

1231
0013

BK:01231 PG:0013

FILED
LEE COUNTY
MOLLIE A. MCINNIS
REGISTER OF DEEDS

Return to:
Highland Woods Property Owners Association
8043-A Royal Dr
Sanford, NC 27330

FILED Dec 13, 2010
AT 02:40:53 pm
BOOK 01231
START PAGE 0013
END PAGE 0030
INSTRUMENT # 07267

**STATE OF NORTH CAROLINA
COUNTY OF LEE**

**HIGHLAND WOODS PROPERTY OWNERS ASSOCIATION (HWPOA)
SECOND AMENDED AND RESTATED DECLARATION OF
RESERVATIONS & RESTRICTIONS**

THIS DECLARATION OF RESERVATIONS & RESTRICTIONS for the Highland Woods Property Owners Association (HWPOA) located in Carolina Trace, near Sanford, Lee County, North Carolina, (as may be amended or supplemented as set forth herein), is made this 18th day of November, 2010 by the Highland Woods Property Owner's Association, Inc., a North Carolina corporation, whose address is 8043A Royal Drive, Sanford, NC 27332 (the "Declarant").

WITNESSETH:

A. The Declarant was formed by the Statement of Reservations and Restrictions (hereinafter, the "Original Covenants") for Highland Woods Subdivision filed by the Carolina Trace Corporation, developer of Carolina Trace, which Statement of Reservations and Restrictions was filed in Book 332 at Page 65 of the Lee County Registry.

B. The Original Covenants provided they could be amended by a vote of the owners of property in the subdivision, and the property owners did in fact amend the Original Covenants in a document entitled "Reservations and Restrictions" (hereinafter, the "First Amendment"), which was filed in Book 618 at Page 144 of the Lee County Registry. The First Amendment also provided in Section 6, Paragraph T, that the First Amendment could be subsequently amended by a vote of a majority of the owners of residential building sites. At a meeting held on 18 November 2010, a majority of the owners of residential building sites who were present in person or by proxy approved this Second Amended and Restated Declaration of Covenants, Conditions And Restrictions For Highland Woods Subdivision (hereinafter, the "CCR's"). The majority of the owners also agreed that these CCR's would become effective upon their filing in the Lee County Registry.

C. The property (hereinafter, the "Property"), which is the subject of these CCR's, is all of that property located in Jonesboro Township, Lee County, North Carolina, and more particularly described as follows:

All of the Lots recorded in the Office of the Register of Deeds of Lee County, North Carolina, in Plat Cabinet 4, Page 93. Reference to said map is hereby made for a more perfect description of

THEREFORE, the Declarant hereby declares that all of the Lots and Common Areas (defined below) located within the subdivision are held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved, subject to the following covenants, conditions and restrictions, all of which are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of the subdivision as a whole and of each of said Lots. All of these restrictions shall run with the land and shall be binding upon the Declarant and upon the parties having or acquiring any right, title or interest, legal or equitable in and to the Property or any part or parts thereof subject to such restrictions, and shall inure to the benefit of the Declarant and every one of the Declarant's successors in title to any of the Property.

D. Highland Woods Property Owners Association has adopted the North Carolina Planned Community Act, Chapter 47F and its provisions also known as the North Carolina Planned Community Act (1998-1999, s. 1.). Whenever there is a conflict or inconsistency between HWPOA's Reservations and Restrictions and/or HWPOA Bylaws and the North Carolina Planned Community Act the information and guidelines or the North Carolina Planned Community Act will take precedence.

Article 1.

DEFINITIONS

Article 1.1. "Annual Meeting" means the annual meeting of the Members held in Lee County, North Carolina, within the last quarter of each calendar year, upon proper notice, at a date, time and at a place from time to time designated by the Board.

Article 1.2. "Articles" or "Articles of Incorporation" shall mean those articles, filed with the Secretary of State of North Carolina, incorporating Highland Woods Homeowners Association, Inc., as a nonprofit corporation under the provisions of North Carolina State law, as the same may be amended from time to time.

Article 1.3. "Assessments" means Regular Assessments, Special Assessments, CTA Assessments, Individual Assessments and Fine Assessments.

Article 1.4. "Association" shall mean and refer to HIGHLAND WOODS HOMEOWNERS ASSOCIATION, INC., to be formed as a non-profit corporation, its successors and assigns.

Article 1.5. "Berm" refers to the shoulder or a narrow edge of land (usually unpaved) along the side of a road or highway.

Article 1.6. "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Article 1.7. "Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time.

Article 1.8. "Constituent Documents" shall mean the Covenants, Conditions and Restrictions, the Bylaws, the Articles of Incorporation, and the Rules and Regulations, if any, and any

other basic documents used to create and govern the Subdivision.

Article 1.9. "Common Areas" shall mean all the real estate (including retention ponds, storm drainage improvements, entrance signage, streets (including any dedicated streets prior to their acceptance for public maintenance) and all landscaping and other improvements thereon) owned by the Association for the common use and enjoyment of the Owners. Common Areas shall include, but not be limited to, any Recreational Facilities subsequently designated by the Association; the boundary strip around the subdivision; or reserved as an access drive or private street.

