided further, that such building is not used for any activity normally conducted as a commercial, industrial or religious activity. Such accessory building may not be constructed prior to the construction of the main Dwelling Unit. Each Dwelling Unit must have sufficient enclosed garage space for any and all family cars. No carports are permitted.

10.2 Lighting. The design, type, location, size, intensity, and color of all exterior lights (including both those mounted as part of the original design or otherwise in place at the time of the conveyance of a Lot to an Owner and those mounted with the consent of the Board of Directors) shall be subject to the prior written approval of the Board of Directors.

10.3 Residential Purposes. Except for Declarant's rights as set forth herein, all Lots shall be, and the same hereby are, restricted exclusively to residential use, and the occupancy thereof shall be subject to such restrictions as the Board of Directors may establish pursuant to the rules and regulations of the Association. The Board of Directors is given full and complete judgment, whether a proposed use is in violation of the restrictions set forth herein. In no event shall the Association or any member of the Board have any liability for any judgment or decision made reasonably and in good faith under this paragraph.

10.4 Signs. Except as may be required by legal proceedings and except as permitted in accordance with Section 4.6 hereof, no "For Sale" or "For Rent" signs of any kind shall be maintained or permitted on any portion of the Development, without the express written permission of the Declarant, so long as Declarant retains the right to appoint the Board of Directors and, thereafter, without the express prior written permission of the Board of Directors. Notwithstanding the foregoing, the provisions of this Section shall not apply to any signs maintained by the Declarant, its agents, representatives, or assigns, during the period that the Declarant has a Lot for sale, or to any notice or other advertisement posted on any community bulletin board by an Owner or his licensed real estate broker or agent or to a "For Sale" sign posted by a Mortgagee who becomes the Owner as purchaser at a Foreclosure Sale conducted with respect to a Mortgage or as a transferee pursuant to any proceeding in lieu thereof, subject to reasonable rules and regulations established by the Board of Directors with respect to such "For Sale" sign. The foregoing shall not apply to the signs placed by Declarant upon, and becoming a portion of, the Common Areas and Facilities at each entrance to the Development which identifies the name of the Development and the street and directional signs placed by Declarant or the Association at various locations on the Lots and on the Common Areas and Facilities which gives directions to each residence and identifies the Occupant. The maintenance responsibility for such signs shall rest with the Association.

10.5 Pets. No animals or birds, or any kind of pet, shall be kept or maintained on any portion of the Development, except that, notwithstanding the foregoing, Owners may keep and maintain no more than two (2) typical domestic pets, with dogs not exceeding ninety (90) pounds. All such animals shall be further subject to such reasonable rules and regulations as the Association may impose. All dogs must be on a leash or otherwise under the control of the Owner when outside the dwelling located on a Lot.

10.6 Use of Common Areas and Facilities. The use and enjoyment of the Common Areas And Facilities by the Owner and their Occupants shall be subject to such reasonable rules and regulations as may be made and amended from time to time in accordance with Section 7.5 of this Declaration. This Section is for the mutual benefit of all Owners and is necessary for the protection of all Owners.

10.7 Antennas. No antenna or other device for the transmission or reception of television signals, radio signals, or any form of electromagnetic wave or radiation shall be erected, used or maintained outdoors on any portion of the Development, whether attached to a building or structure or otherwise, without the express written permission of the Declarant, so long as Declarant retains the right to appoint the Board of Directors and, thereafter without the express written permission of the Association; provided, however, that Declarant and the Association shall have the right to erect, construct and maintain such devices. Notwithstanding the foregoing, any such device which may not be prohibited by the Association or the Declaration pursuant to the Federal Communications Act, or other similar statutory provision, shall be deemed herewith approved and permitted; provided that the Association may reasonably regulate the location of any such device so long as such regulation shall not have the effect of prohibiting the use of any such device.

10.8 Motor Vehicles, Trailers, Boats, etc. Each owner of a Dwelling Unit shall provide sufficient space for parking any and all vehicles off the roadways. Parking on the roadways in any area of the Development is not permitted.

Any boats, recreational vehicles, campers, motorcycles, motorbikes, all terrain vehicles and the like must be parked in an enclosed area, and shall not be visible from the roads and streets within any portion of the Development. No vehicle of any kind shall be stored on any Lot. Garage doors must be closed at all times when not in use.

No motorcycles, motorbikes, all terrain vehicles or similar motor vehicles shall be allowed upon or in the Development, without prior written approval of the Board.

10.9 Nuisances. No rubbish or debris of any kind shall be dumped, placed or permitted to accumulate upon any portion of the Development, except in containers specifically designated for such purpose, nor shall any odors be permitted, so as to render any portion of the Development unsanitary, unsightly, offensive or detrimental to persons using or occupying other portions of the Development. No nuisance shall be permitted to exist or operate upon any portion of the Development so as to be offensive or detrimental to persons using or occupying other portions of the Development. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on the Development.

10.10 Prohibited Activities. Noxious or offensive activities shall not be carried on in any Lot, or in any part of the Common Areas And Facilities. Each Owner and Occupant shall refrain from any act or use of his Lot or the Common Areas And Facilities which could reasonably cause embarrassment, discomfort, annoyance or nuisance to the other Owners and Occupants, or which would result in the cancellation of insurance on any portion of the Common Areas And Facilities, or which would be in violation of any law or governmental code or regulation. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly or unkempt conditions, shall not be pursued or undertaken on any portion of the Development.

10.11 Governmental Regulations. All governmental building codes, health regulations, zoning restrictions, and the like applicable to the Development shall be observed. In the event of any conflict between any provision of any such governmental codes, regulations, or restrictions and any provision of this Declaration, the more restrictive provision shall apply.

10.12 Exterior Appearance. To provide a neat, attractive and harmonious appearance throughout the Development, no awnings, shades, screens or other items shall be attached to, hung or used on the exterior of any window or door of any building without the prior written consent of the Board of Directors or an architectural committee appointed by the Board of Directors. Further, no foil or other reflective

material shall be used on any windows or sun screen, blinds, shades or any other purpose so as to be visible from the exterior of the structure.

10.13 Sale Period. Notwithstanding any provisions contained in this Declaration to the contrary, during the period of the sale of the Lots it shall be expressly permissible for Declarant, its contractors, agents, employees, assigns, and representatives to maintain and carry on, upon such portion of the Development as Declarant may deem necessary, such facilities and activities as in the sole opinion of Declarant may be reasonably required, convenient or incidental to the completion and sale of the Lots, including, but without limitation, business offices, signs, model units, and sales offices. The right to maintain and carry on such facilities and activities on the Submitted Property for such purposes and to use any Lots on the Development for such purposes and to use any Lots owned by Declarant as model units and as offices for the sale of the Lots and related activities, such units being located and described as provided herein and in the other Instruments. Furthermore, the provisions of Sections 10.1 through 10.12 and Section 10.14 shall not be applicable to Declarant during such period.

