

**BYLAWS OF
HAMPTON EAST HOMEOWNERS ASSOCIATION, INC.**

Section 1

Definitions

The words, phrases and terms used in these Bylaws shall have the meanings as set forth in the Declaration of Covenants, Conditions and Restrictions for Hampton East (the "Declaration") recorded in Book 2276 at Pages 1438 and 1463, Catawba County Registry.

Section 2

Administration of the Property

Section 2.1 Authority and Responsibility: Except as otherwise specifically provided in the Management Documents, the Association shall be responsible for administering, operating and managing the Common Area, and shall have, without limitation, all of the powers specified in N.C.G.S. §47F-3-102.

Section 2.2 Official Action: Unless specifically required in the Management Documents, all actions taken by the Association shall be valid when such are approved by the Board or when taken by the committee, person, or entity to whom such authority has been duly delegated by the Board as set forth in the Management Documents. The Association, its Board, officers, and members shall at all times act in conformity with the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, and the Management Documents.

Section 3

Offices - Seal - Fiscal Year

Section 3.1 Principal Office and Registered Office: The initial principal office and registered office of the Association shall be located at 840 Highland Avenue, S.E., Hickory, Catawba County, North Carolina 28601, and the mailing address is P. O. Box 3527, Hickory, North Carolina 28603.

Section 3.2 Other Offices: The Association may have other offices at such other places within the State of North Carolina as the Board may from time to time determine or as the affairs of the Association may require.

Section 3.3 Seal: The seal of the Association shall contain the name of the Association, the word "Seal", year of incorporation, and such other words and figures as desired by the Board.

Section 3.4 Fiscal Year: The fiscal year of the Association shall be the calendar year.

Section 4

Membership

Section 4.1 Qualification: Membership in the Association shall be limited to the Owners, and every Owner of a Lot shall automatically be a member of the Association. Membership in the Association shall be appurtenant to and may not be separated from Lot ownership.

Membership in the Association shall inure automatically to Owners upon acquisition of the fee simple title (whether encumbered or not) to any one or more Lots. The date of recordation in the Catawba County Registry of the conveyance of the Lot in question shall govern the date of ownership of each particular Lot. However, in the case of death, the transfer of ownership shall occur on date of death in the case of intestacy or date of probate of the will in the case of testacy. Until a decedent's will is probated, the Association may rely on the presumption that a deceased Owner died intestate.

Section 4.2 Place of Meetings: All meetings of the membership shall be held at a place in Catawba County, North Carolina designated by the Board.

Section 4.3 Annual Meetings: A meeting of the Association shall be held at least once each year. The first Annual Meeting of the Association shall be held on the date and hour designated by Declarant. Thereafter, the Annual Meeting of the Association shall be held on the second Monday in February of each year at 8:00 p.m., Eastern Standard Time. If the second Monday in February shall be a legal holiday, the Annual Meeting shall be held at the same hour on the first day following which is not a legal holiday. At such meetings, the Board shall be elected in accordance with these Bylaws, and the Members shall transact such other business as may properly come before them.

Section 4.4 Substitute Annual Meetings: If an Annual Meeting shall not be held on the day designated by these Bylaws, a Substitute Annual Meeting may be called in accordance with the provisions of Sections 4.5 and 4.6. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 4.5 Special Meetings: After the first Annual Meeting of the Members, special Meetings of the Members may be called at any time by the President, by a majority of the Board, or by owners having not less than ten percent (10%) of the votes in the Association. Business to be acted upon at all Special Meetings shall be confined to the subjects stated in the notice of such meeting.

Section 4.6 Notices of Meetings: Written or printed notice stating the time and place of a membership meeting, including Annual Meetings, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, and any proposal to remove a director or officer, shall be delivered not less than ten nor more than sixty days before the date of any such membership meeting, either personally or by mail, by or at the discretion of the President or the Secretary, to the address of each Lot. Notice shall be deemed given upon deposit in the mail depository of each Lot.

Notice given to any one tenant in common, tenant by entirety, or other joint Owner of a Lot shall be deemed notice to all joint Owners of the subject Lot.

The notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 4.7 Quorum: Except as otherwise provided in the Management Documents, the presence in person or by proxy of Members entitled to cast twenty-five percent (25%) of the votes which may be cast for election of the Board shall constitute a quorum at all meetings of the Members. If a quorum is not present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum is present or is represented. The Members at any meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 4.8 Voting Rights: Each Member shall be entitled to the voting rights set forth in the Declaration. If fee simple title to a Lot is owned of record by more than one person or entity, all such persons or entities shall be Members of the Association, but the vote with respect to any such jointly owned Lot shall be cast as hereinafter provided.

If the fee simple title to any Lot is owned of record by two or more persons or entities (whether individually or in a fiduciary capacity), the vote with respect to any such jointly owned Lot may be cast by any one of the joint Owners in person or by proxy, except that the holder or holders of a life estate in a Lot shall have the sole right to cast the votes allocated to the Lot. If more than one of the joint Owners vote or more than one life estate holder in a Lot vote, the unanimous action of all joint Owners or joint life estate holders voting shall be necessary to effectively cast the votes allocated to the particular Lot.

Such unanimous action shall be conclusively presumed if any one of such multiple Owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other of such joint Owners.

In no event may the vote which may cast with respect to any Lot be divided among joint Owners of the Lot or cast in any manner other than as a whole, it being the intention of this Section 4.8 that there be no "splitting" of votes that may be cast by any Member or Members.

Section 4.9 Proxies: Members may vote either in person or by agents duly authorized by written proxy executed by the subject Member or by his duly authorized attorney-in-fact. A proxy is not valid after the earlier of the term stated therein or the expiration of twelve months from the date of its execution. Unless a proxy otherwise provides, any proxy holder may appoint in writing a substitute to act in his place. In order to be effective, all proxies must be filed with the Secretary or duly acting Secretary either during or prior to the meeting in question. A member may not revoke a proxy given pursuant to this Section 4.9 except by written notice of revocation delivered to the person presiding over a meeting of the Association.

All of the provisions in the Declaration concerning voting by joint Owners shall apply to the vote cast for any one Lot by two or more proxy holders.

Section 4.10 Majority Vote: The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Bylaws, the Declaration, or the Articles of Incorporation of the Association.

Section 4.11 Actions Without Meeting: Any action which may be taken at a meeting of the membership may be taken without a meeting if consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

Section 5

Board

Section 5.1 General Powers: The business and affairs of the Association shall be managed by the Board or by such committees as the Board may establish pursuant to Section 6 of these Bylaws. Provided, however, the Board may not act on behalf of the Association to amend the Declaration, to elect members of the Board, or to determine the qualifications, powers and duties, or terms of office of Board members. The Board may, however, fill vacancies in its membership for the unexpired portion of any term.

Section 5.2 Number, Term and Qualification: The initial Board shall consist of the three individuals appointed by Declarant whose names are set forth in the Articles of Incorporation of the Association. Board members may succeed themselves in office. The Board of Directors, before each annual meeting of Members, shall determine the number constituting the Board of Directors for the ensuing year, which number shall not exceed seven or be less than three.

Section 5.3 Election of Board Members: The election of all Board members shall be by ballot. Persons receiving the highest number of votes (see Section 4.8) shall be elected. Cumulative voting is not permitted. Notwithstanding the foregoing, during the period of Declarant Control the Declarant, or persons designated by the Declarant, may appoint and remove the members of the Board.

Section 5.4 Removal: Any Board member, other than a member appointed by Declarant, may be removed from the Board, with or without cause, by a vote of at least sixty-seven percent (67%) of the votes entitled to be cast by all Members present and entitled to vote at any meeting of the Membership at which a quorum is present. Provided, the notice of the meeting must state that the question of such removal will be acted upon at the subject meeting. If any Board members are so removed, their successors as Board members may be elected by the membership at the same meeting to fill the unexpired terms of the Board members so removed.

