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REGISTER OF DEEDS  
NORTH CAROLINA  
CATAWBA CO., N.C.  
CATAWBA COUNTY )

DECLARATION OF COVENANTS  
CONDITIONS AND RESTRICTIONS  
(CAMBRIDGE TOWNSHOUSES)

THIS DECLARATION is made as of this 11 day of NOVEMBER, 1998, by DONALD T. HEDRICK CONSTRUCTION COMPANY, INC., a North Carolina corporation, Post Office Box 356, Conover, North Carolina 28613 ( the "Declarant," as hereinafter defined).

WHEREAS, Declarant is the owner of certain property lying in Newton Township, Catawba County, State of North Carolina, which is shown as CAMBRIDGE PLACE on those certain maps entitled "Cambridge Place" for Donald T. Hedrick Construction Company, Newton Township, Conover, N.C. and recorded in Map Book 46 at Page 115 in the office of the Register of Deeds of Catawba County, and is more particularly described of Catawba County, and is more particularly described on Exhibit A attached hereto and made a part hereof.

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

ARTICLE 1  
DEFINITIONS

1.1 Definitions. The terms defined below shall be deemed to have the meanings specified whenever they appear in the documents pertaining to Cambridge Place, unless the context otherwise requires. These definitions shall apply whether or not the defined terms are capitalized.

"Assessment" means the share of the common and special expenses from time to time assessed against a Lot and its owner by the Association in the manner herein provided.

"Homeowner's Association" shall mean and refer to Cambridge Place Homeowner's Association, Inc.", its successors and assigns.

"Board of Directors" or " Board" means the board of directors of the Association, which is the governing body of the Association.

"Cambridge Place" means a larger planned community and development which has been constructed in part, and which is proposed (but is not required) to be built by Declarant upon lands still owned by Declarant as shown on those certain maps recorded in

Plat Book at Page in the office of the Register of Deeds of Catawba County.

"By-Laws" means the bylaws of the Association, as amended from time to time, a copy of the initial Bylaws being attached hereto as "Exhibit B."

"Common expenses" means all sums lawfully assessed by the Association; expenses of administration, maintenance, repair or replacement; expenses owed to the Cambridge Homeowners Association, Inc.; expenses agreed upon as common expenses by the Association, this Declaration or the Bylaws.

"Declarant" shall mean and refer to DONALD T. HEDRICK CONSTRUCTION COMPANY, INC., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

"Declaration" means this Declaration as amended from time to time.

"Director or Directors" means a member of the Board of Directors of the respective Association as the context may require.

"First Mortgage" 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.

"Initial Declarant control Period" shall mean that period commencing upon and immediately after the organization of the Association when the Declarant has the right to appoint all of the Directors of the Association and continuing until the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership of Declarant.

"Institutional Mortgagee" means one or more commercial or savings bank, savings and loan associations, trust companies, Credit unions, industrial loan association's insurance companies, pensions' 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.

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

"Lot" or "Lots" shall mean and refer to any plot(s) of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and the amenities.

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

"Mortgage" means a mortgage, deed to secure debt, deed of trust, security agreement or other instrument conveying a lien upon or security title to a Lot as security for a debt or for the performance of an obligation.

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

"Occupant" means any person, including without limitation, any guest, invitee, tenant, lessee or family member of an owner, occupying or otherwise using or visiting in a Lot.

"Officer" means an officer of the Association.

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

"Properties" shall mean and refer to that certain real property described on Exhibit A and such additions thereto as may hereafter be brought within the jurisdiction of the Association, either by Declarant in its unrestricted discretion as herein provided, or otherwise.

"Record" or "file for record" means filing for record in the office of the Register of Deeds, Catawba County, North Carolina.

"Single-family" means a group of not more than six (6) persons, whether or not related to each other, who maintain a common household on a Lot. (All Lots are restricted exclusively to single-family, as herein defined, residential use.)

"Subsequent Declarant Control Period" shall mean any period after the Initial Declarant Control Period when the Declarant has the right, under the Declaration and/or Bylaws, to control the Board of Directors by removal and/or appointment of a majority of the Board of Directors of the Association.

Declarant Control Period means those periods when Declarant has the right to control the Board by virtue of having three (3) votes for each Lot as a Class B member while all the other owners have one vote for each Lot as a Class A member; such periods are further defined herein as either the Initial Declarant Control Period or Subsequent Control Period.

## ARTICLE 2

### GOVERNING PROVISIONS

2.1 Governing provisions. The Association and each Lot Owner

shall be governed by the Charter and Bylaws of the Association, this Declaration, and any rules and regulations adopted by the Association pursuant thereto.

## ARTICLE 3

DECLARANT'S DEVELOPMENT RIGHTS; RELATION TO AND OBLIGATIONS AND DUTIES WITH RESPECT TO CAMBRIDGE PLACE HOMEOWNERS ASSOCIATION, INC.