10.14 Sale, Leasing, Timesharing. The following provisions shall apply to sales, leases, or time sharing of Lots.

10.14.1 The right of any Owner, including Declarant, to sell, transfer, convey, mortgage, encumber, or pledge the Lot owned by such Owner shall not be subject to any right of first refusal or any similar restriction in favor of the Association or Declarant.

10.14.2 No Owner may lease his Lot for transient or hotel purposes. Any Lease shall be subject in all respects to the provisions of the Instruments and the rules and regulations of the Association; and any failure by the Lessee to comply with the terms of such Instruments shall be a default under the Lease, and any Lease shall so provide. In the event of non-compliance by any tenant or other occupant of a Lot with the terms of the Instruments, the Board of Directors shall have the right to require the Owner or lessee of such Lot to terminate such lease because of such default or cause the Owner to effect compliance and additionally, to levy a charge or fine against the Owner of such Lot for such non-compliance.

10.14.3 Time-sharing or timeshares as defined in the North Carolina Time Share Act (N. C. General Statute 93-A-39 et seq) is prohibited.

10.15. No structure of a temporary character shall be placed upon any portion of the Development at any time; provided, however, that this prohibition shall not apply to shelters used by contractors during the construction of any Dwelling Unit. Temporary shelters, including mobile homes, trailers, recreational vehicles, and tents, may not, at any time, be used as a temporary or permanent residence or be permitted to remain on any portion of the Development after the completion of construction thereon as hereinabove provided. Basements or partially complete houses will be considered temporary and may not be inhabited.

10.16 All front setbacks for buildings in the Development shall be a minimum of 30 feet, side and rear setbacks shall be a minimum of 40 feet. Relief from said building setback lines may be given by the

Board, acting through the ARC, to any Lot Owner upon a showing of extraordinary circumstances by said Lot Owner. Such extraordinary circumstances may include unusual topography, Lot shape, frontages and also potential views to give property owners the fullest enjoyment of their Lots. In order to assure, however, that location of houses will be staggered where practical and appropriate so that the maximum amount of view and privacy will be available to each house, that the structures will be located with regard to the ecological constraints and topography of each Lot, taking into consideration topography, the location of large trees and similar considerations, the Board, acting through the ARC, reserves the right to control absolutely the precise site and location of any residential unit or other structure upon all Lots. Provided, however, that such location shall be determined only after reasonable opportunity is afforded the Lot Owner to recommend a specific site.

10.17 The exterior of all houses and other structures as well as site work and landscaping must be completed within sixteen (16) months after the construction of same shall have commenced, except where such completion is impossible or would result in great hardship to the Lot Owner due to strikes, fire, national emergency or natural calamities. Normally, the construction start date will be the date Henderson County issues a construction permit. In addition, a landscaping plan and driveway surfacing plan, with firm completion dates, must also be approved. Residential units and other dwelling structures may not be occupied until the exterior thereof has been completed. If the exterior is not completed within sixteen (16) months without the prior written approval of the ARC, the Lot Owner shall, after notice and opportunity to be heard, be liable for fines as provided in Section 47F-3-102 (12) of the Act in the amount of up to \$150.00 per day until all exterior items are completed to the satisfaction of ARC.

10.18 No flowering trees, shrubs or evergreens of any size, or trees measuring twelve (12) inches or more in diameter at a point six (6) feet above ground level, may be removed without prior written approval of the ARC, unless located within twenty (20) feet of the building, or within ten (10) feet of the right-of-way of driveways and walkways. Excepted herefrom shall be damaged trees, or trees which must be removed because of any emergency. However, should a Lot Owner remove any tree or vegetation as herein provided without the above-described written approval, or negligently or intentionally damage any tree or vegetation as herein provided, said Lot Owner shall, after notice and opportunity to be heard, be liable to the Board for an assessment in the amount of Fifteen Hundred Dollars for each tree or other plant removed or be liable for fines as provided in Section 47F-3-102 (12) of the Act.

10.19 Prior to the occupancy of any Dwelling Unit, proper and suitable provisions shall be made for the disposal of sewage by means of a septic system, and no sewage shall be emptied or discharged into any creek, lake or shoreline thereof, or upon the open ground. No sewage disposal shall be used unless such system is designed, located, constructed and maintained in accordance with the requirements, standards and recommendations of the State Board of Health or its successor governmental authority. Each septic system shall be maintained in good condition so that its use and existence shall not constitute a nuisance to any other Lot Owner. Approval of such system shall be obtained from the health authority having jurisdiction. In the event that the Board, its successors or assigns, or other person, firm corporation, or governmental authority provides a public sewage disposal system available to the subdivision's lots, any Lot Owner whose Lot has such service available shall be required to hook up to said system on the terms

generally arranged for said system. Every Dwelling Unit shall have permanent plumbing and running water and a permanent sewage disposal system. No temporary plumbing, water, or sewage systems are allowed.

10.20 Fuel storage receptacles may not be exposed to view and must be installed, either within an accessory building or buried underground. Bottled gas, with the exception of gas grills, is not permitted.

10.21 Each Lot Owner shall provide sanitary containers for garbage and all garbage receptacles, tools and equipment for use by the Lot Owner or otherwise shall be placed in a fenced enclosure to shield same from general visibility from the roads abutting the Lot Owner's property, and also from neighboring properties. Trash, garbage and other waste shall be kept in said sanitary containers. No trash, garbage, construction debris or other unsightly or offensive material shall be placed upon any portion of the development, except as temporary and incidental to bona fide improvements of said area of the Development.

10.22 All utilities, wires, cables, antennae (including television satellite receptacles) and the like, of any kind (such as telephone, electrical, televisions, radio and citizens band radio) must be placed underground or within or upon the house so as not to be visible from the street or adjoining Lots, except as may be expressly permitted by FCC regulation or approval in writing by the Board.

10.23 The Board either owns, or shall have control of all rights-of-way for roadways as shown on the various plat maps for the Development. The Board shall have the power to place any reasonable restrictions upon the use of roadways, including but not limited to, the types and sizes of vehicles using said roads, the maximum and minimum speeds of vehicles using said roads, and the maximum noise level of vehicles. The Board shall have the power to levy fees and charges for the impact of construction of new homes upon the roads and other common areas and to require deposits to ensure roads and rights-of-way are returned to pre-construction condition at the completion of construction. The Board shall also have the power to promulgate and enforce all reasonable and necessary traffic and parking regulations and levy fines for violations.