Article 1.10. "Common Expenses" shall mean, refer to, and include all charges, costs and expenses incurred by the Association for and in connection with the administration of the Subdivision, including, without limitation thereof, operation of the Subdivision, maintenance, repair, replacement and restoration (to the extent not covered by insurance) of the Common Areas; the costs of any additions and alterations thereto; all labor, services, common utilities, materials, supplies, and equipment therefor; all liability for loss or damage arising out of or in connection with the Common Areas and their use; all premiums for hazard, liability and other insurance with respect to the Subdivision; all costs incurred in acquiring a Lot pursuant to judicial sale; and all administrative, accounting, legal, and managerial expenses. "Common Expenses" shall also include the cost of operation, maintenance, improvement, and replacement of any Recreational Facilities, including establishing reserves therefore. "Common Expenses" shall also include amounts incurred in replacing, or substantially repairing, capital improvements within the Common Areas of the Subdivision, including, but not limited to private road and parking lot resurfacing. "Common Expenses" shall also include all reserve funds or other funds established by the Association. "Common Expenses" shall be construed broadly. "Common Expenses" shall also include any amounts assessed by the Carolina Trace Association ("CTA"), which are accepted for payment by the Board of Directors of the Association.

Article 1.11. "CTA Assessments" shall mean all amounts assessed by the Carolina Trace Association which are accepted for payment by the Board of Directors of the Association.

Article 1.12. "Declarant" shall mean and refer to Highland Woods Property Owners Association, Inc., North Carolina Corporation, its successors and assigns as a Declarant.

Article 1.13. "Default" shall mean any violation or breach of, or any failure to comply with, any Constituent Documents.

Article 1.14. "Dwelling Unit" shall mean and refer to the individual family living unit on an individual Lot.

Article 1.15. "Fine Assessment" means the charge established by Article 5.4.2 of this Declaration.

Article 1.16. "Individual Assessment" means the charge established by Article 5.3 of this Declaration.

Article 1.17. "Lot" shall mean and refer to any parcel of land designated on the Plat upon which a Dwelling Unit has been or may be constructed. There were originally created 47 Lots in the subdivision.

Article 1.18. "Member" shall mean and refer to all those Owners who are Members of the

Association as provided in Article IV below.

BK:01231 PG:0016

Article 1.19. "Owner" shall mean and refer to the record owner, including Declarant, whether one or more persons or entities, of a fee simple title to any Lot located within the Subdivision.

Article 1.20. "Plat" shall mean and refer to the record plat of the Subdivision recorded in Plat Cabinet 4 at Page 93 of the Lee County Registry, as the same may be amended or supplemented by Declarant from time to time.

Article 1.21. "Planned Community Act" shall mean and refer to the North Carolina Planned Community Act, currently codified as Chapter 47F of the North Carolina General Statutes, as the same may be amended from time to time.

Article 1.22. "Property" or "Subdivision" shall mean and refer to that certain real estate described in the Plat.

Article 1.23. "Recreational Facilities" shall mean and refer to the common community and recreational facilities located upon the property designated as "Common Area" on the Plat recorded in Plat Book 4, Slide 93, including, but not limited to, the related grounds, landscaping and improvements located, or to be located thereon.

Article 1.24. "Regular Assessment" means the charge established by Article 5 of this Declaration.

Article 1.25. "Resident" shall mean and refer to any person, not an Owner, living in the Owner's Dwelling Unit, including, but not limited to, temporary guests and Tenants.

Article 1.26. "Rules and Regulations" shall mean and include the rules and regulations made from time to time by the Board of Directors as provided in Article 4.3 below.

Article 1.27. "Special Assessment" means the charge established by Article 5.2 of this Declaration.

Article 1.28. "Tenant" means any person occupying any Lot pursuant to a written or oral lease agreement with the Owner thereof or with any other person or entity claiming under the Owner.

Article 1.29. "Working Capital Assessment" means the charge established by Article 5.3 of this Declaration.

When applicable for the sense of this instrument, the singular should be read as including the plural and the male, female, and neuter pronouns and adjectives should be read as interchangeable.

Article 2

PROPERTY SUBJECT TO THIS DECLARATION

The Property, each portion thereof, and all Dwelling Units thereon shall be held, transferred, sold, conveyed, leased, mortgage and occupied subject to the terms, provisions, covenants and conditions of this Declaration.

Article 3

OWNER'S RIGHTS IN COMMON AREAS

Article 3.1. Owner's Easements of Enjoyment. Except as herein otherwise provided, each Owner shall have a right and easement of enjoyment in and to the Common Areas, which shall be appurtenant to and shall pass with the title to their Lot. Each Tenant shall have a non-transferable right to use and enjoy the Common Areas, if any, which right shall terminate when such person ceases to have the status of a Tenant. Such rights and privileges shall be subject, however, to the following:

Article 3.1.1. The right of the Board to suspend the right of any Owner or the privilege of any Resident to use such of the Common Areas that are recreational in nature as determined by the Board for any infraction of the Rules and Regulations relating to the Common Areas for a period not to exceed sixty (60) days for each such infraction, or for any non-payment or delinquency of the Assessments against such Owner's Lot for a period not to exceed the period of such non-payment or delinquency;

Article 3.1.2. The right of the Board to adopt and enforce and from time to time amend reasonable limitations upon use and Rules and Regulations pertaining to the use of the Common Areas, including regulations limiting guests of Owners and Tenants who may use the Common Areas at any one time;

Article 3.1.3. All applicable provisions of valid easements and/or agreements of the Association relating to the Common Areas;

Article 3.1.4. The right of the Association to grant permits, licenses and public or private easements over Common Areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Property; or

Article 3.1.5. The right of the Association to dedicate or convey portions of the Common Areas as the Association shall deem proper.

Article 3.2. Extension of Use. Any Owner may extend their right of enjoyment to the Common Areas to the immediate and/or extended members of their family, their Tenants, guests or contract purchasers of the Owner's Lot.