Section 5.5 Vacancies: A vacancy occurring in the Board may only be filled by a majority of the remaining Board members, though less than a quorum, or by the sole remaining Board member; but a vacancy created by an increase in the authorized number of Board members shall be filled only by election at an Annual or substitute Annual Meeting or at a Special Meeting of Members called for that purpose or by unanimous consent of the Members without meeting. The Members may elect a Board member at any time to fill any vacancy not filled by the Board members. As indicated in Section 5.5, the Membership shall have the first right to fill any vacancy created by the Membership's removal of a Board member.

Section 5.6 Chairman: A member of the Board shall be elected as Chairman of the Board by the Board members at the first meeting of the Board. The Chairman shall preside at all meetings

of the Board and perform such other duties as may be directed by the Board. Prior to election of a Chairman or in the event that the Chairman is not present at any meeting of the Board, the President shall preside.

Section 5.7 Compensation: No Member of the Board shall receive any compensation from the Association for acting as such. Provided, however, each Board member shall be reimbursed for reasonable out-of-pocket expenses incurred and paid by him on behalf of the Association, and nothing herein shall prohibit the Board from compensating a Board member for unusual and extraordinary services rendered on the basis of quantum meruit. Further provided, each Board member, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon quantum meruit.

Section 5.8 Loans to Board Members and Officers: No loans shall be made by the Association to its Board members or officers. The Board members who vote for or assent to the making of a loan to a Board member or officer of the Association, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

Section 5.9 Liability of Board Members: To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable time, each Board member is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as a Board member. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

Section 5.10 Meetings of the Board:

A. Regular Meetings: Regular Meetings shall be held, without notice, at such hour and address as may be fixed from time to time by resolution of the Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

B. Special Meetings: Special Meetings shall be held when called by the President of the Association, or by any board member, after not less than three nor more than thirty days written notice to each Board member.

C. Notices of Special Meetings: The notice provided for herein may be waived by written instrument signed by those Board members who do not receive said notice. Except to the extent otherwise required by law, the purpose of a Board members' special meeting need not be stated in the notice. Notices shall be deemed received upon the happening of any one of the following events: (1) one day following deposit of same in the United States mail with proper postage paid and addressed to the Board member at his last known address on file with the Association; (2) deposit of same in his Lot mail box; (3) delivery to the Board member. Attendance by a Board member at a meeting shall constitute a waiver of notice of such meeting unless the subject Board member gives a written statement at the meeting to the person presiding objecting to the transaction of any business because the meeting is not lawfully called and gives such notice prior to the vote on any resolution.

D. Approved Meeting Place: All Board meetings shall be held in Catawba County, North Carolina.

E. Quorum: A majority of the Board members then holding office shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the Board members present at a duly held meeting at which a quorum is present shall be regarded as the act or decision of the Board.

Section 5.11 Action Without Meeting: The Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Board members. Any action so approved shall have the same effect as though taken at a meeting of the Board. Said written approval shall be filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5.12 Presumption of Assent: A Board member who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Board member who voted in favor of such action.

Section 5.13 Powers and Duties: The Board shall have the authority to exercise all powers and duties of the Association necessary for the administration of the affairs of the Property except such powers and duties as by law or by the Management Documents may not be delegated by the Owners to the Board. The powers and duties to be exercised by the Board shall include, but shall not be limited to, the following:

A. Operation, care, upkeep and maintenance of the Common Area to the extent such operation, care, upkeep, and maintenance is not the obligation of the Owners;

B. Determination of the funds required for operation, administration, maintenance and other affairs of the Property and collection of the assessments from the Owners, as provided in the Management Documents;

C. Employment and dismissal of personnel (including without limitation the Independent Manager) necessary for the efficient operation, maintenance, repair, and replacement of the Common Area;

D. Adoption of rules and regulations covering the details of the operation, maintenance, repair, replacement, use and modification of the Common Area;

E. Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

F. Obtaining insurance as required or permitted under the terms of the applicable provisions of the Declaration;

G. Keeping detailed, accurate records of the receipts and expenditures of the Association; obtaining annual audits of the financial records of the Association from the Association's public accountant; furnishing the annual reports; and furnishing current budgets. All books and records shall be kept in accordance with good and accepted accounting practices and the

same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days;

H. Keeping a complete record of the minutes of all meetings of the Board and Membership in which minute book shall be inserted actions taken by the Board and/or Members by consent without meeting;

I. Supervising all officers, agents and employees of the Association and insuring that their duties are properly performed;

J. Enforcing, on behalf of the Association, the obligations and assessments provided in the Declaration, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, in accordance with the procedures specified in N.C.G.S. §47F-3-107A, suspending privileges of Owners or levying reasonable fines for violations of the Declaration, Bylaws and rules and regulations of the Association, such fines not to exceed the greater of \$150.00 per day, or such higher maximum amount as may be specified in N.C.G.S. §47F-3-107A;

K. Making of repairs, additions, and improvements to or alterations or restoration of the Property in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty, or as a result of a condemnation or eminent domain proceeding;

L. Enforcing by any legal means or proceeding the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Area;

M. Enforcing, on behalf of the Association, any other rights or remedies of the Association, including, but not limited to, the institution of civil actions; provided, however, that no civil action may be brought by the Association that seeks more than \$25,000.00 in damages without the written consent of at least sixty-seven (67%) of the Members;

N. Paying all taxes and assessments which are or may become liens against any part of the Property, other than the Lots, and to assess the same against the Owners in the manner herein provided;

O. Hiring attorneys and other professionals;

P. Maintaining and repairing any Lot, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Board to protect the Common Area or any other Lot or if the Owner of such Lot has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered or mailed by the Board to said Owner, provided that the Board shall levy a special assessment against such Owner for the costs of said maintenance or repair;

Q. Entering any Lot when necessary in connection with any maintenance or construction for which the Board is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired

by the Board and such expenses shall be treated as a common expense; and entering any Lot for the purpose of correcting or abating any condition or situation deemed by the Board to be an emergency;

R. Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by either the Treasurer or the Assistant Treasurer of the Association, and countersigned by any Board member;

S. Furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Lot to the Owner or Mortgagee of such Lot, or a proposed purchaser or Mortgagee of such Lot, and imposing and collecting reasonable charges therefor; and

T. Exercising any other powers and duties reserved to the Association exercisable by the Board in the Declaration, the Articles of Incorporation or these Bylaws.

Section 5.14 Independent Manager: The Board may employ or enter into a management contract with any individual, firm or entity it deems appropriate and in the best interest of the Association concerning the routine management of the project. The Board may delegate to such person, firm or entity (referred to in these Bylaws as "Independent Manager") such duties and responsibilities in the management of the Property as the Board deems appropriate. Provided, the Board may not delegate to the Independent Manager the complete and total responsibilities and duties of the Association in violation of the Nonprofit Corporation Act of North Carolina. The Independent Manager's contract shall be for a term not to exceed three years, renewable by agreement between the Board and such Independent Manager for successive one-year terms; provided, however, that any such contract shall provide that it is terminable by the Association, with or without cause, upon not more than ninety days' prior written notice and without payment of any penalty. The Board shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Board and subject to its direction.

Section 6

Committees

Section 6.1 Creation: The Board, by resolutions adopted by a majority of the number of Board members then holding office, may create such committees as they deem necessary and appropriate in aiding the Board to carry out its duties and responsibilities with respect to the management of the Property. Each committee so created shall have such authorities and responsibilities as the Board members deem appropriate and as set forth in the resolutions creating such committee. The Board shall elect the members of each such committee. Provided, each committee shall have in its membership at least one member of the Board.

Section 6.2 Vacancy: Any vacancy occurring on a committee shall be filled by a majority of the number of Board members then holding office at a regular or special meeting of the Board.