10.24 It is the responsibility of each Lot Owner to prevent any unclean, unsightly and unkempt condition of buildings or grounds on the Lot Owner's property, including the right-of-way. The Board shall have the right, but not the duty, to enter upon any Lot for the purpose of abating any unclean, unsightly or unkempt condition of buildings or grounds that tend to decrease the beauty of the neighborhood as a whole or the specific area. The cost of such abatement and any damage resulting from such entry shall be at the expense of the specific Lot Owner and shall not be deemed a trespass.

10.25 No obnoxious or offensive activity shall be carried on upon any portions of the Development nor shall anything be done tending to cause embarrassment, discomfort, annoyance or nuisance to any Lot Owner, tenant or guest thereof in any area of the Development thereby diminishing the enjoyment of Lots by their owners. No plant, animal, device or thing of any sort whose normal activities or existence is in any way noxious, dangerous, unsightly, unpleasant, or of a nature as to diminish or destroy the enjoyment of other property in the Development by the Lot Owners, tenants, and guests thereof, may

be maintained. The Board reserves the right in its sole discretion to determine a nuisance, and upon ten (10) days written notification by the Board, the activity must cease.

ARTICLE 11

GENERAL PROVISIONS

11.1 Amendment. This Declaration may be amended by the affirmative Vote of Owners having at least sixty-seven percent (67%) of the total Vote of the Association. Notwithstanding anything to the contrary, so long as the same shall not (a) adversely affect the title to any Lot, (b) change the percentage of undivided ownership interest in and to the Common Areas and Facilities appurtenant to any Lot, except as otherwise provided or (c) materially alter or change any Owner's right to the use and enjoyment of his Lot, Common Area And Facilities as set forth in this Declaration, each Owner and Mortgagee agrees that, if requested to do so by Declarant during the Declarant Control Period, such Owner and Mortgagee shall consent to the amendment of the Instruments, (i) if such amendment is necessary to bring any provision hereof or thereof into compliance or conformity with, or remove any conflict or inconsistency with, the provisions of any applicable governmental statute, rule, regulation, including without limitation, the provisions of a judicial determination which shall be in conflict therewith, (ii) if such amendment is required by the governmental statutes, laws, rules or regulations applicable to or promulgated by a governmental lender or purchaser of mortgage loans, or (iii) if such amendment is necessary to obtain permanent financing from a Mortgagee relative to any Lot. Amendments to this Declaration or the other Instruments may be proposed by Declarant, by the Board of Directors, or by petition signed by Owners having at least thirty percent (30%) of the total Votes of the Association. Agreement of the required majority of Owners to any amendment of the Instruments shall be evidenced by their execution of the amendment. Any such amendment of the Instruments, including this Declaration, shall become effective only when recorded or at such later date as may be specified in the amendment itself. The written consent of any Mortgagee required with respect to such amendment shall also be recorded in such amendment but no such consent shall be required with respect to amendments made by Declarant during the Declarant Control Period.

11.2 Eminent Domain. In the event that all or part of the Development shall be taken by any authority having the power of eminent domain, the allocation of the award for such condemnation and all related matters, such as the reallocation of undivided interests in the Common Areas and Facilities, Liabilities for Assessments and Votes, shall be handled as follows:

11.2.1 If any Lot or portion thereof or the Common Areas and Facilities or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the holder of any First Mortgage on a Lot will be entitled to timely written notice of any such proceeding or proposed acquisition, and no provision of this

Declaration will entitle the Owner or other person to priority over any Mortgagee with respect to the distribution of the proceeds of any award or settlement relating to such Lot.

11.2.2 In the event all or any part of the Common Areas And Facilities shall be taken in condemnation or by eminent domain, each Owner hereby grants an irrevocable power of attorney to the Association to represent such Owner in any and all condemnation proceedings, negotiations, settlements, and agreement with the condemning authority. The award for such taking shall be payable to the Association for the use and benefit of the Owners and their respective Mortgagees as their interest may appear and shall be distributed by the Board of Directors as hereinafter provided.

11.2.3 If part of the Common Areas and Facilities is acquired by condemnation or eminent domain, the award must be paid to the Association for the benefit of the Owners. Any portion of the award attributable to the acquisition of a portion of the Common Areas and Facilities must be apportioned among the Owners of the Lots, to which that portion of the Common Areas and Facilities was allocated at the time of acquisition.

11.2.4 The court decree relative to such condemnation or eminent domain shall be recorded in the Office of the Clerk of Superior Court, Henderson County, North Carolina.

11.3 Rights of Third Parties. This Declaration shall be recorded for the benefit of Declarant, the Owners and their Mortgagees as herein provided, and by such recording, no adjoining property owner or other person shall have any right, title or interest whatsoever in the Development or in the operation of continuation thereof or in the enforcement of any of the provisions hereof, and, subject to the rights of Declarant and such Mortgagees as herein provided, the Owners shall have the right to cancel, extend, modify, amend or otherwise change the provisions of this Declaration without the consent, permission or approval of any adjoining owner or third person.

11.4 Termination. The Common Areas And Facilities shall remain undivided and no Owner nor any other person shall bring any action for partition or division of any part of the Common Areas And Facilities.

11.5 Enforcement. Each Owner shall comply strictly with the provisions of the Instruments and rules and regulations of the Association. In the event of a violation or breach, or threatened violation or breach, of any of the same, the Association or, in a proper case, any aggrieved Owner or Owners, jointly and severally, shall have the right to proceed at law or in equity to compel compliance therewith or to prevent a threatened violation or breach thereof. In addition to all other remedies, the Association, or a duly authorized agent thereof, shall have the right to enter upon any portion of the Common Areas And Facilities where a violation exists and, at the expense of the violating Owner, abate or remove any structure, thing or condition that may be or exist contrary to the intent and meaning of the Instruments or rules and regulations, if after notice and hearing as set forth in the Bylaws, it shall not have been corrected by such Owner. Neither the Association, nor its agents, shall be deemed guilty or liable for any manner of trespass for such entry, abatement or removal. Should the Association employ legal counsel to enforce any

of the foregoing or any other rights or remedies of the Association, all costs incurred in such enforcement, including a reasonable fee for counsel shall be paid by the violating Owner. Inasmuch as the enforcement of the provisions of the Instruments and rules and regulations is essential for the protection of present and future Owners, it is hereby declared that any breach thereof cannot be adequately compensated by recovery of damages, and that the Association or, in any proper case, any aggrieved Owner or Owners, in addition to all other remedies may require and shall be entitled to the remedy by injunction to restrain any such violation or breach or threatened violation or breach. No delay, failure or omission on the part of the Association, or any aggrieved Owner or Owners in exercising any right, power or remedy herein provided shall be construed as an acquiescence thereto or shall be deemed a waiver of the right to do so thereafter, as to the same violation or breach, or as to a violation or breach occurring prior or subsequent thereto, and shall not bar or affect its enforcement. No right of action shall accrue nor shall any action be brought or maintained by anyone whatsoever against the Association or its Officers or Directors for or on account of any failure to bring any action on account of any violation or breach, or threatened violation or breach, of the provisions and regulations, however long continued, or for the imposing of provisions which may be unenforceable.