Article 4

HOMEOWNERS ASSOCIATION

Article 4.1. Homeowners Association. There is has been created a North Carolina non-profit corporation, known as Highland Woods Property Owners Association, Inc., which shall be responsible for the maintenance, management and control of the Common Areas and upon each Lot and Dwelling Unit as more specifically set forth in this Declaration.

Article 4.2. Board of Directors and Officers. The Board of Directors, and such officers as the may elected or appointed in accordance with the Articles or the Bylaws, shall conduct the affairs of the Association. The Board of Directors may also appoint committees and managers or other employees and agents, who shall, subject to the general direction of the Board of Directors, are

responsible for the day-to-day operation of the Association.

Article 4.3. Rules and Regulations. By a majority vote of the Board of Directors, the Association may, from time to time adopt, amend and repeal Rules and Regulations with respect to all aspects of the Association's rights, activities and duties under this Declaration. The Rules and Regulations may, without limitation, govern use of the Subdivision, including prohibiting, restricting or imposing charges for the use of any portion of the Subdivision by Owners, Residents or others, interpret this Declaration or establish procedures for operation of the Association or the administration of this Declaration; provided, however, that the Rules and Regulations shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Rules and Regulations, as they may from time to time be adopted, amended or repealed, shall be maintained in the office of the Association and shall be available to each Owner upon request.

Article 4.4. Membership of Association. Every Owner of a Lot shall be a Member of the Association. Such Owner and Member shall abide by the Association's Rules and Regulations, shall pay the Assessments provided for in this Declaration, when due, and shall comply with decisions of the Association's Board of Directors. Conveyance of fee simple title to a Lot automatically transfers membership in the Association without necessity of further documents. Membership shall be appurtenant to and may not be separated from ownership of any Lot that is subject to Assessment.

Article 4.5. Membership; Voting. The Association shall have one (1) class of Membership. Each Member shall have one vote with respect to each Lot owned by such Member. When more than one person holds title to a Lot, all such persons shall be Members and they shall be entitled to only one vote, which the joint owners shall exercise as they among themselves shall determine.

Article 5

COVENANT FOR ASSESSMENTS

Article 5.1. Regular Assessments. Regular Assessments for the payment of the Common Expenses shall be made in the manner provided herein, and in the manner provided in the Bylaws. The Regular Assessment is established for the benefit and use of the Association and shall be used in covering all of the Common Expenses. Regular assessments are paid/due annually by the 31 January of each year. During the annual meeting normally held in October HWPOA Board of Directors will determine the amount due for both improved and unimproved properties. The amount due by each Lot or Home Owner will be specified in the annual assessment letter send by November of each year. Note: Annual assessments may change each year based on numerous factors; i.e., CTA assessments to HWPOA, road maintenance, insurances, common area improvements/upkeep, utilities, etc.

Article 5.2. Special Assessment. In addition to levying Regular Assessments, the Board of Directors may levy Special Assessments to construct, structurally alter, or replace improvements, which are a part of the Common Areas. For Highland Woods this type assessment would typically be (but not limited to) road improvements and/or repairs.

Article 5.3. Individual Assessment. In the event that the need for maintenance, repair or replacement of any improvement on the Property, for which the Association has the maintenance, repair and/or replacement obligation, is caused through the willful or negligent act of an Owner, their family, their pet(s), Resident, the cost of such maintenance, repairs or replacements shall be paid by

such Owner. The Board shall have the maintenance, repair or replacement done and the cost thereof shall be provided by the Board to said Owner and shall be paid by said Owner within thirty (30) days thereafter, unless an earlier date is otherwise set forth herein.

Article 5.4. Date of Commencement of Assessments; Due Dates; Determination of Regular Assessments; Fine Assessments.

Article 5.4.1. The Annual Regular Assessment provided for herein shall commence as to each Owner of a Lot, on the first day of each year. The Board of Directors shall fix the amount of the Annual Regular Assessment to be paid by each owner against each Lot at the beginning of each calendar year. Written notice of the Annual Regular Assessment shall be sent to every owner subject thereto.

Article 5.4.2. The Board of Directors, or an adjudicatory panel established by the Board of Directors, may levy a reasonable Fine Assessment, as a fine or penalty for violation of these Covenants, Conditions and Restrictions all in accordance with the North Carolina Planned Community Act. A lien may be filed for this Fine Assessment and this Fine Assessment may be enforced by foreclosure and otherwise treated as a Regular Assessment.

Article 5.5. Assessment Certificate. The Association shall, upon demand, at any reasonable time, furnish to any Owner liable for Assessments a certificate in writing signed by an Officer or other authorized agent of the Association, setting forth the status of said Assessments; i.e., "current", and if not current, "delinquent" and the amount due. Such certificate shall be conclusive evidence of the payment of any Assessment therein stated to have been paid. A reasonable charge to cover labor and materials may be made in advance by the Association for each certificate.

Article 5.6. Books and Records of the Association. The Association shall keep full and correct books of account. The Association shall make available to all Lot Owners and the holders of all first mortgages on Lots, current copies of the books, records and financial statements of the Association upon reasonable request during normal business hours. All funds collected by the Association shall be held and expended solely for the purposes designated by this Declaration and shall be deemed to be held for the use, benefit and account of the Association and all of the Lot Owners. All books and records must be kept in accordance with good accounting procedures.