3.1 Phase I of Cambridge Place is described on "Exhibit A" and shown on the Plat

3.2 Lot Owner. Each Lot Owner shall automatically be a member of the Association, which membership shall continue the period of ownership of the Lot by such Lot owner.

3.3 Development Rights. The Declarant hereby reserves unto itself, its agents, employees, successors, and assigns, any and all easements and accesses necessary over and through the property shown on the plat and any adjoining lands for the building developing and completion of Cambridge Place according to the Declarant's master plan, which may be amended at Declarant's sole option. The properties in Cambridge Place, additional phases, in its sole discretion, shall deem proper. Declarant reserves the right to create condominium regimes or other planned communities in Cambridge Place and to add such to the area governed by the Association.

Nothing in this Declaration or the Property Instruments shall, however, be construed to require Declarant to develop any future phases.

3.4 Cambridge Place Homeowners Association, Inc. The Declarant has caused, or will cause, to be created and incorporated a comprehensive property owners association known as the Cambridge Place Homeowners Association, Inc. (hereinafter "Association") to which each lot owner must belong, and contribute. The duty of this comprehensive property owners' association is to insure and maintain the overall integrity of the development and to own, maintain, repair and replace the roads, streets, utility facilities and recreational amenities and facilities owned by or entrusted to it by the Declarant, or by the Association, or by the Unit Owners' Association. All owners are members of said Association. In accordance with the Bylaws of the Association, each lot owner will become a member of the Association, as a Class A member, upon conveyance to an owner of a deed of fee simple title to a lot. Each lot is hereby allotted one (1) vote in the Association and such vote shall be as a Class A member, as such is defined in the Bylaws of the Association, which are attached hereto as Exhibit and incorporated by reference herein.

The Association shall have the power to take title to the streets, roads, parking areas, and utility easements, within Cambridge Place by deed or other grant from the Declarant. The

Association shall have the right and duty to maintain and improve said streets, roads, parking areas, and utilities and to charge the Association for its pro-rata share of the costs of such maintenance and improvements.

In the event the Declarant shall at any time provide any of the following services for portable water and sewage, garbage and trash pickup, and street, sidewalk and street lighting maintenance to the lots, the Declarant is hereby given and granted the right, at its own option, to assign and transfer its duties and obligations of providing such services to the Association along with all right, title or interest to any service facilities the Declarant may have.

Water and sewage services provided by the city of Conover. Each lot owner will be responsible for the costs of such waste and sewage services to their individual lot(s). Each lot owner will be responsible for maintaining the water line from the back of the city meter to their lot.

Trash and garbage pickups by private service shall be by means of the use of dumpsters.

Electrical services will be provided to each lot by a public utility and will be billed separately to each owner.

The Association shall own, maintain, repair and replace all such other improvements, amenities, recreational facilities, and incidents of Cambridge Place as shall be constructed by the Declarant and transferred and conveyed to the Association, or as shall be constructed and maintained by the Association, or as shall be constructed and maintained by the Association on its own initiative.

Declarant may, but shall not be required, to contribute funds to the Association to assist with its expenses during the development of any phase of Cambridge Place. The Class A membership of the Association shall consist of one (1) for each residential lot (unit) in Cambridge Place intended for and restricted to single-family occupation, whether such residential units (lots) be condominium units, townhouse lots, or apartments. Lots held for said and/or lease (except after being initially leased) by the Declarant are not subject to assessment for any of such charges, all as provided hereinafter.

The Association is not and shall not be deemed an association as that term is used in North Carolina General Statute Section 47C-2-1020, which is part of the N.C. Condominium Act. The Association shall have, in addition to those powers, duties and obligations herein specifically enumerated, and in the Declaration, all the powers enumerated in the Charter and Bylaws of the Association, which may be invoked to the extent the Association deems it necessary to act on its own behalf or on behalf of the owners. The initial Bylaws of the Association are attached as Exhibit "D"

hereto and incorporated herein by reference as if set forth word for word. Amendments to the Bylaws of the Association are not required to be recorded.

A purchaser in Cambridge Place shall become a Class A member of the Association. This Association has created to provide a comprehensive and uniform method for managing, and maintaining certain areas and incidents of Cambridge Place, which may, but need not include:

a) Roads, streets, parking areas, and common sewer lines not the responsibility of public entities, and amenities. However, to the extent any amenities are provided, each lot owner will be obligated to pay to the Association, a pro rata assessment for the common expenses of the said Association, to be paid monthly in advance.

Notwithstanding anything contained herein to the contrary, the Declarant, Donald T. Hedrick Construction Company, Inc., its successors and assigns, shall have the right to appoint and designate the entire Board of Directors of the Association until \_\_\_\_\_ . Said Board of Directors shall have all powers given and granted by this Declaration, the Bylaws of the Association and all other applicable Declarations. Beginning with the next annual meeting of the membership of said Association, the Board of Directors shall be elected as set forth in Articles 9 and VI of the Bylaws of the Association.