11.6 Exhibits. All exhibits referred to in and attached to this Declaration or any other Instruments are hereby incorporated in this Declaration or such other Instruments in full by this reference.

11.7 Duration. The provisions of this Declaration shall run with and bind the land, shall be binding upon and inure to the benefit of all Owners and Mortgagees, their heirs, executors, legal representatives, successors, and assigns, and shall be and remain in effect for a period of twenty (20) years, from the date this Declaration is recorded, after which time this Declaration shall be automatically extended perpetually for successive periods of ten (10) years, to the extent permitted by North Carolina law.

11.8 Interpretation. In all cases, the provisions set forth or provided for in this Declaration shall be construed together and given that interpretation or construction which, in the opinion of the Declarant or the Board of Directors, will best effect the intent of the general plan of the Development. The provisions hereof shall be liberally interpreted, and if necessary, they shall be so extended or enlarged by implications as to make them fully effective. The effective date of this Declaration shall be the date it is filed of record. In the event of any conflicts or inconsistencies between the Act, this Declaration or the Bylaws, the terms and provisions of this Declaration, in that order, shall prevail.

11.9 Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other entities or to individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

11.10 Rights of Mortgagees and Owners. In addition to the rights of Mortgagees elsewhere provided, each Mortgagee and each Owner shall: (a) be entitled to written notice from the Association of any default by an Owner in the performance of his obligations under the Instruments which is delinquent for a period of more than thirty (30) days specifically including any delinquency in payment of an

Assessment; (b) be entitled to receive notice of and to designate a representative to attend and observe all meetings of Owners, but not meetings of the Board of Directors; (c) be entitled to receive written notice of any condemnation loss or any casualty loss which affects a material portion of the Submitted Property or any Lot on which a Mortgagee holds a Mortgage; (d) be entitled to receive thirty (30) days prior written notice of any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; (e) be entitled to receive written notice of any proposed action which would require the consent of a specified percentage of the Mortgagees; and (f) be furnished copies of annual financial reports within one hundred twenty (120) days after the end of the Association's fiscal year; provided, however, that such Owner or Mortgagee shall first file with the Association a written request (setting forth the name of such Owner or Mortgagee and the Lot Designation of the Lot with respect to which such request is made) that notices of default, notices of meetings and copies of financial reports be sent to a named agent or representative of the Mortgagee or Owner at an address stated in such notice. Further, each Mortgagee and Owner shall, upon request, be entitled to inspect the books, records and financial statement of the Association (including the Instruments and other documents) during normal business hours. Any First Mortgagee shall, upon written request, be entitled to an audited, review or compilation financial statement of the Association for the immediately preceding fiscal year, whichever shall have been prepared, free of charge to the First Mortgagee so requesting it.

11.11 Responsibility for Maintenance of Private Streets and Parking Areas. The maintenance responsibility for the private streets and parking areas which comprise a portion of the Common Areas And Facilities shall rest with the Association.

11.12 Contract for Installation of Utility Service. Declarant reserves the right to subject the Development to a contract with governmental or quasi-governmental entities for the installation of underground utility service which may include the installation of street lighting, either or both of which may require a continuing monthly payment to one or more such utility by the Association.

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

11.14 Captions. The captions of each Article and Section hereof as to its contents are inserted only for convenience and are in no way to be construed as defining, extending or otherwise modifying or adding to the particular Article or Section.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed under seal as of the day and year first above written.

81307 8171

DECLARANT:
FLAT ROCK VALLEY, LLC,
a North Carolina Limited Liability Company

By:  (SEAL)
BRIAN CARL ELY
Manager

STATE OF NORTH CAROLINA

COUNTY OF HENDERSON

I, a Notary Public of the County and State aforesaid, do certify that BRIAN CARL ELY, Manager of FLAT ROCK VALLEY, LLC, a North Carolina Limited Liability Company, personally appeared before me, this day and acknowledged the due execution of the forgoing instrument.

Witness my hand and official stamp or seal, this 14th day of February, 2007.

[Signature]
Notary

My commission expires: 12/4/2010

(NOTARY SEAL)