Section 6.3 Removal: Any member of a committee may be removed at any time with or without cause by a majority of the number of Board members then holding office.

Section 6.4 Minutes: Each committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 6.5 Responsibility of Board Members: The designation of committees and the delegation thereto of authority shall not operate to relieve the Board or any member thereof of any responsibility or liability imposed upon it or him by law.

If action taken by a committee is not thereafter formally considered by the Board, a Board member may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

Section 7

Officers

Section 7.1 Enumeration of Officers: The officers of the Association shall consist of a President, a Secretary, a Treasurer, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board may from time to time elect. Except for the President, no officer need be a member of the Board.

Section 7.2 Election and Term: The officers of the Association shall be elected annually by the Board. Such elections shall be held at the first meeting of the board next following the Annual or Substitute Annual Meeting of the Members. Each officer shall hold office until his death, resignation, removal or until his successor is elected and qualified. Notwithstanding the foregoing, during the period of Declarant Control the Declarant, or persons designated by the Declarant, may appoint and remove the officers.

Section 7.3 Removal: Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Association will be served thereby.

Section 7.4 Vacancy: A vacancy in any office may be filled by the election by the Board of a successor to such office. Such election may be held at any meeting of the Board. The officer elected to such vacancy shall serve for the remaining term of the officer he replaces.

Section 7.5 Multiple Offices: The person holding the office of President shall not also hold the office of Secretary or Treasurer at the same time. Any other offices may be simultaneously held by one person. Any officer may also be a member of the Board.

Section 7.6 President: The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members. In the absence of an elected Chairman, he shall also preside at all meetings of the Board. He shall see that the orders and resolutions of the Board are carried out; he shall sign all written instruments regarding the Common Area and co-sign all promissory notes of the Association, if any; he may prepare, execute, certify, and record amendments to the Declaration on behalf of the Association; and he shall have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

Section 7.7 Vice Presidents: The Vice Presidents in the order of their election, unless otherwise determined by the Board shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, they shall perform such other duties and have such other powers as the Board shall prescribe.

Section 7.8 Secretary: The Secretary shall keep the minutes of all meetings of Members and of the Board; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all duties incident to the Office of Secretary of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

Section 7.9 Treasurer: The Treasurer shall have the responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall co-sign promissory notes of the Association; he shall prepare a proposed annual budget (to be approved by the Board) and the other reports to be furnished to the Members as required in the Declaration. He shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

Section 7.10 Assistant Secretaries and Treasurers: The Assistant Secretaries and Treasurers shall, in the absence or disability of the Secretary or the Treasurer, respectively, perform the duties and exercise the powers of those offices, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board.

Section 7.11 Compensation: Officers shall not be compensated on a regular basis for the usual and ordinary services rendered to the Association incident to the offices held by such officers. The Board may, however, compensate any officer or officers who render unusual and extraordinary services to the Association beyond that called for to be rendered by such person or persons on a regular basis. Each officer, by assuming office, waives his right to institute suit against or make claim upon the Association for compensation based upon quantum meruit.

Section 7.12 Indemnification: To the extent permitted by the provisions of the North Carolina Nonprofit Corporation Act in effect at the applicable times, each officer is hereby indemnified by the Association with respect to any liability and expense of litigation arising out of his activities as an officer. Such indemnity shall be subject to approval by the Members only when such approval is required by said Act.

Section 8

Amendments

These Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Owners holding at least sixty-seven percent (67%) of the votes in the Association, which instrument shall be effective only upon recordation in the Office of the Register of Deeds of Catawba County, North Carolina. Provided, however, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Management Documents, no amendment of these Bylaws shall be made unless and until the Owners holding such larger percentage of the vote in the Association execute said amending instrument. All

persons or entities who own or hereafter acquire any interest in the Property shall be bound to abide by any amendment to these Bylaws which is duly passed, signed, acknowledged and recorded as provided herein. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Management Documents, without the consent of Declarant.

Section 9

Miscellaneous

Section 9.1 Severability: Invalidation of any covenant, condition, restriction, or other provision of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof, which shall remain in full force and effect.

Section 9.2 Successors Bound: The rights, privileges, duties and responsibilities set forth in the Management Documents, as amended from time to time, shall run with the ownership of the Property and shall be binding upon all persons who own or hereafter acquire any interest in the Property.

Section 9.3 Gender, Singular, Plural: Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

Section 9.4 Nonprofit Corporation: No part of the Association's assets or net income shall inure to the benefit of any of the Members, the officers of the Association, or the members of the Board, or any other private individual either during its existence or upon dissolution except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation of the Association and these Bylaws.

Section 9.5 Declaration to Control: In the event of any conflicts or inconsistencies between these Bylaws and the Declaration, then the provisions of the Declaration shall control.

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RUTH HACKIE

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REGISTER OF DEEDS
CATAWBA CO., N.C.

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
HAMPTON EAST

✓ Prepared by:
Young M. Smith, Jr., Attorney
Hickory, North Carolina

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
HAMPTON EAST**

THIS DECLARATION is made this 21st day of May, 2001, by Hampton East, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant".

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain real property in Catawba County, North Carolina, which it desires to develop under the provisions of the North Carolina Planned Community Act into a residential community of single-family townhomes known as Hampton East; and

WHEREAS, Declarant desires to subject the property in Hampton East to the covenants, conditions, and restrictions set forth below for the purpose of protecting the value and desirability of the property and for the purpose of providing for the maintenance and operation of the common areas located thereon;

NOW, THEREFORE, Declarant hereby agrees that all of the property described hereinafter shall be subject to the following easements, covenants, conditions, and restrictions, all of which shall be collectively referred to in this Declaration as "restrictions".

**ARTICLE 1
DEFINITIONS**

The following terms when used in this Declaration or any Supplemental Declaration shall have the following meanings:

1.01. Act. "Act" shall mean the North Carolina Planned Community Act, Chapter 47F of the North Carolina General Statutes.

1.02. Additional Land. "Additional Land" shall mean the real property described in Exhibit "A" attached hereto, all or any portion of which may from time to time be made subject to this Declaration and which, when so subjected, shall become a part of Hampton East.

1.03. Agency. "Agency" shall mean the Federal Housing Administration and the Department of Veterans Affairs.

1.04. Articles. "Articles" shall mean the Articles of Incorporation of the Association and any amendments thereto.

1.05. Association. "Association" shall mean the Hampton East Homeowners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

1.06. Board. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

1.07. Bylaws. "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.

1.08. Common Area. "Common Area" shall mean all real property and easements over real property acquired by the Association for the common use and enjoyment of its Members. "Common Area" shall include any public or private road or right-of-way shown on Plats of the Property, and Declarant hereby grants to the Association a non-exclusive easement over all such roads and rights-of-way.

1.09. Completion of Sales. "Completion of Sales" shall mean the date on which the Declarant has conveyed all Lots to purchasers other than a successor Declarant hereunder and all of the Additional Land has been annexed to Hampton East as provided in Section 2.02.

1.10. Declarant. "Declarant" shall mean Hampton East, LLC and any successor or assign to whom Declarant shall expressly assign its interest as Declarant under this Declaration.

1.11. Declaration. "Declaration" shall mean this Declaration of Covenants, Conditions, and Restrictions and all amendments or supplements hereto.

1.12. Hampton East, Phase 1. "Hampton East, Phase 1" shall mean all of Lots 1 through 4 and approximately 15,050 square feet of Common Area adjacent thereto as shown on a plat of Hampton East, Phase 1, recorded in Plat Book 53 at Page 102, Catawba County Registry.

1.13. Hampton East. "Hampton East" shall mean all of Hampton East, Phase 1, and all or any portion of the Additional Land as may hereafter be subjected to the terms and provisions of this Declaration.

1.14. Lot. "Lot" shall mean any numbered plot of land to be used for residential purposes shown upon any Plat of the Property.