Article 5.7. Non-Payment of Assessment / Late Charge. Any Assessments levied pursuant to these covenants which is not paid on the date when due shall be delinquent and shall, together with such interest and other costs as set out elsewhere in these Covenants, Conditions and Restrictions, thereupon become a continuing lien upon the property. If the Assessment is not paid within thirty (30) days after the due date, the Assessment shall bear interest at a reasonable rate of ten percent (10%) per year or at such other reasonable rate set by Association in its minutes, not to exceed the maximum amount allowed by law, and the Association may bring an action at law against the Owner personally obligated to pay the same and/or foreclose the lien against the Lot, in either of which events interest, costs and reasonable attorneys' fees shall be added to the amount of each Assessment. No Owner may waive or otherwise escape liability for the Assessments by non-use or waiver of use of the Common Areas or by abandonment of their Lot. The Association may impose a charge against any Lot Owner who fails to pay any amount assessed by the Association against their Lot within thirty (30) days after such Assessments are due and payable and who fails to exercise their rights under this Declaration or under the laws of the State of North Carolina to successfully contest such Assessment. The amount of the late charge shall be the greater of (a) twenty and 00/100 Dollars (\$20.00), or (b) ten percent (10%) of the delinquent amount, or such other amount as may be determined by the Association from time to time.

Article 5.8. Priority of Association Lien. The lien provided for in this Article 5 shall take priority over any lien or encumbrance subsequently arising or created, except liens for real estate taxes and assessments and liens of bona fide first mortgages which have been filed of record before a claim of this lien hereunder has been docketed in the office of the Clerk of Superior Court in Lee County, and may be foreclosed in the same manner as a mortgage on real property under power of sale in an action brought by the Association in accordance with the North Carolina Planned Community Act. The Association is entitled to recover its reasonable attorneys' fees and court costs and collection costs, as part of the lien. In any such foreclosure action, the Association shall be entitled to become a purchaser at the foreclosure sale.

Article 5.9. Purchaser in the Ordinary Course or at Foreclosure Sale Subject to Declaration, Bylaws, Rules and Regulations of the Association. Any purchaser of a Lot whether at a foreclosure sale or in the ordinary course of affairs, shall automatically become a Member of the Association and shall be subject to all the provisions of these Covenants, Conditions and Restrictions.

Article 5.10. Non-Liability of Foreclosure Sale Purchaser for Past Due Assessments. When the holder of a first mortgage or first deed of trust of record or other purchaser of a Lot acquires title to the Lot as a result of foreclosure of the first deed of trust or by deed in lieu of foreclosure, such acquirer of title, his, her or its successors and assigns, shall not be liable for the Assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to the Lot by such acquirer, other than Assessments for which a claim of lien has been docketed with the Lee County Clerk of Superior Court prior to the recordation of the lien being foreclosed.

Article 5.11. Liability for Assessments Upon Voluntary Conveyance. In a voluntary conveyance of a Lot, any grantee or his or her first mortgagee shall inform the Board of Directors in writing of such contemplated conveyance and such grantee or first mortgagee shall be entitled to a statement from the Board of Directors of the Association setting forth the amount of all unpaid Assessments (including current Assessments) against the grantor due the Association. Neither the grantee nor the mortgagee shall be personally obligated for any delinquent Assessments, but such delinquent Assessments, along with interest, late charges, costs and reasonable attorneys fees shall be a lien against the Lot in accordance with Section 5.10 and Section 5.11 herein.

Article 5.12. Miscellaneous.

Article 5.12.1. The Association may change the interest rate due on delinquent Assessments (including any late charges), except that the rate cannot be changed more often than once every six (6) months. As of its effective date, the new interest rate will apply to all Assessments then delinquent.

Article 5.12.2. The Owner has the sole responsibility of keeping the Association informed of the Owner's current address if different from the Lot owned. Otherwise notice sent by Association to the Lot is sufficient for any notice requirement under this Declaration.

Article 5.12.3. The lien under this Article 5 arises automatically, and no notice of lien need be recorded to make the lien effective.

Article 5.12.4. The Assessment lien includes all collection costs, including demand letters, preparation of documents, reasonable attorneys' fees, court costs, filing fees, collection fees, and any other expenses incurred by the Association in enforcing or collecting the Assessment.

Article 5.12.5. No Owner of a Lot may exempt himself or herself from liability for his or her Assessment by waiver of the use or enjoyment of any of the Common Areas or by the

Article 5.13. This Article 5.13 applies to every type of Assessment.

Article 6.

ASSOCIATION

Article 6.1. Association. The administration of the Subdivision shall be vested in the Association. The Owner of any Lot, upon acquiring title, shall automatically become a Member of the Association and shall remain a Member until such time as their ownership of such Lot ceases for any reason, at which time their membership in the Association shall automatically cease. The Association shall have full power and responsibility to administer, operate, sustain, maintain, and govern the Subdivision including but not limited to, the powers and responsibilities to make prudent investments of funds held by it; to make reasonable Rules and Regulations; to borrow money; to make Assessments; to bring lawsuits and defend lawsuits; to enter into contracts; to enforce all of the provisions of this Declaration, the Bylaws and any other Constituent Documents or instruments relating to the establishment, existence, operation, alternation of the Subdivision. The powers of the Association shall be construed liberally and shall include, without limitation, all of the powers set forth in Section 47F-3-102 of the North Carolina Planned Community Act.

Article 6.2. Board of Directors. Unless otherwise specifically stated in this Declaration, the Association shall act exclusively through its Board of Directors (the "Board"). The Association in accordance with the Bylaws shall choose the Board. The Board shall be authorized to delegate the administration of its duties and powers as the Board shall see fit.