#### ARTICLE 4

##### EASEMENTS

The following easements are hereby granted, reserved and established, subject to and in accordance with the following terms and conditions:

4.1 Use and Enjoyment. Every owner shall have a right and easement of use and enjoyment in and to the Common Area and amenities which 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 dedicate or transfer all or any part of the Common Area and amenities area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members. No

such dedication or transfer shall be effective unless an instrument signed by two-thirds of each class of members agreeing to such dedication or transfer has been recorded. Joinder of mortgagees and other similar parties to an instrument of transfer for such purpose shall not be necessary.

4.2 Easements for Utilities. The Common Area and amenities area shall be, and are hereby made subject to easements in favor of the Declarant (until Declarant shall have satisfied all of its obligations under the Declaration), the Association, appropriate utility and service companies, and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Common Area and amenities area. An easement is further granted to all police, fire protection, garbage collectors, ambulance, and all similar persons to enter upon the streets, common areas, and amenities areas in the performance of their duties. The easements provided for by this Section 4.2 shall include, with limitation, rights of Declarant, the Association, any providing utility, any service company, and any governmental agency or authority to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electrical wires, conduits and equipment and ducts and vents, and any other appropriate equipment and facilities over, under, and through said streets and areas.

4.3 Declarant's Easement. Declarant hereby reserves such easements through the Common Area and amenities area as may be reasonably necessary for the purposes of discharging its obligations, and completing Cambridge Place, which easements shall exist as long as reasonably necessary for such purpose.

4.4 Easements for Certain Access and Uses. The Board of the Association may hereafter grant and accept, and Declarant hereby reserves unto itself, its successors and assigns, easements and other rights for the benefit of the Properties, for the purpose of providing such benefits as shared recreational facilities, amenities, reasonable access for pedestrian and vehicular traffic, open areas, green spaces, park lands, and other suitable shared uses in, along and over any portion of the Common Area and amenities area. Each owner hereby grants to the Board and Declarant and irrevocable "durable" power of attorney (which shall survive incompetency) pursuant to Chapter 32 A for the North Carolina Statutes to execute, acknowledge and record for and in the name of each owner such instruments as may be necessary to effectuate the foregoing; provided, further, that the designation by the Declarant on the Plat, or otherwise, of an area dedicated for the use of any of the foregoing purposes in connection with the Properties shall constitute the granting of such easement without the consent or joinder of any owner.

4.5 Rights of Declarant. So long as Declarant owns any townhouse, condominium unit, or apartment in Cambridge Place

primarily for the purpose of sale or initial rental, 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 model units, together with such other facilities as in the opinion of the Declarant may be reasonably required, convenient or incidental to the development or sale or initial rental of any townhouse, condominium unit, or apartment in Cambridge Place.

4.6 Easements. Easements are hereby reserved over and through the Properties for the use, benefit and enjoyment of the Declarant, its agents, employees, successors and assigns for the installation and maintenance of roads, streets and parking areas and for cable television services, water and sewage utility services, and such other reasonable services that the Declarant may, in its sole discretion, provide. Easements are hereby granted over and through the Properties for use, benefit and enjoyment of the Association, its agents, employees, successors and assigns for the installation and maintenance of any roads, streets, parking areas and such other properties or improvements in and adjacent to the Properties owned by or entrusted to the Association, including the rights of access, ingress and egress to fulfill its obligations under the Bylaws of said Association and all applicable Declarations and to enforce said Bylaws and Declarations against all owners. Easements of access, ingress and egress are hereby granted to the City of Conover over and through the Properties as are reasonably necessary for the fulfilling of its obligations and purpose as a governmental body and for the providing of its services and utilities to the Properties. Any easements and accesses herein granted or reserved shall not obligate the person, corporation, municipality or other entity in whose favor the easement has been granted or reserved to provide the services or improvements for which the easements have been created, unless, in each instance, they are otherwise obligated to provide such service or improvement.

4.7 Easements to Run with Land. All easements and rights described in this Article 4 are appurtenant easements running with the land, and except as otherwise expressly provided in this Article 4 shall be nonexclusive and perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Lot Owners, Occupants, Mortgagees and any other person having any interest in the Properties or any part thereof. The lots and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article 4, whether or not specifically mentioned in any such conveyance or encumbrance.

## Article 5

### MAINTENANCE

5.1 Association. The Association, shall maintain, repair, and replace the streets, the parking areas, utilities, and amenities

which are entrusted to it. The Association will have an easement throughout the Common Area and amenities area for the installation, maintenance, repair and replacement of such streets and parking areas, utilities and amenities as have been or will be entrusted to it.