1.15. Management Documents. "Management Documents" shall mean this Declaration, the Articles and Bylaws of the Association, and the Rules and Regulations.

1.16. Member. "Member" shall mean a member of the Association.

1.17. Mortgage. "Mortgage" shall mean a mortgage or deed of trust which constitutes a first lien upon a Lot.

1.18. Mortgagee. "Mortgagee" shall mean the holder of the beneficial interest in any Mortgage.

1.19. Owner. "Owner" shall mean the record owner, whether one or more persons or entities, of fee simple title to any Lot and shall include Declarant as to any Lot owned by Declarant.

1.20. Person. "Person" shall mean an individual, corporation, partnership, limited liability company, trustee, or other legal entity capable of holding title to real property.

1.21. Plat. "Plat" or "Map" shall mean a subdivision plat of a portion of the Property recorded in the Catawba County Registry.

1.22. Property. "Property" shall mean all of Hampton East, Phase 1, and all or any portion of the Additional Land as may hereafter be subjected to the terms and provisions of this Declaration.

1.23. Phase. "Phase" shall mean the real property shown on each Plat of the Property recorded in the Catawba County Registry.

1.24. Rules and Regulations. "Rules and Regulations" shall mean reasonable rules and regulations as may be adopted from time to time by the Association.

1.25. Special Declarant Rights. "Special Declarant Rights" or "Declarant's Rights" shall mean rights reserved for the benefit of the Declarant, including without limitation the Special Declarant Rights allowed to the Declarant under Section 47F-1-103(28) of the Act, which include without limitation the right to elect, appoint, or remove any officer or member of the Board of Directors of the Association during the period of Declarant control. All such Special Declarant Rights, as authorized by the Act, are reserved to the Declarant.

1.26. Supplemental Declaration. "Supplemental Declaration" shall mean a supplement to this Declaration recorded for the purpose of annexing additional

property to Hampton East and causing such property to be subject to the terms and provisions of this Declaration.

1.27. Townhome. "Townhome" shall mean the single family dwelling constructed on each Lot by Declarant.

ARTICLE 2 PROPERTY SUBJECT TO THIS DECLARATION

2.01. Property Subject to this Declaration. All of Hampton East, Phase 1, shall be held, transferred, sold, conveyed, occupied, and used subject to all of the covenants, conditions, and restrictions set forth herein.

2.02. Future Additions. Additional lands may hereafter be annexed and subjected to this Declaration in the following manner:

(a) The Declarant shall have the right from time to time to bring within the operation and effect of this Declaration portions of the Additional Land more particularly described in Exhibit "A" attached hereto. Such additions shall be made by recording in the Catawba County Registry a Supplemental Declaration. Such Supplemental Declaration need be executed only by the Declarant (and the owner of such additional land if the Declarant is not the owner thereof) and shall describe the additional land and state that it is subject to this Declaration. The additions authorized by this Section 2.02(a) shall not require the approval of the Association or the Owners.

(b) Any Supplemental Declaration may contain such complementary additions and modifications of the restrictions contained herein as may be necessary to reflect the different character, if any, of the added property, provided they are not inconsistent with this Declaration. In no event, however, shall any such supplement revoke, modify, or add to the restrictions established by this Declaration insofar as they pertain to the Property as the same exists prior to the supplement.

ARTICLE 3 COMMON AREA

3.01. Conveyance of Common Areas. The Declarant shall from time to time convey to the Association fee simple title to the Common Areas. At the time of the conveyance such Common Areas shall be free of any liens or encumbrances except for: (a) ad valorem taxes prorated to the date of conveyance, (b) the restrictions and easements set forth in this Declaration, (c) other utility, drainage, and access easements, and (d) other title matters acceptable to the Association. The Association shall hold the Common Areas conveyed to it subject to the rights of Declarant set forth in the Management Documents and in the Act.

3.02. Community Use. The Common Areas conveyed to the Association shall be deemed property and facilities for the use and enjoyment, in common, of each Owner. No portion of any Common Area may be used exclusively by any Owner for a personal garden, storage facility, or other private use without the prior written approval of the Association. No Owner, except the Declarant, may place any signs in the Common Area or within the right of way of any street in the Property.

3.03. Owners' Easements of Enjoyment. Each Owner shall have a non-exclusive right and easement to use and enjoy the Common Area. This right and easement shall be appurtenant to and shall pass with the title to every Lot, subject to the provisions of the Management Documents, including but not limited to the following:

(a) The right of the Association to adopt Rules and Regulations governing the use and enjoyment of the Common Area and to charge reasonable fees with respect to the use of any Common Area facilities;

(b) The right of the Association to suspend the right of an Owner to use any Common Area facilities for any violation of the Management Documents or for any period during which any assessment, fine, or other charge due to the Association remains unpaid;

(c) The right of the Association to dedicate, transfer, sell, convey, or encumber all or any part of the Common area and to grant easements, leases, licenses, and concessions upon, over, under, and across the Common Area; and

(d) All other rights and easements of the Association and the Declarant set forth in the Management Documents and the Act.

3.04. Delegation of Use. Any Owner may delegate, subject to the provisions of the Management Documents, his rights of enjoyment of the Common Area to the members of his family and to his guests, tenants, and contract purchasers who reside on the property. The Association shall have the right to limit the number of guests of Owners.

3.05. Maintenance of the Common Area. The Association shall be responsible for the operation, maintenance, and repair of the Common Area.

3.06. Conveyance or Encumbrance of Common Area. Portions of the Common Area may be conveyed or subjected to a security interest by the Association if: (a) persons entitled to cast at least eighty percent (80%) of the votes in the Association, including at least sixty-seven percent (67%) of the votes appurtenant to the Class A membership, agree in writing to that action, and (b) the Declarant also agrees in writing to that action. This paragraph shall not preclude the Board from granting easements,

leases, licenses, and concessions through and over the Common Area without the assent of the membership as provided by the Act.

3.07. Rules and Regulations. The Association shall have the right to adopt, publish, and enforce reasonable Rules and Regulations governing the Property, the use and enjoyment of the Common Area, and the personal conduct thereon of the Owners, their guests, invitees, tenants, and members of their families or households.

ARTICLE 4 THE ASSOCIATION

4.01 Governing Body. The Association shall be the governing body for all Owners with respect to the management, administration, maintenance, repair, and replacement of the Property. Subject to the provisions of this Declaration and unless expressly prohibited herein, the Association shall have all of the rights, powers, and authority allowed or allowable to it under the Act. The Association shall be governed by a Board of Directors which can act in all instances on behalf of the Association unless the Management Documents or the Act specifically provide otherwise.

4.02. Membership. All Owners, including Declarant, shall be Members of the Association and entitled to vote as set forth below. Membership shall be appurtenant to and may not be separated from the ownership of any Lot.

4.03. Voting. The Association shall have two classes of voting membership:

(a) Class A. Class A Members shall be all Owners with the exception of Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an ownership interest in any Lot, all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine among themselves.

(b) Class B. The Class B Member shall be the Declarant, which shall be entitled to four votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier of the following dates: (i) the date that seventy-five percent (75%) of the Lots in Hampton East are conveyed by Declarant to other Owners, provided that the Class B membership shall be reinstated if thereafter additional lands are annexed to the Property as provided in Section 2.02, or (ii) December 31, 2011.

4.04. Period of Declarant Control. The period of Declarant control, during which the declarant has the right under the Act to appoint or remove any officer or member of the Board of Directors of the Association, shall terminate upon the Completion of Sales or December 31, 2011, whichever is earlier.