Article 7

HARMONY, ARCHITECTURAL CONTROLS

Article 7.1. Architectural Committee. The architecture of homes and/or improvements to and on each of the lots subject to these protective covenants will be controlled in the following manner by the "The Architectural Committee". The Architectural Committee will be composed of three persons designated and appointed by the Property Owners Association of Highland Woods, in which appointment each owner of each lot would be entitled to one vote, and a majority vote of property owners would be controlling. Architectural Committee would be appointed at a meeting of the property owners after at least a thirty-day notice of a meeting to appoint the Architectural Committee. In the event the Architectural Committee fails to approve or disapprove plans or locations of home on lot within thirty (30) days after said plans and specifications have been submitted to it, or in any event, if no suit to enjoin the erection of such building or the making of such alterations has been commenced prior to the completion thereof, such approval will not be required, and this covenant will be deemed to have been fully complied with. Members of such Architectural Committee shall not be entitled to any compensation for services performed pursuant to this covenant.

Article 7.2. Harmony. No building, sidewalk, drive, mailbox, or other structure, or improvement or anything attached thereto visible from the outside of the structure or improvement (including, without limitation, storm doors and windows) shall be erected, placed, altered, or

maintained within the Subdivision nor shall any exterior addition to or change (including any change in color) or alteration therein be made until the proposed building plans, specifications, exterior color and finish, plot plans (showing the proposed location of such building or structure, drives and parking areas), general contractor and all subcontractors, and construction schedule shall have been submitted to and approved in writing by the Architectural Committee appointed by said Board of Directors. Refusal of approval of plans, location or specification by said Architectural Committee may be based upon any reasonable ground, including, without limitation, lack of harmony of external design, color, location or relation to surrounding structures and topography and purely aesthetic considerations which, in the discretion of said Architectural Committee shall deem sufficient. After approval by the Committee is given, no alterations may be made in such plans except by and with their prior written consent. One copy of all plans, specifications and related data shall be furnished to the Architectural Committee for its records.

Article 7.2:1. Fencing. Fence, fencing, and/or electric pet fence (not to include buried underground fencing) are not normally allowed in Highland Woods. Prior to installing any fence or fencing the property owner will provide a detailed design, which shall include the type, style, color, height, etc to the Architectural Committee for written approval. Approval is granted or denied by HWPOA Board of Directors. If approved, all fencing will be maintained to high level of appearance. HWPOA Board of Directors is the final authority for maintenance and or appearance.

Article 7.3. Approval of Builders. Any builder of any home upon any property subject to this Declaration must, before beginning construction of each such home, be approved by the Architectural Committee as to financial stability, building experience and ability to build homes or other structures of the class and type of those which are to be built on the property subject to this Declaration. No person shall be approved as a builder by the Architectural Committee unless such person obtains their income primarily from construction of residences. No lot owner will be permitted to act as their own builder or contractor except where such owner obtains their income primarily from the construction of residences and otherwise meets the qualifications for approval by the Architectural Committee as herein above set forth. Approval of builders will be subject to their acceptance of good normal site management procedures including receptacles for refuse and the cleanliness of the building site and surrounding area. In addition, the builder will submit for approval and maintain a site drainage plan, and honor Highland Woods approval forms for a Construction Indemnity and Construction Approval.

Article 7.4. Pools, Spas and Hot Tubs. Any request for Pools, Spas or Hot Tubs must be made in writing and submitted to the Architectural Committee and approved in writing by the Board of Directors. The request must meet all requirements in Article 7.2 Harmony and Article 7.3 Approval of Builders. Pools, Spas and Hot Tubs must comply with North Carolina and/or Lee County Residential Codes and Safety requirements.

Article 7.5. House Requirements.

Article 7.5.1. No more than one single-family dwelling and associated structure may be built on any Lot in the Subdivision.

Article 7.5.2. The enclosed, heated living area (exclusive of garages, porches, terraces and basements) of:

Article 7.5.2.1. A one-story or split-level dwelling shall cover a ground area of not less than 1,500 square feet.

Article 7.5.2.2. All story and a half dwellings shall cover a ground area of not

less than 1,300 square feet and a total minimum of 1,900 square feet.

Article 7.5.2.3. All two-story dwellings shall cover a ground area of not less than 1,100 square feet and a total minimum of 2,000 square feet.

Article 7.5.2.4. Dwellings are required to have an attached and enclosed garage.

Article 7.5.2.5. Dwellings will be limited to single-family units.

Article 7.5.2.6. Design and construction of all structures are required to meet or exceed the standards set forth in North Carolina State Building Code pertaining to Residential Construction, or its successor(s).

Article 7.6. Building Location. No building of any kind, including garages shall be located on any building site less than 35 feet from the front lot line, and no building shall be located less than 10 feet any side lot line, or less than 35 feet from the property line of any lake or pond, or less than 20 feet from any rear lot line, except if building set back lines so indicate on the recorded plat, or with the prior written approval of the Architectural Committee.

Article 7.7. Road Maintenance; Construction of Residences. The Board of Directors recognizes that every Lot Owner has the right to build a single-family dwelling and associated structures on their Lot. It is declared to be the policy of the Board of Directors to encourage every Lot Owner to build a residence and move to the subdivision. At the same time, the Board of Directors recognizes that the construction of a residence puts extra stress and strains on the private roads of the subdivision. There is no public authority which will pay for any necessary repairs to the subdivision roads. Rather, this responsibility falls on the Lot Owners themselves, acting through the Board of Directors. Accordingly, the Board of Directors, acting through the Architectural Committee, hereby grants the Architectural Committee authority to make reasonable rules for repair of the subdivision's roads. The Architectural Committee shall submit its proposed rules to the Board of Directors for the Board's approval. When such approval is granted, then such proposed rules of the Architectural Committee shall become part of the Rules and Regulations of the subdivision. Compliance with the Rules and Regulations shall be a condition for each Lot Owner to receive architecture approval of their building plans or alteration plans.