Article 6

ASSESSMENTS

6.1 creation of the Lien and Personal Obligation of Assessments; Certain Unsold, Unleased, and Vacant Lots of Declarant Exempt from Assessment. Each Lot Owner, except Declarant with respect to exempt lots are hereinafter provided, covenants and agrees to pay the Association all Assessments (general and special) provided by this Declarant which shall be fixed, established and collected from time to time as hereinafter provided. All Assessments and other charges provided by this Declaration, together with interest thereon and costs of collection thereof as hereinafter provided, shall be a charge against and continuing on his Lot while he is the Owner. Any Lot shall be conveyed subject to a lien for any unpaid Assessments subject to Section 6.7 hereof. No Owner may waive or otherwise escape liability for Assessments by non-use of the Common Area or amenities for abandonment of his Lot.

Notwithstanding the above, or any other provision of this Declaration, the Articles of Incorporation, or the Bylaws, any single-family residential units (whether such units are condominium units, townhouse units, or single-family apartments) which shall be owned by the Developer of Cambridge Place, Donald T. Hedrick Construction Company, Inc. Its successors and assigns in Cambridge Place Development and which shall remain unconveyed or unleased to third parties, shall be exempt from the common charges and assessments herein established, and vacant lots shall not be subject to assessments, but the Declarant, its successors and assigns, shall pay the necessary expense of maintaining such vacant lots. Once initially leased, a Lot shall thereafter be subject to assessments.

6.2 General Annual Assessments. The general annual Assessment shall be established by the Board of Directors in the manners set forth in this Section. At least thirty (30) days prior to the annual meeting of the Association, Board of Directors shall prepare and submit in writing to the Owners an estimated budget for expenses, less the amount of all undistributed and unreserved funds, 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 budge proves inadequate for any reason at any time during the year, then 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 made 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. The general annual Assessment for common expenses described above shall be paid by and collected from the Owners in accordance with their respective liabilities for Assessments. Each owner shall be obligated to pay such Assessments to the "Association, or Association, in monthly installments on or before the first day of every month. In any year in which there is an excess of Assessments and other income over expenditures, the Boards 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 to allocate the same to one or more reserve accounts of the Association(s) described above.

6.3 Special Assessments of Association. Any common expense occasioned by the conduct of less than all lot owners or their occupants may be specially assessed by the Board against the lot or lots, the conduct of any owner or occupant of which occasioned any such expenses. The special allocation of assessments provided for in this paragraph shall be levied by the Board of Directors in its reasonable judgement, 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 judgement 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, the Boards of Directors of the Association 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 Area and amenities area ( including the necessary fixtures and personal property related thereto), or for the cost of repair or replacement of a portion thereof which is for the benefit of all owners; provided, however, the total amount of the special Assessment levied under and pursuant to the provisions of this Section shall not exceed the sum of \$500.00 per lot in any one calendar year unless approved by a respective Majority of the Owners at a meeting duly called and held for such purpose. The due dates of any such special Assessments shall be specified by the respective Boards.

6.5 Non-Payment of Assessments: Remedies of Association. Any Assessment, or portion thereof, not paid when due shall be delinquent, and the Boards shall have the duty to enforce the collection of all delinquent Assessment. 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, Catawba County in the manner provided for filling statutory liens against real property. If the same is not paid within thirty (30) days after the due date, then a late charge, not in excess of the greater of Ten Dollars or ten percent (10%) of the amount of each Assessment or installment thereof not paid when due, shall also be due and payable to the respective Association. If any Assessment or

payable to the respective 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 the 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 respective Board 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 U.S. Mail, postage prepaid, to the Owner to the address of the lot or to the address 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 and interest accrued thereon. Any Assessment or portion thereof, together with authorized late charges, not paid when due shall bear interest from the date of delinquency until paid at twelve percent (12%) per annum. The respective Board may suspend the vote of the Owner or the rights of the Owner and his Occupants, invitees and guests to sue the recreational facilities of Cambridge Place 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 which event late charges, interest 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, late charges, accrued interest and the amount of accelerated Assessments, if any, shall be considered an indebtedness and shall be evidenced by the 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, then to interest, and then to the Assessment lien first due. Each owner vests in the respective Boards of Directors the right and power to bring all actions against him personally for the collection of such 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 respective Association and shall be for the benefit of all Owners. No owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Area or amenities, or abandonment of his lot.

In order to perfect the lien given by the foregoing provision, the Association shall file in the Clerk's office of the Catawba County Superior Court, North Carolina a claim of lien which contains a description of the lot in accordance with the provisions of chapter 44 and/or 44A of the N.C. General Statutes, the names of the record owners of that lot, the amount of unpaid assessments due or past due, together with the date when each fell due. When payment or satisfaction is made of a debt secured by the foregoing lien, said lien shall be released by the duly authorized agent of the lien creditor.

6.6 Priority of Lien. The lien for Assessment, 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 Mortgage securing sums unpaid to a Mortgagee or other lien or encumbrance recorded prior to the perfection of said lien for Assessments. Except as provided in Section 6.7 hereof, 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 which may be construed to the contrary, in the event any Mortgagee that is an Institutional Mortgagee shall acquire title to any lot by virtue of any deed in lieu of Foreclosure of a Mortgage, such a Mortgage 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 Mortgagee shall so acquire title to such lot; provided, however, that general and special assessments collectible thereafter from all owners, including such Mortgagee shall be paid as set for the in this Declaration.