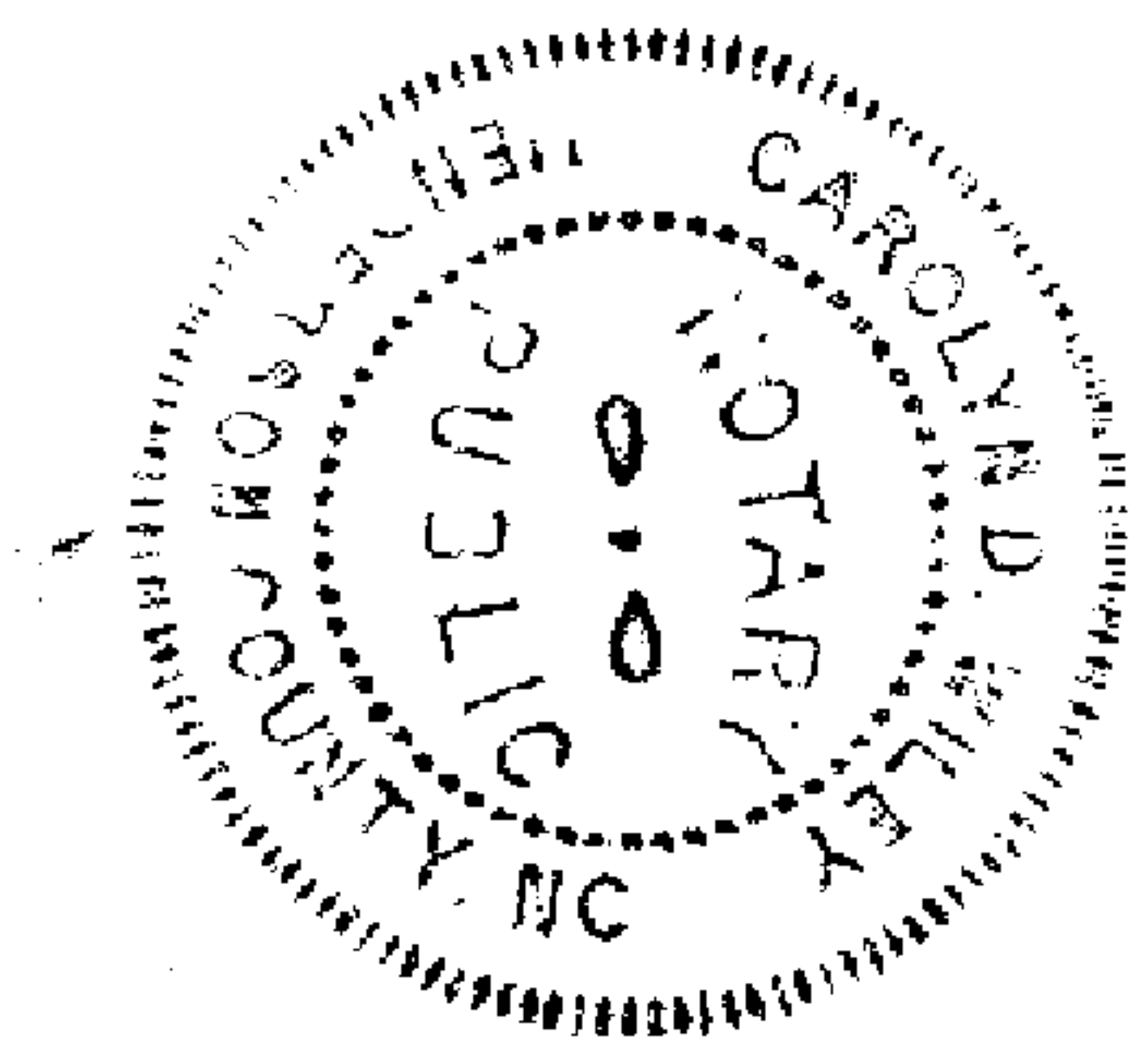


EXHIBIT B

TO
 DECLARATION OF COVENANTS AND RESTRICTIONS
 FOR
 COBBLESTONE VILLAGE
 DEVELOPMENT

IDENTIFYING #	VOTES IN ASSOCIATION	SHARE OF LIABILITY FOR COMMON EXPENSES
---------------	-------------------------	---

SCHEDULE OF LOT INFORMATION

1.	1.818%	1.818%
2.	1.818%	1.818%
3.	1.818%	1.818%
4.	1.818%	1.818%
5.	1.818%	1.818%
6.	1.818%	1.818%
7.	1.818%	1.818%
8.	1.818%	1.818%
9.	1.818%	1.818%
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17.	1.818%	1.818%
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21.	1.818%	1.818%
22.	1.818%	1.818%
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26.	1.818%	1.818%
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32.	1.818%	1.818%

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51.	1.818%	1.818%
52.	1.818%	1.818%
53.	1.818%	1.818%
54.	1.818%	1.818%
55.	1.818%	1.818%

This instrument prepared by and return to:
John E. Tate, Jr.
Attorney at Law
Suite 700
475 South Church Street
Hendersonville, NC 28792

ARTICLES OF INCORPORATION
OF
COBBLESTONE VILLAGE OF HENDERSON COUNTY OWNERS' ASSOCIATION, INC.

The undersigned, being of the age of eighteen years or more, does hereby make and acknowledge these Articles of Incorporation pursuant to Chapter 55A of the General Statutes for the purpose of forming a Nonprofit Corporation under and by virtue of the laws of the State of North Carolina.

ARTICLE I
NAME

The name of the corporation is COBBLESTONE VILLAGE OF HENDERSON COUNTY OWNERS' ASSOCIATION, INC., hereinafter called the "Association".

ARTICLE II
DURATION

The Lot Association's period of duration shall be concurrent with the period during which that certain Declaration of Covenants and Restrictions for Cobblestone Village recorded in the Henderson County Registry (hereinafter referred to as the "Declaration") shall affect or restrict the use of the Property described on Exhibit A attached hereto and incorporated herein by this reference, as the description of the Property may be amended from time to time (herewith the "Development") or until the Association shall be sooner terminated pursuant to these Articles. All definitions set forth in Article 1 of the Declaration shall have the same meanings as set forth therein in these Articles.

ARTICLE IIIPRINCIPAL AND REGISTERED OFFICE AND AGENT

The address of the initial registered office of the Association is 101 Pinnacle Peak Lane, Henderson County, Flat Rock, North Carolina 28731. The name of the initial registered agent at that address is Brian Carl Ely.

ARTICLE IVPURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, management, preservation and architectural control of the Development, as it may exist from time to time, which is subject to the Declaration and to promote the health, safety and welfare of the Owners within the Development, as it may exist from time to time, and to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration and as the same may be amended from time to time as therein provided:

(b) fix, levy, collect and enforce payment by any lawful means, all charges or Assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(d) borrow money, and, with the assent of two-thirds (2/3rds) of the Owners and Mortgagees, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(e) dedicate, sell or transfer all or any part of the Common Areas And Facilities to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Owners, but no such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3rds) of the Owners and first Mortgagees, agreeing

to such dedication, sale or transfer (neither the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Areas and Facilities or Limited Common Areas and Facilities by the Development nor the transfer, sale or encumbrance of an undivided interest in the Common Areas And Facilities or Limited Common Areas And Facilities, as an appurtenance to a Lot, shall be deemed a dedication, sale or transfer within the meaning of this subparagraph);

(f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall be effected as provided in the Declaration;

(g) have and to exercise any and all powers, rights, and privileges which a corporation organized under the North Carolina Nonprofit Corporation Act, N.C.G.S. §55A-1, et. seq., by law may now or hereafter have or exercise.

The powers of the Association shall be subject to and shall be exercised in accordance with the provisions of the Declaration.

ARTICLE V

NONPROFIT ASSOCIATION

No part of the net earnings of the Association shall inure to the benefit of any Officer, Director or member of the Association. All funds and property acquired by the Association and the proceeds therefrom shall be held only for the benefit of the members of the Association in accordance with the provisions of the Declaration.

ARTICLE VI

MEMBERSHIP

Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot shall be a member of the Association and no other persons shall be entitled to membership in the Association. The foregoing is not intended to include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot, which is subject to Assessment by the Association.

ARTICLE VII
BOARD OF DIRECTORS

Following the expiration of the Declarant Control Period, the Board shall consist of five (5) Directors who must each be a Lot Owner, or a member, partner or officer of a Lot Owner. During the Declarant Control Period provided in Section 7.2 of the Declaration, the Board shall consist of three (3) Directors who need not be Owners or a Member, Partner, or officer of a Owner and shall be appointed by the Declarant as provided in the Declaration. The number of directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of the initial Directors until the selection of their successors at the first meeting of the Association, or appointment of others by Declarant, are:

<u>DIRECTOR</u>	<u>ADDRESS</u>
Brian Carl Ely	101 Pinnacle Peak Lane Flat Rock, NC 28731
David Lee	908 Whiteside Trail Hendersonville, NC 28792
Thomas McCanless	208 Holly Crest Circle Simpsonville, SC 27681

ARTICLE VIII
DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3rds) of the Owners and First Mortgagees. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall first be offered to the public and thereafter if such offer is not accepted, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE IX
AMENDMENTS

Amendment of these Articles shall require the affirmative Vote of the Owners having at least seventy-five percent (75%) of the total Vote of the Association.