7.7.1. Builder / Contractors are required to pay a builder's deposit in the case of damage to roadways, berms, common area or any other property. The builder's deposit amount is determined by the HWPOA Board of Directors at each annual meeting. The current amount will be listed in HWPOA Appendix "D", Association's Construction Indemnity Agreement. The builder's deposit is due upon approval of construction. This amount does not exclude any damage or work that would be in excess of this deposit.

Article 7.8. Special Rules:

Article 7.8.1. Before any house may be occupied, it must be completely finished on the exterior; all of the yard which is visible from any street must be planted with grass or have other ground cover approved by the Architectural Committee.

Article 7.8.2. Appurtenant private structures will be permitted only upon written approval of the Architectural Committee.

Article 7.8.3. No wall, hedge or mass planting shall be permitted to extend beyond the

minimum building set back line established herein or within 20 feet of the rear lot line or within 60 feet of the property line on any lake or pond, except upon the approval by the Architectural Committee.

Article 7.8.4. All lots subject to these requirements shall be used as residential building sites only.

Article 7.8.5. Adequate off-street parking shall be provided by the owner of each building site for the parking of automobiles owned by such owner, and owners of building sites agree not to park their automobiles on the streets in this subdivision.

Article 7.8.6. For the purpose of avoiding an unsightly or undesirable waterfront, no boat house bathhouse, private dock, pier, raft or landing site or other structure shall be erected or maintained at or upon the shoreline of any building site having water frontage.

Article 7.8.7. Each home owner shall keep their building site or lot free of tall grass, undergrowth, trash, dead trees and rubbish and properly maintained, so as to present a pleasing appearance. In the event an owner of any lot does not properly maintain their building site or lot, as above provided, in the opinion of the Architectural Committee, then the Architectural Committee may have the required work done and the costs thus incurred in performing the work shall be paid by the owner.

Article 7.8.8. No trace materials or inventories may be stored upon the premises.

Article 7.8.9. The Association and its successors and assigns, hereby reserves, and is given a perpetual easement, privilege and right for utility, water line, sewer line and pedestrian walkway purposes, on, in and under a ten (10) foot strip along the interior side lot line of each building site, an on, in and under a thirty (30) foot strip along the shore line of all lakes and ponds. This easement will be controlled and regulated by the Architectural Committee.

Article 7.8.10. No trees measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed within written approval of the Architectural Committee. Approval for the removal of trees located within ten feet of the main dwelling or accessory building or within ten feet of the approved site of such building will be granted unless such removal will substantially decrease the beauty of the property. No trees will be removed from Highland Woods berms or common area without written approval of the Architectural Committee. In any case a detailed plan is require to be submitted to the Architectural Committee that clearly lists all trees to be removed to include the total number.

Article 7.8.11. Only one antenna mast will be permitted not to exceed fifteen (15) feet above the highest ridge of the house to which it is attached. All such antennas must be attached to the house. No towers shall be allowed.

Article 7.8.12. Satellite Dishes. Satellite dish are permitted on the homeowners property only. At no time will a satellite dish be permitted to be placed on Highland Woods common property to include the berm. The maximum dish antenna size is limited to one meter (39.37 inches) or less in diameter.

Article 7.8.13. Open Air Burning. Open Air Burning is not allowed anywhere within Highland Woods to include homeowners property. This Open Air Burning band also applies to anywhere within the Carolina Trace community.

Article 8

USE RESTRICTIONS

Article 8.1. Use and Occupancy. The Association shall make Rules and Regulations to govern the use and occupancy of the Subdivision. The Rules and Regulations shall run with the land and shall be binding upon each Lot Owner, their heirs, tenants, licensees and assigns.

Article 8.2. Purpose of Subdivision. Except as otherwise provided in this Declaration, no part of the Subdivision shall be used for other than housing and the common recreational purposes for which the property was designed, and each Lot shall be used only for residential purposes. No business, trade, industry, occupation or profession of any kind, whether for profit or not for profit, may be conducted, maintained, or permitted on any part of the Subdivision property. To the extent permitted by law, an Owner may use a portion of their or her Dwelling Unit for an office or studio provided that the activities conducted therein shall not interfere with the quiet enjoyment or comfort of any other owner or occupant; and provided further that such activities do not increase the normal flow of traffic or individuals in and out of the Subdivision or in and out of said Owner's Lot.

Article 8.3. Obstruction of Common Areas. There shall be no storage or parking of any items, including baby carriages, playpens, bicycles, wagons, toys, vehicles, benches or chairs in any part of the Common Areas, except as permitted by the Rules and Regulations. Patios, porches (except screened in and/or enclosed porches) and decks may be used only for their intended purposes.

Article 8.4. Parking. No part of the Subdivision may be used for the parking of any trailer coach, house trailer, mobile home, automobile trailer, recreational vehicle, camper, commercial vehicle, boat, boat trailer, unless such vehicles are parked in the garage of the Lot Owner who owns such vehicle and the garage door of such Lot Owner is completely closed at all times when such a vehicle is parked therein. Each home owner is authorized one utility trailer to be parked in a well screened area with written approval of the Architectural Committee. Inoperative vehicles may not be parked within the Subdivision unless these inoperative vehicles are parked in the garage and the garage door is completely closed. No auto maintenance and/or repairs may be performed on the Subdivision except if performed inside the garage of a Lot Owner. Vehicles, whether owned by a Lot Owner or not, parked in violation of any part of this Declaration or in violation of any Rules or Regulations, shall be towed away and stored at the Owner's risk and expense. By parking in the Project, the Owner of the vehicle or other vehicle user hereby waives any claim against the Association resulting directly or indirectly out of the towing, unless the towing can be shown beyond a reasonable doubt to have been done maliciously by the Association. Note that the Association is not obliged to try to determine the owner of a vehicle and first give notice, before towing the vehicle. If a Lot Owner is not sure about the right to park at any particular area or space, the Lot Owner should request, in writing, a written opinion from the Board.