**ARTICLE 5
COVENANTS FOR ASSESSMENTS**

5.01. Covenant to Pay Assessments; Lien. Every Owner of a Lot, other than the Declarant, shall be obligated to pay to the Association such annual and special assessments as may be levied by the Association pursuant to the provisions of this Declaration. Any such assessment levied against a Lot remaining unpaid for a period of thirty days or longer shall constitute a lien upon that Lot when the Association files a claim of lien in the office of the Clerk of Superior Court of Catawba County. The lien provided for herein, upon filing, shall be prior to all other liens and encumbrances on a Lot except (a) liens and encumbrances (specifically including without limitation any Mortgage on the Lot) recorded before the docketing of the claim of lien and (b) liens for real estate taxes and other governmental assessments and charges against the Lot. The lien may be enforced by foreclosure pursuant to Section 47-3-116 of the Act or in any other manner allowed by law.

5.02. Personal Obligation. Each annual or special assessment, together with any late charges, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the owner of the Lot at the time such assessment was levied. If more than one Person held an ownership interest in the Lot at such time, the personal obligation to pay such assessment shall be both joint and several. The personal obligation for delinquent assessments shall pass to such Owner's heirs and personal representative, but shall not pass to such Owner's assigns unless expressly assumed by them. Such assumption shall not relieve an Owner of his obligation. No Owner may exempt himself from payment of assessments by waiver of use or by non-use of the Common Area or by abandonment or leasing of his Lot.

5.03. Purpose of Assessments. The assessments levied by the Association shall be used to pay the costs and expenses which the Association shall incur in connection with the performance of its duties and responsibilities under the Management Documents and the Act and for all other purposes allowed or allowable to the Association under the Management Documents, and the Act.

5.04. Reserves. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Areas and those other portions of the Property which the Association may be obligated to maintain. At the time of the closing of the sale or resale of each Lot, the purchaser shall pay to the Association a sum equal to two months assessment to be added to the reserve fund. This obligation of the purchaser shall be in addition to his obligation to pay annual and special assessments and shall not be considered advance payment of any such assessments.

5.05. Regular Annual Assessments. Regular annual assessments shall be determined on a calendar year basis for the period from January 1 through December 31 of each year. For calendar year 2001 the regular annual assessment shall be \$900.00 per Lot, payable monthly. For calendar year 2002 and for each calendar year thereafter the Board shall adopt a budget and fix the amount and due date of the regular annual assessment on a yearly basis at least sixty days in advance of each assessment year. Within thirty days after the adoption of the budget the Board shall provide to all of the Members a summary of the budget and notice of a meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board shall set a date for a meeting of the Members to consider ratification of the budget, such meeting to be held not less than ten nor more than thirty days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting it is rejected by at least sixty percent (60%) of all of the Lot Owners in the Association. In the event the proposed budget and assessment is rejected, the budget and assessment for the previous year shall be continued until such time as the Members ratify a subsequent budget proposed by the Board of Directors. If the Board fails to so fix the regular annual assessment, the assessment applicable for the previous year shall remain in effect until the Board shall fix a new regular annual assessment. Regular annual assessments shall be payable monthly on the first day of each month or at such other time as the Board may fix. The Association shall, upon demand and for a reasonable charge, furnish to any person having a legitimate interest a certificate signed by an officer of the Association stating whether the regular annual assessment and special assessments, if any, on a specified Lot have been paid and, if not, the amount due.

5.06. Special Assessments. If for any reason the budget adopted by the Board of Directors for any fiscal year shall prove to be inadequate to defray the Annual Expenses for such fiscal year, or if the Board shall determine that it is in the best interest of the Association to levy a special assessment to pay the costs of any capital improvements or capital repairs, the Executive Board may levy a special assessment against the Lots and the Owners thereof (other than the Declarant) to raise such needed funds, provided that such assessment may not be levied without the assent of sixty-seven percent (67%) of the votes of each class of Members voting in person or by proxy at a meeting duly called for this purpose. Any special assessment levied by the Board pursuant to the provisions of this Section 5.06 shall be payable at such times and such installments as the Board shall determine. Each Lot not owned by the Declarant shall be liable for the payment of an equal share of such assessment.

5.07. Lots Owned by Declarant. No Lot owned by the Declarant shall be subject to any assessment provided under this Article 5 for so long as said Lot is owned by the Declarant. Upon the sale or conveyance of a Lot by the Declarant the assessments provided under this Article 5 shall be levied against such Lot, and the Purchaser shall pay to the Association at the closing of the sale that portion of the assessment attributable to the remainder of the year in which the closing takes place.

5.08. Assessment as Remedy. After notice and opportunity for hearing, the Board, without the vote or written consent of Members, may levy a special assessment against an Owner as a remedy to reimburse the Association for costs and reasonable attorneys' fees incurred in bringing the Owner, his Lot, or his Townhouse into compliance with the provisions of the Management Documents.

5.09. Suspension of Privileges. The Association, after notice and opportunity for hearing, may suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty days or longer.

5.10. Allocation of Assessments. Except as otherwise provided in this Declaration and except for the exemption from assessments on Lots owned by Declarant, all regular and special assessments shall be levied equally against all Owners.

5.11. Delinquent Assessments. Any assessment not paid within fifteen days after the due date shall be delinquent. The Board may impose reasonable charges for late payment of assessments and other sums due and payable to the Association, including without limitation interest, late charges, collection costs, and reasonable attorneys' fees. All such late payment charges, along with all other fees, fines, charges, and sums of any kind due and payable to the Association, shall constitute assessments secured by the lien under Section 5.01 and shall be enforceable as assessments under this Article 5. Any interest charged by the Association for late payment of assessments shall be at the rate of eighteen percent (18%) per year and shall accrue from the due date until paid.

5.12. Subordination of the Lien to Mortgages. The lien for assessments provided for herein, prior to its docketing in the Office of the Clerk of Superior Court of Catawba County, shall be a continuing charge and lien upon the Lot, but shall be subordinate to the lien of any first mortgage and ad valorem taxes. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage or the foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

5.13. Voluntary Conveyance; Estoppel. Except as provided in Section 5.12 the lien for assessments provided for herein, prior to its docketing in the office of the Clerk of Superior Court of Catawba County, shall not be affected by any conveyance of a Lot and shall remain a continuing charge on that Lot and a continuing lien which may be foreclosed after being docketed in the Office of the Clerk of Superior Court of Catawba County, as provided in Section 5.01. Any grantee in a voluntary conveyance shall be entitled to a statement from the Board setting forth the amount of the unpaid assessments against the Lot, and such grantee shall not be liable for, nor shall the Lot

conveyed be subject to, a lien for any unpaid assessments in excess of the amount set forth in that statement.

5.14. Subsidy. Declarant shall subsidize the difference between revenues received through annual assessments and all reasonable expenses of the Association until such time as the Class B membership ceases to exist.

ARTICLE 6 ARCHITECTURAL CONTROL

6.01. Architectural Review Committee. Upon the Completion of Sales the Board of Directors shall appoint an Architectural Review Committee consisting of not less than three members. Prior to that time the Declarant shall function as the Architectural Review Committee, and reference herein to such Committee shall mean the Declarant until the Completion of Sales.

6.02. Approval of Plans. No building, fence, wall, awning, or other structure or improvement on any Lot shall be commenced, erected, constructed, placed, replaced, demolished, or altered on a Lot until the plans and specifications showing the nature, kind, shape, height, materials, color, exterior finish, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Architectural Review Committee. Disapproval of plans or specifications may be based upon any ground, including purely aesthetic considerations, which in its discretion the Committee deems sufficient. If the Architectural Review Committee fails to approve or disapprove an application within thirty days following its receipt, further approval will not be required and this Article will be deemed to have been fully complied with. The Architectural Review Committee or the Board of Directors shall be entitled to stop any construction in violation of these instructions. This Article 6 shall not apply to the Declarant.