ARTICLE X
INCORPORATOR

The name and address of the incorporator of the Lot Association is: John E. Tate, Jr., Suite 700, 475 South Church Street, Hendersonville, North Carolina 28792.

IN WITNESS WHEREOF, I have set my hand and seal this the ____ day of October, 2006.

_____(SEAL)
JOHN E. TATE, JR.
INCORPORATOR

BYLAWS
OF
COBBLESTONE VILLAGE OF
HENDERSON COUNTY
OWNERS' ASSOCIATION, INC.,
a North Carolina Nonprofit Corporation

THE OWNERS' ASSOCIATION
OF
COBBLESTONE VILLAGE
in Henderson County, North Carolina

Adopted February ____, 2007

BYLAWS

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BYLAWS

OF

COBBLESTONE VILLAGE OF HENDERSON COUNTY OWNERS' ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the Corporation is Cobblestone Village Of Henderson County Owners' Association, Inc.(the " Association") The principal office of the Association shall be located at 101 Pinnacle Peak Lane, Flat Rock, , Henderson County, North Carolina, 28731 or such other place as shall be selected by the Board Of Directors, but meetings of Owners and Directors may be held at such places within the State of North Carolina, County of Henderson, as shall be selected by the same manner.

ARTICLE II

DEFINITIONS

Section 2.1 " Declaration" shall mean that certain Declaration of Covenants And Restrictions For Cobblestone Village recorded in Book _____, Page _____, Henderson County Registry.

Section 2.2 The terms defined in Article I of the Declaration and Article I of the Master Declaration shall have the same meanings as set forth therein in these Bylaws.

ARTICLE III

MEMBERSHIP

An Owner of a Lot shall automatically become a member of the Association upon taking title to the Lot and shall remain a member for the entire period of ownership. If title to a Lot is held by more than one person, the membership shall be shared in the same proportion as the title, but there shall be only one membership per Lot. Membership does not include a Mortgagee, and the giving of a Mortgage shall not terminate the Lot Owner's membership. Membership shall be appurtenant to the Lot to which it appertains, shall be transferred automatically by conveyance of that Lot, and may be transferred only in connection with the conveyance of title of that Lot.

ARTICLE IVMEETINGS OF LOT OWNERS

Section 4.1 Annual Meeting. The annual meeting of the Owners shall be held in December at such date and time as shall be established by the Board of Directors, for the purpose of transacting any business authorized to be transacted by the Owners; provided, however, if that day is a legal holiday, this meeting shall be held at the same hour on the next succeeding day.

Section 4.2 Substitute Annual Meeting. If the annual meeting of the Owners is not held as provided in Section 4.1, any business, including the election of Directors, which might properly have been acted upon at that meeting may be acted upon at any subsequent Owners meeting held pursuant to these Bylaws or to a court order requiring a substitute annual meeting.

Section 4.3 Special Meetings. Special meetings of the Owners may be called at any time by the president, a majority of the Board or upon written request of the Owners who are entitled to Vote ten percent (10%) of all Votes in the Association.

Section 4.4 Notice of Meetings. Written notice of each meeting of Owners shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or hand delivered not less than ten (10) days nor more than sixty (60) days, unless otherwise stated in the Declaration, before such meeting to each Owner entitled to Vote thereat, addressed to the Owner's address last appearing on the books of the Association, or supplied by such Owner to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, the items on the agenda, including general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes and any proposal to remove a director or officer. Proof of such mailings shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived before or after meetings by Vote of the Owners of the Association.

Section 4.5 Quorum. The presence at the meeting of Owners entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the Votes in the Association shall constitute a quorum for any action except as otherwise provided in the Instruments. If, however, such quorum shall not be present or represented at any meeting, the Vote of the Majority of the Owners entitled to Vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented; provided that a such meeting the quorum requirement shall be reduced to one-twentieth (1/20) of the Votes of the Association. The presence of an Owner at the beginning of a meeting shall constitute the presence of such Owner for the purpose of determining a quorum. The Vote of the Owners of a Lot owned by more than one person or by a corporation or other entity shall be cast by the person named in a certificate signed by all of the Owners of the Lot and filed with the Secretary of the Association. Such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not on file, the Vote of such Owners shall not be considered in determining the requirement for a quorum nor for any other purpose.

Section 4.6 Proxies. At all meetings of Owners, each Owner may Vote in person or by proxy. All proxies shall be in writing and filed with the Secretary prior to or at the commencement of the meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Owner of his Lot.

Section 4.7 Order. The order of business at annual Owners' meetings, and, as far as practical at all other Owners' meetings, shall be:

- a. Calling of the roll and certifying of proxies.
- b. Proof of notice of meeting or waiver of notice.
- c. Reading and disposal of any unapproved minutes.
- d. Unfinished business.
- e. New business.
- f. Adjournment.

Section 4.8 Conduct of Meetings. The President shall preside over all Owners' meetings. The Secretary shall keep a minute book with all resolutions adopted by the Owners, minutes of all meetings, and all written consents to actions taken without a meeting. Robert's Rules of Order (latest edition) shall govern the conduct of the meeting, except to the extent inconsistent herewith.

Section 4.9 Adjournments. Any meeting of the Owners, whether or not a quorum is present, may be adjourned by a Majority of the Votes at the meeting to reconvene at a specific time and place. It shall not be necessary to give any notice of the reconvened meeting or of the business to be transacted, if the time and place of the reconvened meeting are announced at the meeting which was adjourned. Any business may be transacted which could have been transacted at the meeting which was adjourned, if a quorum is at the reconvened meeting.

Section 4.10 Action of Owners Without a Meeting. Any action which may be taken at a meeting of the Owners may be taken without a meeting if a written consent setting forth the action authorized, is signed by all of the Owners. The consent shall be filed in the minute book or other appropriate records by the Secretary. It shall then have the same effect as a unanimous Vote of the Owners at a special meeting called for the purpose of considering the action authorized.

Section 4.11 Vote Required for Action. Except as otherwise provided by the Act, the Nonprofit Corporation Act, in the Instruments or herein, the act of a Majority of the Owners at a meeting at which a quorum was present shall be the act of the Owners.

ARTICLE VBOARD OF DIRECTORS

Section 5.1 General Powers. The business and affairs of the Association shall be managed by the Executive Board of Directors elected as provided in G.S. 47F-3-103 and G.S. 47C-3-103 (hereinafter referred to as the "Board" or "Board of Directors"). The Board shall have all powers of the Lot Association that are not required by law, the Instruments, the Articles or these Bylaws, to be exercised by the Owners. The powers of the Lot Association include those set forth in Section 55A-15 of the North Carolina Nonprofit Corporation Act and Article 3 of the Community Act with respect to the Lots.