## ARTICLE 7

### ADMINISTRATION

7.1 Declarant Control Periods. The Initial Declarant Control Period and the Subsequent Declarant Control Period are established under Article 12 hereof, and under the Bylaws of the Association.

7.2 Duties and Powers. The duties and powers of the Association shall be those set forth in this Declaration, and the other Property Instruments, together with those reasonably implied to effect the purposes of the Association. Except to the extent otherwise required by this Declaration or the other Property instruments, the powers herein or otherwise granted to the Association may be exercised by the Board of Directors, by action 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 for the in the Articles and Bylaws, each Directors 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.

## ARTICLE 8

### INSURANCE

8.1 By Owners. Each owner will maintain, at his own expense, and furnish to the Board of Directors of the Association evidence of adequate fire and extent coverage insurance in an amount equal to One Hundred (100%) percent of the maximum insurable replacement value of each lot owned. Such coverage shall afford

protection against (2) loss or damage by fire and other hazards covered by a standard extended coverage endorsement; and (2) such other risks as from time to time shall customarily be covered with respect to buildings similar in construction, location and use as the Building, including but not limited to, vandalism and malicious mischief. Each Owner, at his own expense, shall keep in force comprehensive personal liability insurance covering liability for damage to person or property of others located within such Owner's Lot, or another lot, or upon the Common Area and amenities in such amounts as the Board of Directors from time to time determines, but in no case less than \$100,000.00 for each occurrence.

From time to time the Board may, but is not required to, establish the minimum amount of such insurance and the minimum coverages and in the event that the same shall be established by the Board, then the Owner shall purchase not less than such minimum coverages and amounts of insurance.

All policies shall name the Association as one of the named insureds as their interests appear and copies of said policies and renewals thereof shall be furnished to the Association.

8.2 Receipt of Proceeds, Insurance Trustee. All insurance policies purchased by the Boards of Directors shall be for the benefit of the Association, the Owners and their mortgagees as their interest may appear, and shall provide that all proceeds covering property losses shall be paid to the Association, as Insurance Trustee. The duty of the Insurance Trustee shall be to receive such proceeds as are paid and hold the same in trust for repair and replacement.

8.3 Association as Agent. The Association are hereby irrevocably appointed Agents for each owner and for each owner of a mortgage or other lien upon a lot and for each owner of any other interest in the Properties to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

8.4 Waivers. All policies of physical damage insurance obtained by the Boards of Directors pursuant to this Article shall contain waivers of subrogation against Owners, the Association and others having an interest in the Properties.

8.5 Duty to Repair-Use of Insurance Proceeds. Except as herein specifically stated, all casualty damages shall be promptly repaired and all insurance proceeds (Association's and Owner's) shall be used for such purpose. In case of duplicate coverages by the Association and the subject owner where proceeds are payable under multiple policies for the same damages and the total amount of said proceeds exceed the cost of repair, the Associations' policies shall be deemed "exclusive coverages" and used only to the extent proceed payable under the Owner's policies are not sufficient.

Except as stated in Article 5 (Exterior Maintenance) all casualty damages shall be promptly repaired unless upon vote of each Lot (each lot having one vote as otherwise provided in this Declaration regardless of the number of the Owners of such lot) a resolution is duly adopted by the affirmative vote of each lot not to make such repairs. Said resolution shall be adopted at a special membership meeting of the Association called for the purpose of considering said resolution. Upon the adoption of said resolution, all insurance proceeds of the Owner shall be released to such Owner, subject to provisions being made for payment from said proceeds, or otherwise for the removal of debris and clean up of the owner's lot, including restoration of any party walls to the extent restoration is the responsibility of such owner.

In the case of duplicate insurance coverage where the proceeds received are in excess of the damages sustained, the Associations' proceeds received under its policy(ies) shall be deemed "excess coverages: for the purpose stated herein and shall be paid to the subject owner only to the extent the proceeds received by the owner, or his/her mortgagee, or both, under the owner's policy(ies) are less than the cost of making repairs to the owner's improvements.

## ARTICLE 9

N/A

## ARTICLE 10

ARCHITECTURAL CONTROL, USE RESTRICTIONS  
AND SALE OR LEASING OR LOTS (UNITS)

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

10.1 Approval Required for Changes. To preserve the architectural appearance of the Properties, no construction, painting or other changes of any nature whatsoever shall be commenced or maintained by any owner other than Declarant with respect to the exterior of any townhouse or any other portion of the townhouse, including any vacant lot area, nor shall any exterior addition to or change or alteration therein, or thereon be made, unless and until the plans and specifications showing the nature, kind shape, color height, materials plantings, adornments, landscaping and location of the same shall have been submitted and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board, or by an architectural committee appointed by the Board. An owner may make improvements and alterations within his townhouse; provided, however, that no Owner shall make any structural

alterations in a townhouse or remove any portion thereof or make any additions thereto or do anything which would or might jeopardize or impair the safety, soundness or structural integrity of that townhouse or any other townhouse. No Owner shall impair any easement. Any alteration or impairment of the easements granted to or reserved by the Declarant or the Association, shall first have the written approval of the beneficiary of such easement.