Article 8.5. Animals and Pets. No farm animals, wild animals or poultry of any kind shall be raised, bred, or kept on any Lot or in any Dwelling Unit or in the Common Areas. Only household pets with a limited number of two dogs, two cats or one of each, or two other household pets may be kept in a Dwelling Unit, subject to the Rules and Regulations,

provided that it is not kept, bred or maintained for any commercial purpose, and that it is kept subject to the Rules and Regulations of the Association. Dogs, cats or other household pets must be kept within the confines of the Owner's Dwelling Unit except when being held on hand leash by the pet owner of the animal. No Lot Owner shall install a fence and/or electric fence on any portion of the Common Area without the prior written consent of the Board. No pet may be "staked", housed, tied up or otherwise left in any Common Area. A Lot Owner shall be responsible for cleaning up after their household pet. Notwithstanding the above, the Association shall have the right to promulgate Rules and Regulations pertaining to the size, number and type of such household pets and the right to levy fines and enforcement charges against persons who do not clean up after their pets. Additionally, the right of an occupant to maintain an animal in a Dwelling Unit shall be subject to termination if the Board in its full and complete discretion, determines that maintenance of the animal constitutes a nuisance or creates a detrimental effect on the Subdivision or occupants. No doghouse or other structure used or intended for the housing or keeping of animals may be constructed, placed or maintained on any part of the Common Areas.

Article 8.6. Nuisances. No noxious or offensive activity shall be carried on in any Dwelling Unit or in the Common Areas or on the Lot of an Owner, nor shall anything be done therein, either willfully or negligently, which may be or become an annoyance or nuisance to the other Lot Owners or occupants.

Article 8.7. Impairment of Structural Integrity of Building. Nothing shall be done in any Dwelling Unit, or on any Lot, or in, on or to the Common Areas which will impair the structural integrity of any building or which, absent the prior written approval of the Board, would structurally change any building.

Article 8.8. Laundry or Rubbish and Open Fires in Common Areas and Facilities. No clothes, sheets, blankets, laundry of any kind or other articles shall be hung out or exposed on any part of the Common Areas, or on any Lot in a manner visible from any Common Area, neighboring Lot or street. The Common Areas shall be kept free and clear of rubbish, debris and other unsightly materials. All trash, garbage or other rubbish shall be deposited only in covered sanitary containers as provided in Article 8.11 below. No open fires shall be permitted on any part of the Subdivision other than fires in charcoal grills or other similar cooking devices located upon Lots or grills or similar devices (if any), owned by the Association and constituting a portion of the Recreational Facilities, provided the use of such devices does not violate any local governmental rules or regulations.

Article 8.9. Prohibited Activities. Except as otherwise provided in this Declaration, no business, trade, industry, occupation or profession of any kind, whether for profit or not for profit, shall be conducted, maintained or permitted on any part of the Subdivision. No commercial signs, including "For Rent" or "For Sale signs may be placed on any part of the Subdivision except as expressly permitted by the Board of Directors. The Board shall have the right to immediately remove and dispose of those items in violation of these Covenants, Conditions and Restrictions.

Article 8.10. Alteration of Common Areas. Nothing shall be altered or constructed in or removed from the Common Areas except as otherwise provided in these Covenants, Conditions and Restrictions and except upon the written consent of the Association. In addition, a Lot Owner must obtain the prior written consent of the Board prior to installing and landscaping or planting any flowers, herbs or vegetables, on any portion of the Common

Areas of Subdivision.

Article 8.11. Trash Disposal. Each Lot Owner shall deposit all trash, garbage, or other rubbish by as directed and instructed by the Board. Lot Owners shall keep trash containers at all times in each Lot Owner's garage (if applicable), or in such other location as designated by the Board, except on the days which trash, garbage, or other rubbish is collected by the local waste removal authorities. Any trash containers placed outside by the Lot Owners in the location designated for collection by the local waste removal authorities shall only remain in such location for a period not to exceed twenty-four (24) hours. The Board shall have the right to dispose of any trash, garbage, or other rubbish of a Lot Owner in violation of this Article 8, and may assess the Lot Owner for the cost of such removal, which amount shall be payable on the date the next installment of the regular assessment is due.

Article 9

ENFORCEMENT

Article 9.1. Enforcement.

Article 9.1.1. The Association or any Lot Owner may enforce these Covenants, Conditions and Restrictions. Enforcement of these covenants, conditions and restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate ("Violating Party") any covenant, condition or restriction, either to restrain or enjoin violation or to recover damages, and against the land to enforce any lien created by these covenants. In addition to all other amounts due on account of said violation or attempted violation, the Violating Party shall be liable to the parties enforcing the covenants and/or restrictions of this Declaration (the "Enforcing Parties") for all reasonable attorney's fees and court costs incurred by the Enforcing Parties. Failure or forbearance by the Association or any Owner to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. In any lawsuit filed to enforce this Declaration by injunction or restraint, there shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or any attempted violation or breach of any of the within covenants, conditions or restrictions cannot be adequately remedied by action at law or by recovery of damages.