Section 5.2 Qualifications. Each Director must be a Owner, except those appointed by Declarant, during the Declarant Control Period.

Section 5.3 Nomination. Nomination for election to the Board shall be made by a nominating committee which shall consist of three (3) Owners appointed by the President. The nominating committee may nominate any number of qualified individuals, but no less than the number of Directors to be elected. Separate nominations shall be made for each seat on the Board for which a Director is to be elected. The nominations and the names of those on the nominating committee shall be included with the notice of the meeting. Nominations shall also be allowed from the floor at the meeting.

Section 5.4 Election. Subject to Section 5.5.1 hereof, election to the Board of Directors shall be by written ballot. At such election the Owners or their proxies may cast, in respect to each vacancy, as many Votes as they are entitled to exercise under the provisions of the Declaration. The Owner or Owners receiving the largest number of Votes shall be elected. Cumulative voting shall not be permitted.

Section 5.5 Number and Term of Office.

5.5.1 During the Declarant Control Period, the Board shall consist of three (3) Directors appointed by Declarant. Each such Director shall serve at the pleasure of Declarant; provided, however, not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots to Owners other than Declarant, at least one member of the Board shall be elected by Owners other than Declarant. Furthermore, Declarant's rights to appoint or remove all Directors and Officers or to exercise powers and responsibilities otherwise assigned to the Association, Board or Officers by the Act or the Instruments shall cease and terminate upon the first to occur of: (i) the expiration of seven (7) years after the date of recording of the Declaration; (ii) one hundred twenty (120) days after the date as of which Lots to which eighty-five (85%) of the undivided interests in the Common Areas And Facilities appertain, shall have been conveyed by Declarant to Owners; (iii) two (2) years after Declarant has ceased to offer Lots for sale in the ordinary course of business; (iv) two (2) years after the right to add new Lots set forth in Section 7.2 of the Declaration which was last exercised; or (v) the surrender by Declarant of such rights by an express amendment to the Declaration.

5.5.2 After the expiration of the Declarant Control Period, the Board shall consist of five (5) Directors with each having a three (3) year term of office. The Directors shall be divided into three (3) classes with the terms of one class expiring each year. Directors replacing those appointed by Declarant shall be elected upon the expiration of the Declarant Control Period, but in no event more than ninety (90) days after the expiration thereof. If the next annual meeting occurs within that time period, the election shall be held at the annual meeting. If not, a special meeting may be called by any Owner for such purpose. In either case, Section 5.3 shall govern nominations. The term of the Director in the first class shall expire at the next annual meeting, the terms of the Director in the second class shall expire at the second annual meeting thereafter, and the terms of the Director in the third class shall expire at the third annual meeting thereafter. Each Director shall serve until his term expires and his successor has been elected and qualified, subject to removal, disqualification, or resignation.

Section 5.6 Removal. Any Director, other than those appointed by Declarant during the Declarant Control Period, may be removed from office with or without cause by a Vote of at least sixty-seven percent (67%) of the Owners at any meeting of the Association at which a quorum is present. Removal action may be taken at any annual or special meeting with respect to which notice of such purpose has been given. A removed Director's successor may be elected at the same meeting to serve the unexpired term.

Section 5.7 Vacancies. A vacancy occurring on the Board of Directors may be filled by a Majority of the Directors remaining in office though less than a quorum of the Board of Directors. The Director so elected by the Board shall serve until the next annual meeting, at which time a Director shall be elected by the Owners for the remaining term, if any.

Section 5.8 Compensation. Directors shall not receive compensation for their services as Directors. A Director may serve the Association in another capacity and receive compensation, if disclosed to the Board in advance in writing, except that such Directors as are appointed by Declarant shall not be entitled to receive compensation from the Association.

Section 5.9 Committees of the Board of Directors. The Board may designate from among its members an executive committee and one or more other committees, each consisting of at least two (2) Directors. Each committee shall have the authority set forth in the resolution establishing the committee.

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meetings. Directors may hold their meetings at any place within reasonable proximity to the Development as the Board may from time to time establish.

Section 6.2 Regular Meetings Regular meetings of the Board of Directors shall be held at least once every three (3) months on a regular schedule established by the Board.

Section 6.3 Special Meetings. Special meetings of the Board may be called by the President, the Secretary, or any two Directors.

Section 6.4 Notice of Meetings. No notice shall be required for regularly scheduled meetings. Notice of each special meeting shall be given to each Director stating the time, place and purpose of the meeting. The notice shall be given by mail deposited at least five (5) days before the meeting or by telephone, telegram, cablegram or personal delivery at least three (3) days before the meeting. Notice by telegram or cablegram shall be deemed delivered at the time the notice is filed with the transmitting agency. Notice by telephone or personal delivery shall be deemed effective only when actually communicated to the Director.

Section 6.5 Quorum. A quorum shall be deemed present throughout any meeting of the Board of Directors when Directors entitled to cast a Majority of the votes on the Board are present at the beginning of the meeting.

Section 6.6 Voting. Except as otherwise provided by law or in the Instruments, the act of a Majority of the Directors present at a meeting at which a quorum is present at the time shall be the act of the Board of Directors. Each Director shall have one equal vote on the Board, regardless of the Votes attributable to his Lot.

Section 6.7 Adjournments. Any meeting of the Board, whether or not a quorum is present, may be adjourned by a Majority of the Directors present to reconvene at a specific time and place. It shall not be necessary to give notice of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting which was adjourned. Any business may be transacted which could have been transacted at the meeting which was adjourned, if a quorum is present at the reconvened meeting.

Section 6.8 Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent is signed by all the Directors and is filed with the minutes of the Board. The consent shall have the same force and effect as a unanimous vote of the Board.

Section 6.9 Conduct of Meetings. The President shall preside over all meetings of the Board. The Secretary shall keep a minute book with all resolutions adopted by the Board, minutes of all meetings, and all written consents to actions taken without a meeting and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings, except to the extent inconsistent herewith.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.1 Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and Facilities, and the personal conduct of the Owners and their tenants, invitees and guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of the recreational facilities of an Owner during any period in which such Owner shall be in default in the payment of any Assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days, for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties, and

(f) foreclose the lien against any Lot for which Assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same in accordance with and as authorized by the Declaration.

(g) exercise such other powers as are conferred upon the Association by the Articles or the Declaration.

(h) exercise all powers set forth in Section 55A-15 of the North Carolina Nonprofit Corporation Act.

(i) any other powers permitted by the Act.