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) shall be subject to the prior written approval of the Board.

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 single-family residential use, and the occupancy thereof shall be subject to such restrictions as the Board may establish pursuant to the rules and regulations of the Association.

10.4 Business Activities and Signs. No business activities, other than the development and sales activities of Declarant as permitted hereunder, shall be conducted on any portion of the Properties. Except as may be required by legal proceedings and except as permitted in accordance with Section 4.5 hereof, no " For Sale" or "For rent" signs or other signs or advertising posters of any kind shall be maintained or permitted on any portion of the Properties. Notwithstanding the foregoing, the provisions of this Section shall not apply to any signs maintained on the Properties by Declarant, its agents, representatives, or assigns, during the period that Declarant has any townhouse, condominium unit, or apartment in Cambridge Place for sale, or to the Mortgagee of any Unit pursuant to a Foreclosure Sale.

10.5 Pets. No animals or birds, other than two (2) generally recognized house pet (excluding pet fish in an aquarium) shall be kept or maintained on any portion of the Properties and then only they are kept or maintained solely as domestic pets and not for commercial purposes. No pet shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any pet shall be constructed or maintained on any part of the Common Area or amenities area. Pets shall be under leash when walked or exercised outdoors in any portion of the Common Area or amenities. No pets shall be allowed to leave its droppings on any portion of the Common Area or amenities are and the Owner of such pet shall immediately remove the droppings. Upon written request of any Owners, the Board may conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, a particular pet is permitted or such pet is a nuisance and shall have the right to require the Owner of a particular pet to remove

the pet from the Properties if such pet is found to be a nuisance or to be in violation of these restrictions. The Board may allow for a second pet in a particular instance and at its sole discretion, but such shall not be deemed a waiver of the 1-pet limit herein established. No pets may be kept and maintained outside of a townhouse. No horses, goats, or other livestock are allowed.

10.6 Use of Common Area and Amenities. The use and enjoyment of the Common Area and Amenities Area by the Owners and their Occupants shall be subject to such reasonable rules and regulations as may be made and amended from time to time by the respective Boards of Directors of the Association in accordance with Section 7.5 of this Declaration. This Section is for the mutual 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 electronic magnetic wave or radiation shall be erected, used or maintained outdoors on any portion of the Properties, whether attached to a building or structure or otherwise.

10.8 Motor Vehicle, Trailers, Boats, Etc. Automobiles shall be operated and parked only upon those portions of the Common Area and amenities area designated for such purpose on the Plat, or by the Boards of Directors. Other motor vehicles, including, without limitation, mobile home, motor homes, truck campers, trailers of any kind and boats, shall be kept, placed, stored, parked, maintained or operated only upon those portions of the Properties, if any, designated specifically for such purpose by the Board of Directors. Further, although not expressly prohibited hereby, the Board of Directors may prohibit mobile homes, motor homes, truck campers, trailers of any kind, motorcycles, motor scooters, motorized bicycles, mopeds, motorized go-carts and other such contrivances, or any of them, from being kept, place, stored, maintained or operated upon any portion of the Properties if in the opinion of the Board of Directors such prohibition shall be in the best interest of the Properties. No boats or trailers of any Owner or member of his family, his tenants, guest or contract purchasers shall be parked within the right-of-way of any street in or adjacent to the property described herein unless parking spaces have been clearly marked out for use therein.

Notwithstanding anything contained herein to the contrary, the Declarant and the Association, their agents, employees, successors and assigns shall be entitled to full use and benefits of the easements granted to or reserved by them over and through the Properties and shall not be subject to the foregoing restrictions of this Paragraph 10.8.

10.9 Nuisances. No rubbish or debris of any kind shall be dumped, placed, or permitted to accumulate upon any portion of the

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

10.10 Prohibited Activities. Noxious or offensive activities shall not be carried on in any Lot (townhouse) in any part of the Properties. Each Owner and occupant shall refrain from any act or use of his Lot (townhouse) which should reasonably cause embarrassment, discomfort, annoyance or nuisance to the other Owners and Occupants, or which could result in the cancellation of insurance on any Lot (townhouse) 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 Properties.

10.11 Governmental Regulations. All governmental building codes, health regulations, zoning restrictions and the like applicable to the Properties shall be observed and are hereby incorporated by reference herein as if set forth word for word. All Owners shall acknowledge, adhere to, and comply with any and all such governmental regulations, including the regulations of the Division of Environmental Management. In the event of any conflict between any provision of any such governmental code, regulation or restriction and any provisions of this Declaration, the more restrictive provisions shall apply.