ARTICLE 7 USE RESTRICTIONS

7.01 Residential Use. No portion of the Property shall be used for other than residential purposes and for purposes incidental thereto. All Lots shall be known and described as residential lots, and no part of said Lots shall be used for any commercial, business, or professional purpose. Notwithstanding the foregoing, however, nothing set forth in this Section 7.01 shall prohibit: (a) the Declarant from conducting such sales, leasing, and promotional activities on any Lot as the Declarant shall deem appropriate, including but not limited to using any Townhome as a model home and sales office, or (b) the Owner of any Townhome from using a portion of the Townhome as an office, provided that such use does not create regular customer or client traffic to and from

such Townhome and no sign, logo, symbol, or nameplate identifying such business is displayed anywhere on such Lot. It shall be within the discretion of the Board to determine, on a case-by-case basis, which home occupation or business-related activities will be compatible with the residential nature of the Property.

7.02. Prohibited Activity. No noxious, offensive, or unlawful activity shall be conducted on any Lot or on any other part of the Property, nor shall anything be done thereon that may be or become an unreasonable annoyance, inconvenience, or nuisance to the residents of the Property or that unreasonably interferes with their quiet enjoyment of the Property.

7.03. Noise and Disorderly Conduct. No Owner shall engage in any disorderly conduct on the Property or cause or allow any disturbance, including but not limited to playing any musical instruments, radio, stereo, or television in a manner that unreasonably disturbs any other Owner.

7.04. Signs. No signs shall be displayed on any Lot other than as may be permitted by the Rules and Regulations, except for one sign of customary and reasonable dimensions, conforming to such reasonable standards as may be adopted by the Board, advertising a Lot for sale. This sign restriction shall not apply to Declarant.

7.05. Antennas. Except for a satellite dish no more than eighteen inches in diameter that is not visible from the street and except as may be permitted by the Architectural Review Committee, no Owner shall construct, install, erect, or maintain any antenna, aerial, satellite dish or other reception devices upon any Lot.

7.06. Clotheslines. No clotheslines shall be allowed on any lot.

7.07. Pets. No animals shall be raised, bred, or kept on any Lot except dogs, cats, or other household pets which are kept for personal enjoyment and not for commercial purposes. The number of household pets generally considered to be outdoor pets, such as dogs and cats, shall not exceed two in number except for newborn offspring of such household pets which are under nine months of age. No savage or dangerous pets may be kept on the Property, and no pet shall be allowed if such pet constitutes an unreasonable annoyance, inconvenience, or nuisance to any other Owner. If the Board receives any complaint that an animal constitutes such an unreasonable nuisance, the Board shall afford the Owner of such animal notice and opportunity for hearing, and if the Board finds that such animal constitutes an unreasonable annoyance, inconvenience, or nuisance, the Board may require that such animal be removed from the Property.

All pets must be housed inside a Townhome, and no pet shall be permitted upon the common Area unless carried or leashed by a person that can control the pet. Pets shall not be permitted to defecate in the Common Area or urinate on the shrubbery, and each Owner shall clean up immediately after his pet if an accident occurs. All pets

shall be registered or inoculated as required by law. Each owner shall hold the Association harmless from any claim resulting from any action of his pet and shall repair at his expense any damage to the Common Area caused by his pet. If any owner violates these rules more than twice in any twelve month period, then in addition to any fines provided in the Declaration, the Board shall have the right to require the owner to remove the pet from the Property after notice and opportunity for hearing.

The Board may adopt Rules and Regulations concerning animals which are more restrictive than the provisions of this Declaration. The Board may also adopt a rule prohibiting certain pets which is more restrictive than the provisions of this Declaration, except that such rule shall not apply to animals residing on the Property at the time such rule is adopted. In any event, the Board at any time may require that any animal found to be an unreasonable annoyance, inconvenience, or nuisance be removed as provided hereinabove.

7.08. Trash and Vegetation. No trash, rubbish, garbage, or other waste material shall be kept or permitted upon any Lot except temporarily in sanitary containers located in an appropriate area screened and concealed from view. No weeds, vegetation, rubbish, debris, garbage, waste materials, or other materials of any kind shall be placed or permitted to accumulate on any Lot or any portion of the Property which would render it unsanitary, unsightly, offensive, or detrimental to the Owner of any other Lot in the vicinity.

7.09. Parking. Unless otherwise permitted by the Rules and Regulations, no boats, trailers, recreational vehicles, motor homes, campers, inoperable vehicles, trucks or commercial vehicles (except pickup trucks of no more than three-quarter ton capacity), or similar vehicles shall be parked, stored, or left on any part of the property unless the same is fully enclosed within the garage located on a Lot, with the garage door closed. Automobiles, pickup trucks of no more than three-quarter ton capacity, and vans used solely as passenger vehicles may be parked on those parts of a Lot improved for that purpose (garage, driveway, or parking pad).

7.10. Patios. No patio coverings, awnings, or enclosures shall be permitted except as approved by the Architectural Review Committee. Each owner will care for and keep his patio clean and in a neat and good condition. The furniture on the patio shall be appropriate patio furniture and shall be maintained in a neat, tidy, and good condition. Barbecue grills may be stored on the patio, but all other personal property (such as bicycles, lawn care equipment, and recreational equipment) shall be stored in a manner so as not to be visible from the Common Area or other Lots.

7.11. Fences. No fence, wall, patio enclosure, hedge, garden, or mass planting shall be erected, maintained, or permitted upon the Property except as approved by the Architectural Review Committee.

7.12. Leases. Any lease of a Lot or portion thereof shall be in writing and shall provide that the lease shall be subject in all respects to the Declaration and that any failure by the tenant to comply with all of the terms of the Declaration shall constitute a default under the lease.

ARTICLE 8 PARTY WALLS

8.01. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Townhomes in Hampton East and placed on the dividing line between the Lots and any replacement thereof shall constitute a party wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

8.02. 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, to the extent such maintenance is not the responsibility of the Association under Article 9.

8.03. 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 such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

8.04. Weatherproofing. Notwithstanding any other provision of this Article, any 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.

8.05. 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.

8.06. Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Article, such dispute shall be settled by arbitration as provided by the laws of North Carolina relating to arbitration as then existing.

8.07. Boundaries. Notwithstanding the depiction of the boundaries of any Lot on the Plat, the centerline of any common wall separating any Townhome from an adjoining Townhome shall constitute that portion of the common boundary line that runs between the attached areas of such Townhomes. Similarly, if any portion of any structure originally constructed by Declarant, including any party wall, any extension

of a party wall, or any common fence, protrudes over an adjoining Lot or into the Common Area, such structure, wall, or fence shall be deemed to be a permitted encroachment upon the adjoining Lot or Common Area, and the Owners and the Association shall neither maintain any action for the removal of the encroaching structure, wall, or fence, nor any action for damages. If there is such a protrusion, it shall be deemed that the affected Owners or the Association have granted perpetual easements to the adjoining Owner or Owners for continuing maintenance and use of the encroaching structure, wall, or fence. The foregoing provision shall also apply to any replacements in conformance with the original structure, wall, or fence constructed by Declarant. The provisions of this Section 8.07 shall be perpetual in duration and shall not be affected by any amendment of this Declaration.

ARTICLE 9 MAINTENANCE OF THE PROPERTY

9.01. Maintenance by Association. The Association shall be responsible for the operation, maintenance, and repair of the Common Area. In addition, the Association shall provide the following items of exterior maintenance upon each Lot: (a) lawn care and landscape maintenance, including the maintenance and repair of walkways and paved areas, but excluding such maintenance and care within any enclosed patio or other enclosure, (b) the periodic repainting or restaining of exterior building surfaces on each Townhome, and (c) the repair and replacement when necessary of the following structural elements of each Townhome: exterior walls and building surfaces, roofs, front stoops, gutters, and downspouts. In the event that the need for any maintenance or repair is caused by the negligence or intentional misconduct of the Owner, his agents, guests, or family members, the cost of such maintenance or repair shall be the obligation of the Owner and shall be added to and become a part of the assessment to which such Lot is subject.