Article 9.1.2. In addition to all other remedies of the Association, the Association shall have the right to assess a maximum fine of \$150.00 per day (or such higher amount as may be allowed by law) per violation against any Owner who violates any provision of these Covenants, Conditions and Restrictions or the Articles, Bylaws or Rules and Regulations of the Association after such Owner has been given notice of the violation and an opportunity to be heard with respect to the violation in accordance with such policies and procedures as may be adopted from time to time by the Board of Directors or as may be set forth in the Bylaws.

Article 9.1.3. In addition to the above rights, the Association may also enter upon a Lot or any land upon which a violation exists to remove any violation, perform maintenance or make repairs thereon which is the responsibility of a Lot Owner who has failed to remove said violation or to perform such maintenance or make such repairs (1) after

having given such owner at least ten (10) days prior notice, or (ii) without giving notice in the event of an emergency. Any action brought by the Association hereunder may be brought in its own name, in the name of its Board or in the name of its managing agent. In any case of flagrant or repeated violation by a Lot Owner, he or she may be required by the Association to give sufficient surety or sureties for his or her future compliance with the covenants, conditions and restrictions contained in this Declaration, the Bylaws and the Rules and Regulations.

Article 9.2. Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Article 9.3. Restrictions Run With Land. The easements or other permanent rights or interests are herein created, the covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or the Owner of any Dwelling Unit subject to this Declaration, their respective legal representatives, heirs, successors, and assigns.

Article 9.4. Amendment. The Association may amend this Declaration at any time, as long as consistent with the design, scheme and purposes of this Declaration, by the affirmative vote or written agreement of the Owners or a majority of all of the Lots in the Association are allocated in accordance with Section 4.4 and Section 4.5 above. Any amendment must be recorded in the Lee County Register of Deeds. No such agreement to amend, in whole or in part, shall be effective unless written notice of the proposed amendment is sent to every Member at least thirty (30) days in advance of any action taken.

Article 9.5. Binding Determination. In the event of any dispute or disagreement with or between any Owner(s) relating to, or of any other disputes, disagreements or questions regarding, the interpretation or application of the provisions of these Covenants, Conditions and Restrictions or the Articles or Bylaws of the Association, the determination thereof by the Board of Directors of the Association shall be final and binding on each and all such Owners.

Article 9.6. Captions and Titles. All captions, titles or headings in these Covenants, Conditions and Reservations are for the purpose of reference and convenience only and are not deemed to limit, modify or otherwise affect any of the provisions hereof, or to be used in determining the intent or context thereof.

Article 9.7. Notices. Except as otherwise provided in these Covenants, Conditions and Restrictions any notice to any Owner under these Covenants, Conditions and Restrictions shall be in writing, shall be effective on the earlier of (i) the date when received by such Owner, or (ii) the date which is three days after mailing (postage prepaid) to the last address of such Owner set forth in the books of the Association. The address of an Owner shall be at their Lot (or any of them if more than one) unless otherwise specified in writing to the Association. The Articles and Bylaws shall specify the permissible manner of giving notice for voting and all other Association matters for which the manner of giving notice is not prescribed in this Declaration.

Article 9.8. Governing Law. This Declaration shall be deemed to be made under, and shall be construed in accordance with and shall be governed by, the laws of the State of North Carolina, and suit to enforce any provision hereof or to obtain any remedy with respect hereto shall be brought in state court in Lee County, and for this purpose each Owner by

becoming such hereby expressly and irrevocably consents to the jurisdiction of said court.

Article 10

PRIVATE ROADS

Article 10.1. Use. All non-dedicated streets and roads constructed within the Subdivision are reserved as easements of public access for the common use of Owners and their families, guests and invitees, by commercial vehicles authorized to make pick-ups and deliveries, by public and private utilities' personnel, trucks and equipment, by postal authorities and mail carriers, by emergency personnel and vehicles such as police, fire and ambulance, and by such other persons or classes of persons authorized by the Board of Directors of the Association, as a means of ingress or egress, and for such other uses as may be authorized from time to time by said Board. Such non-dedicated streets may also include underground utility lines, mains, sewers or other facilities to transmit and carry sanitary sewerage and storm water drainage. Except as provided by these Covenants, Conditions and Restrictions, no acts shall be taken or things done by an Owner which are inconsistent with the reservation and grant of use and enjoyment hereinabove provided.

Article 10.2. Speed Limit. For safety purposes the maximum speed limit within Highland Woods is 15 MPH.

Article 10.3. Dedication. In the event that the Subdivision should be annexed into a municipality, the Board of Directors shall have the right to dedicate all streets and roads in the subdivision to public use.

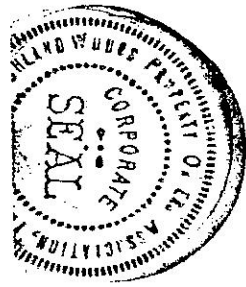
THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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

Highland Woods Property Owners Association

Carol Jones
Secretary/Seal

Vanessa Wade
President



STATE OF North Carolina
COUNTY OF Lee

This 13 day of December, 2010, personally came before me Joan A. Womble, Notary Public of Lee County, State of North Carolina, Vanessa Wade, who, being by me duly sworn, says that he/she is President of Highland Woods Subdivision, a North Carolina corporation, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, and that said writing was signed and sealed by Carol Jones, Secretary in behalf of said corporation by its authority duly given. And the President acknowledged the said writing to be the act and deed of said corporation.

* Property Owners Association

Witness my hand and official stamp or seal this 13 day of December, 2010.

Joan A. Womble
Notary Public

My commission expires:
May 18, 2012