10.12 Exterior Appearance. To provide a neat attractive and harmonious appearance throughout the Properties, no awnings, shades, screens or other item shall be attached to, hung or used on the exterior of any window of a townhouse without the prior written consent of the Board of any architectural committee appointed by the Board. Further, no foil or other reflective material shall be used on any windows for sunscreens, blinds, shades or any other purpose. Unless otherwise approved or waived by the Board of Directors, all shades, drapery linings and other window treatments visible from the exterior of a townhouse on any window or door shall be white or off-white. Outside clothes lines or other facilities for drying or airing clothes are specifically prohibited and shall not be erected, placed or maintained on any portion of the Properties, nor shall any clothing rugs or any other item be hung on any exterior railing or similar support.

GENERAL PROVISIONS

11.1 Amendment. So long as the Declarant has the right to annex property to Cambridge Place this Declaration may no be amended, without the specific written approval of Declarant, in the following respects: (1) any amendment changing the number of votes in the Association, or the allocation of votes to the Class A and Class B membership; (2) any amendment that would adversely affect Declarant control rights; or (3) any amendment that would change the provisions with respect to assessments on Lots held for sale or lease (except after being initially leased) by Declarant.

So long as the same shall not (a) adversely affect the title to any lot, (b) materially alter or change any owner's right to the use and enjoyment of his lot or the Common Area or amenities area as set forth in this Declaration, or © otherwise make any material change in this Declaration, each owner agrees that, if requested to do so, such owner will consent to the amendment of the Property 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, rules, regulation or 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, including, for example, the Federal Nation Mortgage Association, Federal Home Loan Mortgage Corporation, Veterans Administration or Federal Housing Administration, to enable such lender or purchaser to make or purchase mortgage loans on any lot, or (iii) if any such amendment is necessary to enable any governmental agency to insure mortgage loans on the lots based on the statutes, laws, rules or regulations applicable to or promulgated by such agency.

Except as expressly permitted by this Declaration, any amendment to this Declaration which would change the boundaries of any lot, or the number of Votes in the Association shall be approved, in writing, by all Owners and the Declarant so long as Declarant has the right to annex property to Cambridge Place. Any provisions in this Declaration which may be construed to the contrary notwithstanding, any amendment to this Declaration, which would change, alter, modify or rescind any right, title, interest or privilege herein expressly granted to any Mortgage shall require the prior written approval of such Mortgagee.

Otherwise, this Declaration may be amended at any time from time to time by the affirmative Vote of Owners having at least two-thirds (2/3) of the total Vote of the Association.

Amendments to this Declaration or the other Property 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. Any amendment to this Declaration shall become effective only when recorded or at such later date as may be specified in the amendment itself ( but amendments to the bylaws need not be recorded). The written consent of any Mortgagee required with respect to such amendment shall also be recorded with such amendment; joinder of mortgagees and other similar parties in an amendment, so long as the amendment does not substantially adversely affect the value of the respective Lot or the Properties, shall not be necessary for such amendment to be effective.

11.2 Eminent Domain. In the event that all or part of the Common Area or amenities area shall be taken by any authority having the power of eminent domain the use of the award for such condemnation and all related matters shall be handled as follows:

11.2.1 Each owner hereby grants an irrevocable power of attorney or Association to represent such owner in any and all condemnation proceedings, negotiations, settlements and agreements with the condemning authority. The award for such taking shall be payable to the Association, or Association, as their interest shall appear.

11.2.2 the Board(s) shall arrange for restoration of the remaining Common Areas and/or amenities areas.

11.3 Rights of Third Parties. This Declaration shall be recorded for the benefit of Declarant, the Owners and their Mortgagees as herein provided. This Declaration may be amended, canceled, or otherwise modified, as herein provided, without the consent, permission or approval of the adjoining owner or third person.

11.4 Enforcement. Each Owner shall comply strictly with the provisions of the Declaration and rules and regulations of the Association. In the event of a violation or breach, or threatened violation or breach, of the restrictions, conditions, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration and rules and regulations, 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 unenclosed portion o a Lot, where a violation exists and at the expense of the violating Owner, abate or remove any erection, thing or condition that may be or exist contrary to the intent and meaning of the Declaration or rules and regulations, if after fifteen (15) days notice it shall not have been corrected by such owner. Neither the Associatitons, nor their agents, shall be deemed guilty or liable for any manner of trespass for such entry,

abatement or removal.