9.02. Maintenance by Owners. Except for the maintenance required of the Association under Section 9.01, each Owner shall be responsible for keeping his Lot and all improvements thereon in a clean and sanitary condition and in good order and repair. All fixtures and equipment installed within a Lot, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the exterior walls of the Townhome, shall be maintained and kept in repair by the Owner. Each owner shall also repair, maintain, and replace at his expense, the heating and air conditioning systems servicing said Owner's Lot, whether located on the Owner's Lot or in the Common Area adjacent thereto. If an Owner fails to maintain his Lot and the improvements thereon in accordance with this Article 9 in a manner reasonably satisfactory to the Board, the Board shall give written notice to such Owner, and if the necessary maintenance is not completed within thirty days thereafter, the Association shall have the right, through its agents, contractors, and employees, to enter upon the Lot of the defaulting Owner and to repair, maintain, and restore the Lot and the exterior of the building and any other improvements erected thereon in a reasonable and good

and workmanlike manner. The cost of such repair, maintenance, or restoration shall be added to and become a part of the assessment to which such Lot is subject.

9.03. Right to Enter. The Association, or any person authorized by it, shall have the right of access to each Lot to the extent necessary for performance of its maintenance and other obligations with respect to such Lot and the Common Area. In the event of an emergency originating in or threatening any Townhome, regardless of whether the Owner is present at the time of such emergency, the Association or any person authorized by it shall have the right, with or without notice, to enter the Townhome for the purpose of abating the emergency or making any necessary repairs not performed by the Owner, and such right of access shall be immediate. In addition, all police, firemen, ambulance personnel, and similar persons shall have the right to enter upon the streets, driveways, and other parts of the Common Area in the performance of their duties.

ARTICLE 10 DAMAGE OR DESTRUCTION OF TOWNHOMES

10.01 Reconstruction. In the event of any damage or destruction by fire or other casualty to any one or more Townhomes, such damage or destruction shall be repaired or rebuilt in all events. All repair, reconstruction, or rebuilding of any Townhome shall be substantially in accordance with the plans and specifications for such damaged or destroyed Townhome prior to the occurrence of such damage, or in accordance with such differing plans and specifications as are approved for such purpose by both the Owner of the Townhome which is to be so repaired, reconstructed or rebuilt, and by the Board of Directors. The work of repairing, reconstructing, or rebuilding any damaged or destroyed Townhome shall be completed as soon after the occurrence of such damage or destruction as is reasonably practicable at no cost or expense to the Association.

10.02. Owners' Insurance. Each Owner shall obtain and keep continuously in force fire and casualty and extended coverage insurance upon his Townhome in an amount not less than one hundred percent (100%) of the replacement cost of such Townhome. Each Owner shall obtain and maintain public liability insurance coverage in the amount of at least \$100,000.00 for bodily injury, including deaths of persons, and property damage arising out of a single occurrence. Each Owner shall file a copy of each such individual policy with the Association upon the closing of the purchase of his Lot, and proof of each renewal thereof shall be forwarded with the next monthly assessment payment as is appropriate.

ARTICLE 11 COMPLIANCE WITH MANAGEMENT DOCUMENTS

11.01. Management Documents. The administration of the Property shall be in accordance with the provisions of this Declaration, the Articles, the Bylaws, and the

Rules and Regulations, herein referred to as the "Management Documents", and if there are any conflicts or inconsistencies in such documents, then the provisions of this Declaration shall control. In the event that anything shown on any Plat of the Property is inconsistent with the provisions of this Declaration, then the provisions of this Declaration shall prevail. Should any of the provisions of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control.

11.02. Compliance with Management Documents. Each Owner, resident, or tenant of a Lot shall comply with the provisions of the Management Documents. The failure of any Owner to comply with any such provisions shall entitle the Association, the Declarant, or any other Owner to maintain an action for the recovery of damages or for injunctive relief or both, and such persons or entities shall have the right to enforce all of the restrictions set forth in the Management Documents. Failure to enforce the provisions of the Management Documents shall not be deemed a waiver of the right to do so thereafter. All remedies provided in this Declaration shall be cumulative and in addition to any other remedies available under the law.

If any structure is built on the Property in violation of this Declaration, the Association or its designated agents may upon reasonable notice to the Owner (or without notice if the violation creates an immediate threat to the health, safety, or welfare of any resident of the Property) enter upon the Lot where such violation exists and abate or remove the same at the expense of the Owner; provided, however, that the Association shall then, at the expense of the Owner, make whatever repairs are necessary to ensure that the property and improvements where such violation occurred are restored to the same condition in which they existed prior to such violation, and any such entry, abatement, removal, or restoration and construction work shall not be deemed a trespass. Any amounts expended by the Association in so removing or abating any such violation and in restoring or repairing said property shall be the personal obligation of the Owner and shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, the Association shall not have the right to exercise the foregoing powers without an order from a court of competent jurisdiction if the abatement sought by the Association involves the alteration or demolition of any improvements within the Property.

There shall be a conclusive presumption that any violation or breach, or any attempted violation or breach, of any of the covenants or restrictions set forth in this Declaration cannot be adequately remedied by action at law or exclusively by recovery of damages. Any defaulting party shall be liable for the costs of enforcement of such covenants and restrictions, including without limitation attorneys' fees and court costs.

11.03. Fines and Suspension of Privileges. The Association, after notice and opportunity for hearing, may impose reasonable fines or suspend membership and voting rights (except rights of access to Lots) for reasonable periods for violation of the Management Documents. Any fine may be imposed, in an amount not to exceed that

permitted by the Act, for each day after its imposition that the violation continues. Such fines shall be assessments secured by the lien under Article 5 hereinabove. If a suspension of membership rights and privileges is imposed, the suspension shall be continued until the violation or delinquency is cured.

ARTICLE 12 DECLARANT'S RIGHTS

12.01. Declarant's Rights. Notwithstanding anything to the contrary contained in this Declaration, the Declarant shall have the right to take such actions as it deems necessary, advisable, or convenient for the completion and improvement of the Hampton East as a residential community and for the sale, rental, or other disposition of Townhomes in Hampton East. The rights of Declarant shall include without limitation:

(a) The right to use easements throughout the Common Area for the purpose of making improvements within the Property or the Additional Land, performing acts allowed or required by the Management Documents or the Act, and performing on any part of the Property acts deemed necessary, advisable, or convenient for the completion and improvement of the Property as a residential community and for the sale, rental, or other disposition of Lots;

(b) The right to install, construct, and maintain utilities and drainage facilities on any portion of the Common Area to serve the Common Area or any Lot;

(c) The right to install, construct, maintain, or remove facilities, structures, landscaping, and other improvements on the Common Area deemed necessary, advisable, or convenient for the completion and improvement of Hampton East as a residential community and for the sale, rental, or other disposition of Lots;

(d) The right to maintain sales offices, management offices, models, signs, and other sales aids advertising Hampton East on any portion of the Property;

(e) The rights of Declarant set forth elsewhere in the Management Documents; and

(f) The Special Declarant Rights set forth in Section 47F-1-103(28) of the Act and all other rights, powers, and authority allowed or allowable to the Declarant under the Act not expressly prohibited to it by the Management Documents. Included in these Special Declarant Rights authorized by the Act is the right to appoint or remove any officer or member of the Board of Directors of the Association during the period of Declarant control.

The rights reserved under this Article 12 shall terminate one year after the Completion of Sales, except for the right to appoint or remove any officer or director of the Association, which shall sooner terminate upon the termination of the period of Declarant control as set forth in Section 4.04 of this Declaration.