Section 7.2 Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Owners at the annual meeting of the Owners, or at any special meeting which such statement is requested in writing by one-fourth (1/4) of the Owners who are entitled to vote;

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

(c) as more fully provided in the Declaration, to:

- (1) fix the amount of the monthly Assessment against each Lot at least thirty (30) days in advance of each annual Assessment period; and
- (2) send written notice of each change in the monthly Assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period.
- (d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any Assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states a Assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (e) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- (f) cause the Common Areas and Facilities to be maintained;
- (g) within thirty (30) days after adoption of any proposed budget, the Board shall provide a summary of the budget to all Owners, and shall set a date for a meeting of the Association to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after the mailing of such summary. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a Majority those present in person or by proxy reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Association ratifies a subsequent budget proposed by the Board;
- (h) to perform all other duties imposed by the Articles and the Declaration;
- (i) procure the insurance coverage set forth and required by the Declaration on behalf of the Association;
- (j) pay any license fees or governmental charges levied or imposed against the Common Areas and Facilities or other property, real or personal, owned by the Association; and
- (k) to perform such other duties as imposed by the Declaration and the Articles.

ARTICLE VIIIOFFICERS

Section 8.1 Number. The Officers of the Association shall consist of a President, one or more Vice Presidents as designated by the Board, a Secretary, a Treasurer and one or more Assistant Secretaries and Treasurers as designated by the Board. The Association shall not be required to have at any time any Officers other than a President, Secretary and Treasurer. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 8.2 Election and Term. All Officers shall be elected by the Board and shall serve at the pleasure of the Board. Only Directors shall qualify to hold the offices of President, Secretary and Treasurer.

Section 8.3 Compensation. Any compensation of Officers shall be fixed by the Board, subject to the approval of Owners having a Majority of Votes in the Association; provided, however, that no Officers appointed by Declarant shall receive any compensation from the Association.

Section 8.4 Removal. Any Officer or agent elected by the Board may be removed by the Board at any meeting with respect to which notice of such purpose has been given to the Directors.

Section 8.5 President. The President shall be the chief executive officer of the Association and shall have responsibility for the general supervision of the business of the Association. He shall see that all orders and resolutions of the Board are carried into effect. The President shall perform such other duties as may from time to time be delegated to him by the Board. He shall have all the general powers and duties which are incident to the office of the President of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 8.6 Vice Presidents. The Vice President shall, in the absence or disability of the President, or at the direction of the President, have the duties and powers of the President. If the Association has more than one Vice President, the Board shall designate one of them to act for the President. Vice Presidents shall have whatever duties and powers the Board may from time to time assign.

Section 8.7 Secretary. The Secretary shall keep accurate and complete records of all meetings of Owners, Directors and committees of Directors, including minutes of the meetings, all resolutions adopted and all consents to actions without a meeting. He shall have authority to give all notices required by law, the Instruments or these Bylaws. He shall be custodian of the corporate books, records, contracts and other documents. The Secretary may affix the corporate seal to any lawfully executed documents requiring it and shall sign such instruments as may require his signature. The Secretary shall have whatever additional duties and powers the Board

may from time to time assign him or may be incident to the office of secretary of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 8.8 Treasurer. The Treasurer shall have custody of all funds and securities belonging to the Association and shall receive, deposit or disburse them under the direction of the Board. The Treasurer shall keep full and true accounts of all receipts and disbursements and shall make reports to the Board and President upon request. He shall perform all duties as may be assigned to him from time to time by the Board. The Treasurer shall prepare or cause to be prepared all required financial statements, tax returns and budgets. If the Association employs a property manager, accountant, attorney or other agent, the duties may be delegated to the agent. However, the Treasurer shall remain responsible for supervising the agent.

Section 8.9 Assistant Secretary and Assistant Treasurer. The Assistant Secretary and Assistant Treasurer shall, in the absence or disability of the Secretary or the Treasurer, respectively, have the duties and powers of those offices. They shall, in general, perform any other duties assigned to them by the Board. Specifically, the Assistant Secretary may affix the corporate seal to all necessary documents and attest the signature of any Officer.

Section 8.10 Bonds. The Board may require any or all of the Officers, agents or employees of the Association to give bonds to the Association, with sufficient surety, conditioned on the faithful performance of the duties of their respective Offices or positions. In such event, the reasonable cost of some shall be borne by the Association.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall began on the date of incorporation of the Association.

Section 9.2 Seal. The corporate seal of the Association shall be in circular form having within its circumference the words: Cobblestone Village Of Henderson County Owners' Association, Inc. - Corporate Seal.

Section 9.3 Inspection of Books and Records. All accounts, books and records of the Association, including the Instruments, shall be open to inspection by the Owners, Mortgagees and prospective purchasers during normal business hours, subject to such reasonable rules as the Board may establish.

Section 9.4 Indemnification. Each Director or Officer shall be indemnified by the Association against those expenses which are allowed by the laws of North Carolina and which are reasonably incurred in connection with any action, suit or proceeding, whether completed, pending or threatened, in which such person may be involved by reason of his being or have

been a Director or Officer. Indemnification shall be made only in accordance with the laws of North Carolina. The Association may purchase and maintain insurance on behalf of any such Officers and Directors against any liabilities asserted against them whether or not the Association would have the power to indemnify the officers and Directors against the liability under the laws of North Carolina. If any expense or other amounts are paid by way of indemnification, other than by court order, by action of Owners or by an insurance carrier, the Association shall provide notice of such payment to the Owners in accordance with the laws of North Carolina.

Section 9.5 Waiver of Notice. Whenever any notice is required to be given to any Owner or Director, a waiver signed by the Director or Owner entitled to such notice, whether before or after the meeting to which the waiver pertains, shall be deemed equivalent to proper notice. Attendance at a meeting, whether in person or by proxy, shall be a waiver of notice of the time and place unless specific objection to improper notice is made when the meeting is called to order. Attendance shall also be a waiver as to all business transacted, unless specific objection is made before the objectionable business is put to a vote.

Section 9.6 Amendment. These Bylaws may be amended at a regular or special meeting of the Owners, by the Vote of a Majority of the quorum of Owners present in person or by proxy.

Section 9.7 Self-Dealing. Each Director and Officer and any property manager shall disclose in the written minutes of the Board any contract or agreement of any kind between the Association and any person or entity to which is related by blood or marriage or in which he has an interest, whether direct or indirect.

Section 9.8 Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, we, being all of the Directors of Cobblestone Village Of Henderson County Owners' Association, Inc. have hereunto set our hands this ____ day of _____, 2006.

BRIAN CARL ELY

DAVID LEE

THOMAS MCCANLESS

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Cobblestone Village Of Henderson County Owners' Association, Inc., a North Carolina nonprofit corporation, and

That the foregoing Bylaws constitute the original Bylaws of such Association, and were duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 2006.

IN WITNESS WHEREOF, I have hereunto subscribed by name and affixed the seal of the Lot Association this _____ day of _____, 2006.

Secretary