Should the Associations 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 Declaration and rules and regulations are essential for the protection of the present and future owners, it is hereby declared that any breach hereof 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 remedy by injunction to restrain any violation or breach, or threatened violation or breach. No delay, failure or omission on the part of the Association any aggrieved Owner or Owners in exercising any right, power or remedy herein provided shall be construed as an acquiescence thereto nor 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 any one whomsoever against the Association or their 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 Declarations and Rules, 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 Property Instruments are hereby incorporated in this Declaration 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 perpetually 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 Declarant or the Boards, will best effect the intent of the general plan of the Properties. The provisions hereof shall be liberally interpreted, and if necessary, they shall be so extended and enlarged by implication as to make them fully effective. The effective date of this Declaration shall be the date it is filed for record. In the event of any conflicts or inconsistencies between this Declarations and the Bylaws, the terms and provisions of this Declaration shall prevail.

11.9 Severability. Whenever possible, each provision of the

Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision 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 invalid provision or application, and to this end the provisions of the Declarations are declared to be severable.

11.10 Captions. The captions of each Article and Section hereof refer to its contents and 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.

ARTICLE 12

MEMBERSHIP AND VOTING RIGHTS:

DECLARANT'S CONTROL RIGHTS

12.1 Every owner of Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from the ownership of a Lot. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for each Lot shall be exercised as the owners among themselves determine.

12.2 The Association shall have two classes of voting membership:

A. Class A Class A members shall be all owners and shall be entitled to one vote for each Lot owned, except that Declarant shall have three (3) votes for each lot owned when the provisions below providing for Class B membership apply.

B. Class B. Class B member(s) shall be the Declarant, during any period, and from time to time, that the number of Lots owned by Declarant multiplied by 3 (the number of votes for each Lot) would exceed the total number of votes of the Class A members determined without regard to Lots owned by Declarant. When a Class B member Declarant shall be entitled to three (3) votes for each Lot owned in the Properties, and at all other times shall be entitled to one vote for each Lot owned in the properties.

Declarant shall have voting rights as a Class B member with respect to property annexed to Cambridge Place at the time of the recording of the map showing Lots thereon as a part of Cambridge Place. Declarant shall not have voting rights as a Class B member with respect to any improved Lot held for lease purposes after initially leased.

As provided under Section 6.1 of the Declaration, and

notwithstanding the voting rights of Declarant as a Class B member, any single-family residential units which shall remain unconveyed or unleased to third parties, shall not be subject to the common charges and assessments herein established, and likewise, notwithstanding the voting rights of Declarant, vacant Lots shall not be subject to assessments, but the Declarant, its successors and assigns, shall pay the necessary expense of maintaining such vacant lots. Once initially leased a Lot shall thereafter be subject to assessments.

ARTICLE 13

PARTY WALLS

13.1 General Rules of Law of Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rule of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

13.2 Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

13.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts ~~or~~ omissions.

13.4 Weatherproofing. Notwithstanding any other provision of this Article, and Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

13.5 Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

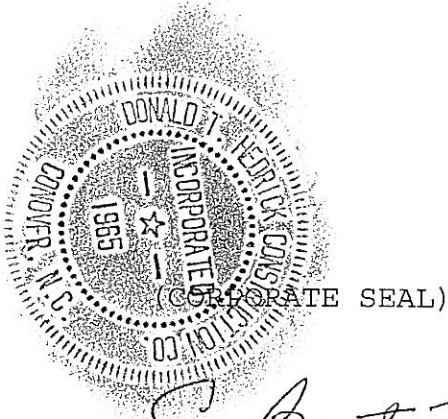
13.6 Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrator shall choose one additional arbitrator, and the decision shall be by a majority of all of the arbitrators.

IN WITNESS WHEREOF, Declarant has caused this instrument to be

executed under seal as of the day and year first above written.

DONALD T. HEDRILCK CONTRUCTION  
COMPANY, INC.

BY Donald T. Hedrick (SEAL)  
Donald T. Hedrick, President



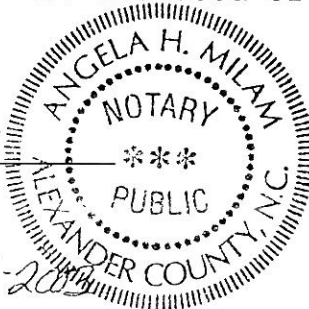
C. Brent Horbrick  
Secretary

NORTH CAROLINA

CATAWBA COUNTY

This the 17<sup>th</sup> day of November, 1998, personally came before me Donald T. Hedrick, who, being by me duly sworn, says that he is the President of Donald T. Hedrick Construction Company, Inc. And that the seal affixed to the foregoing instrument in writing was signed and sealed by him, in behalf of said Corporation and by its authority duly given. And the said Donald T. Hedrick acknowledged the said writing to be the act and deed of said Corporation.

Angela H. Milam  
NOTARY PUBLIC



My Commission expires: 6-8-2003

NORTH CAROLINA

CATAWBA COUNTY

The foregoing certificate of Angela H. Milam, Notary Public of Alexander County, N.C. is certified to be correct. Presented for registration this 24th day of March, 1999 at 8:15 A.M. and duly recorded in the office of the Register of Deeds of Catawba County, N.C. in Book 2138 at Page 838.

Ruth Mackie  
RUTH MACKIE, REGISTER OF DEEDS