ARTICLE 13 GENERAL PROVISIONS

13.01. Indemnification of Officers and Directors. The Association shall indemnify all persons who serve at any time as officers or directors of the Association against all costs incurred by them in connection with the defense or settlement of any claim, action, suit, or proceeding in which they are made parties or which may be asserted against them by reason of having been an officer or director of the Association, except in relation to matters in any such proceeding as to which any such officer or director shall be found guilty of willful and intentional negligence or misconduct. In the event of a settlement this indemnification shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

13.02. Amendments and Termination. Except as is otherwise specifically authorized herein, this Declaration may be amended only upon the affirmative vote or written agreement signed by Owners to which at least sixty-seven percent (67%) of the votes of the Association are allocated and the written consent of the Declarant. The Declarant, without the approval of the Owners, may amend this Declaration to reflect any changes requested, required, or suggested by the Federal Housing Administration, the Department of Veterans' Affairs, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Corporation. The Declarant may also amend this Declaration without the approval of the Owners to correct minor and clerical errors. The Declarant, for so long as it is a Class B member, and thereafter the Board of Directors, may amend this Declaration as shall be necessary, in its opinion and without the approval of the Owners, to qualify the Association or the Property, or any portion thereof, for tax-exempt status. Any amendment to this Declaration shall not be effective until an instrument evidencing the same shall be recorded in the Catawba County Registry, which instrument shall contain a certification by the Secretary of the Association that the amendment has been correctly adopted in accordance with the provisions of this Declaration. This Declaration may be terminated only by agreement of Lot Owners to which at least ninety percent (90%) of the votes in the Association are allocated and the written consent of the Declarant.

13.03. Agency Approval. Annexation of additional properties other than as provided in Section 2.02(a) hereof, the mortgaging or conveyance of any portion of the Common Area to persons other than the Association, and any material amendment of

this Declaration shall require the prior approval of any Agency then holding or insuring a Mortgage as long as there is a Class B membership.

13.04. Interpretation of Declaration. Whenever appropriate, the singular may be read as plural, the plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender.

13.05. Independence of Provisions. The provisions of this Declaration shall be deemed independent and severable. Invalidation or partial invalidation of any provision of this Declaration by judgment or court order shall not affect any other provision of this Declaration, and the remaining provisions shall remain in full force and effect.

13.06. Headings. The headings used in this Declaration are for convenience and reference only, and the words contained therein shall not be held to expand, modify, or aid in the interpretation, construction, or meaning of this Declaration.

13.07. Notices. Notices shall be in writing and shall be addressed as follows: (a) if to an Owner, to the Owner's address last appearing in the books of the Association; (b) if to Declarant, to P. O. Box 3527, Hickory, North Carolina 28603; and (c) if to the Association, to P. O. Box 3527, Hickory, North Carolina 28603. The Association may designate a different address for notices by giving written notice of such change of address to all Owners and to Declarant. Declarant may designate a different address for notices by giving written notice of such change of address to all Owners and to the Association. Any Owner may designate a different address for notices by giving written notice of such change of address to the Association and to Declarant.


13.08. No Liability. Neither Declarant, nor any employee, agent, successor or assign of Declarant, shall be liable for any claim or damage whatsoever arising out of any actions performed pursuant to or in accordance with any authority granted or delegated to them by this Declaration.

13.09. Covenants Running with the Land. All of the provisions of this Declaration shall be construed as covenants running with the land and shall be binding upon and inure to the benefit of all parties having any right, title, and interest in the Property or any part thereof and their heirs, successors, and assigns.

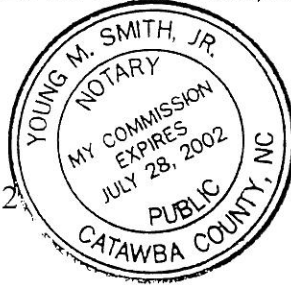
CATAWBA COUNTY

I, Young M. Smith, Jr., a Notary Public of Catawba County, North Carolina, certify that L. D. Austin and James D. Grogan, all of the member-managers of Hampton East, LLC, a North Carolina limited liability company, personally came before me this day and acknowledged the due execution of the foregoing instrument on behalf of said company.

Witness my hand and official seal this 1st day of June, 2001.



Notary Public



My Commission Expires: 7/28/2002

EXHIBIT A

**Additional Land
Hampton East**

Being all of the property shown on a plat of Hampton East recorded in Plat Book 52 at Page 117, Catawba County Registry, less and excepting all of Hampton East, Phase 1, as shown on a plat recorded in Plat Book 53 at Page 102, Catawba County Registry.

CONSENT AND JOINDER

WHEREAS, Bank of Granite (hereinafter referred to as "Beneficiary") is the owner and holder of certain obligations secured by a Deed of Trust recorded in Book 2214 at Page 1931, Catawba County Registry, and Donald D. McSwain (hereinafter referred to as "Trustee") is Trustee under said Deed of Trust; and

WHEREAS, Trustee and Beneficiary have agreed at the request of Hampton East, LLC, a North Carolina limited liability company, to consent to the provisions of the attached Declaration of Covenants, Conditions and Restrictions for Hampton East (hereinafter referred to as the "Declaration"), which Declaration is applicable to the property encumbered by the aforesaid Deed of Trust;

NOW, THEREFORE, Trustee and Beneficiary, by joining herein, hereby:

(1) Consent to the execution, delivery, and recordation of the Declaration;

(2) Subordinate the lien of the aforesaid Deed of Trust to the provisions of the Declaration with the same effect as if the Declaration had been executed, delivered, and recorded prior to the execution, delivery, and recordation of the Deed of Trust; and

(3) Agree notwithstanding the foreclosure of the Deed of Trust (or a conveyance in lieu thereof), that the Declaration and all rights therein described shall continue unabated and in full force and effect.

IN WITNESS WHEREOF, the Beneficiary and the Trustee have hereunto set their hands and seals as of this 1st day of June, 2001.

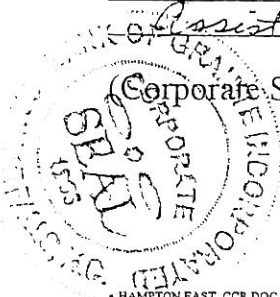
BANK OF GRANITE

By: *Dan Stewart*
VICE President

ATTEST:

Jesse J. Martini
Assistant Secretary

(Corporate Seal)



Donald D. McSwain
Donald D. McSwain, Trustee

NORTH CAROLINA
CATAWBA COUNTY

I, Kathy L. McMasters, a Notary Public of the County and State aforesaid, certify that TERESA F. MARTIN personally came before me this day and acknowledged that she is Asst. Secretary of Bank of Granite, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by TERESA F. MARTIN as its Asst Secretary. Witness my hand and official stamp or seal this 1st day of June, 2001.

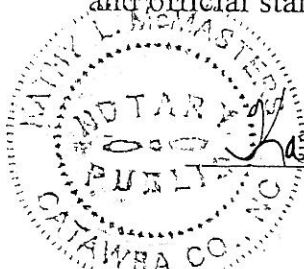


Kathy L. McMasters
Notary Public

My commission expires: 3/6/2006

NORTH CAROLINA
CATAWBA COUNTY

I, Kathy L. McMasters, a Notary Public of the County and State aforesaid, certify that Donald D. McSwain, Trustee, personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal, this 1st day of June, 2001.



Kathy L. McMasters
Notary Public

My commission expires: 3/6/2006

NORTH CAROLINA-CATAWBA COUNTY

The foregoing certificates of Kathy L. McMasters, Notary Public of Catawba County, N.C.* are certified to be correct. This instrument was presented for registration this 1st day of June, 2001 at 4:44 P.M. and recorded in the office of the Register of Deeds of Catawba County, N.C. in Book 2276 at Page 1438.

Ruth Mackie
RUTH MACKIE, REGISTER OF DEEDS pw

**and Young M. Smith, Jr., a Notary Public of Catawba County, NC