

Prepared by: Johnston & McIlwain, P.A.

STATE OF NORTH CAROLINA  
COUNTY OF SCOTLAND

1667

BLUE HERON

DECLARATION  
OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made on the date hereinafter set forth by DEERCROFT, INC., a corporation organized under the laws of the State of North Carolina, with its principal office and place of business in Scotland County, North Carolina, hereinafter referred to as "Declarant";

W I T N E S S E T H :

WHEREAS, Declarant is the owner of certain property in Spring Hill Township, Scotland County, North Carolina, which is more particularly described as follows:

Being Lots Nos. One (1) through Ten (10) inclusive, together with those rights of way for Blue Heron Court, of Blue Heron Courts owned by Deercroft, Inc., as shown, located and described on a map and survey made by J. F. Hampler Engineering, Inc., dated February 10, 1906, said map and survey being recorded in the Office of the Register of Deeds of Scotland County, North Carolina in Book of Maps 8 at Page 374, reference to same being hereby made for a description of greater certainty. Said tract is more particularly described by metes and bounds, according to the recorded map, as follows:

BEGINNING at an iron stake located in the south margin of the right of way of North Carolina Secondary Road Number 1332, said iron stake being the witness corner to a point in the center line of Secondary Road Number 1332 which is South 81 degrees 10 minutes East 301.50 feet from that point which marks the intersection of the center lines of Secondary Road Number 1332 and U. S. Highway 15-501; and runs thence from said beginning iron stake, as and with the south margin of the right of way of Secondary Road Number 1332, South 81 degrees 18 minutes East 456.6 feet to an iron stake; thence, South 73 degrees 10 minutes East 70.71 feet to an iron stake located in the west margin of the right of way of Blue Heron Court; thence

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crossing said right of way of Blue Heron Court at a right angle a distance of 60 feet to an iron stake located in the east margin of Blue Heron Court; thence, as and with the east margin of Blue Heron Court South 08 degrees 42 minutes West 130.13 feet to an iron stake; thence continuing as and with the south margin of the right of way of Blue Heron Court, North 81 degrees 17 minutes West 251.68 feet to an iron stake, a corner of Lot Number One (1); thence, as and with the boundary line of Lot Number One (1) three (3) calls as follows; South 45 degrees 19 minutes East 46.37 feet to an iron stake, South 44 degrees 40 minutes West 77.55 feet to an iron stake, and South 53 degrees 36 minutes West 4.02 feet to an iron stake, a common corner of Lots Nos. One (1) and Two (2); thence continuing South 53 degrees 36 minutes West passing over an iron stake at a distance of 75.00 feet for a total distance of 152.23 feet to an iron stake located in the east margin of Fairway Number Twelve (12); thence, as and with the east margin of Fairway Number Twelve (12), North 45 degrees 07 minutes West passing over iron stakes at interim distances of 100.00 feet, 120.00 feet and 185.00 feet for a total distance of 192.80 feet to an iron stake; thence North 25 degrees 21 minutes West 81.18 feet to an iron stake; thence, North 10 degrees 35 minutes East passing over iron stakes at interim distances of 20.00 feet and 90.00 feet for a total distance of 160.36 feet to the BEGINNING CORNER.

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I  
DEFINITIONS

Section 1. "Association" shall mean and refer to Deercroft Subdivision Homeowners and Recreation Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina and comprising all of the owners of lots in Deercroft Subdivision

and in the "properties" as hereinafter defined.

Section 2. "Blue Heron Association" shall mean and refer to Blue Heron Courts Homeowners Association, Inc., a non-profit corporation to be established and organized under the laws of the State of North Carolina and comprising all of the owners lots in Blue Heron Courts and in the "properties" as hereinafter defined. Until such time as Blue Heron Courts Homeowners Association, Inc. shall be organized, "Blue Heron Association" shall mean and refer to "Declarant".

Section 3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Common Area" shall mean all real property (including the improvements thereto) now owned or hereafter acquired by the Association and/or "Blue Heron Association".

Section 5. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the "Blue Heron Association".

Section 6. "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Areas and dedicated streets.

Section 7. "Declarant" shall mean and refer to Deercroft, 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.

Section 8. "Member" shall mean and refer to every person or entity who holds membership in the "Association" and/or "Blue Heron Association".

ARTICLE II  
PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every owner shall have a right and easement of enjoyment in and to the Common Areas which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the "Association" and/or "Blue Heron Association" to charge reasonable admission or other fees for the use of any recreational facility situated upon the Common Areas;

(b) the right of the "Association" and/or "Blue Heron Association" to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the "Association" and/or "Blue Heron Association" to impose regulations for the use and enjoyment of the Common Areas and improvements thereon, which regulations may further restrict the use of the Common Areas.

(d) the right of the "Association" and/or "Blue Heron Association" in accordance with its Articles and By-Laws to borrow money for the purpose of improving the Common Areas and facilities thereon; and to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(e) the right of the "Association" and/or "Blue Heron Association" to exchange portions of Common Areas with the Declarants for substantially equal areas of the Properties for the purpose of eliminating unintentional encroachments of structures or other improvements onto portions of the Common Areas.

Section 2. Delegation of Use. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities

to the members of his family, his tenants, or contract purchasers who reside on the property.

Section 3. Parking Rights. Each lot and structure thereon shall include off street parking facilities to accommodate a minimum of two vehicles; and the owner or owners thereof shall be responsible for maintaining their vehicles on the premises. The Association shall have the right, but not the obligation, to control and regulate the use of all streets and roads within Deercroft Subdivision and the "Properties" as herein defined, including the right to prohibit any use thereof which, in its sole opinion, would or might result in damage to said streets or roads, or improvements thereon, or which might be or become an annoyance or nuisance to the neighborhood; and the right, but not the obligation, to regulate the parking of boats, trailers, and other such items within the right of way of all said streets and roads.

Section 4. TV Antennas and Pipe-In Music. The "Association" and/or "Blue Heron Association" may provide one or more central television antennas for the convenience of the members and may supply piped-in music and the cost of these may be included in annual or special assessments. The "Association" and/or "Blue Heron Association" may regulate or prohibit the erection of television antennas or discs or dishes on individual lots. It may also regulate the erection or placing of any radio or television receiving equipment, mail boxes, or newspaper boxes or stands, if said items are located outside of or on the exterior of any building used for a residence.

Section 5. Insurance Obligation of Owners. Each individual unit Owner shall have the obligation to purchase appropriate insurance, in an appropriate amount, to insure that unit against fire or other casualty. If any dwelling unit is damaged by fire or other casualty, the Owner shall be required to rebuild the dwelling unit and place it in the same condition as it was prior to the damage being incurred. Said rebuilding shall be done in conformity with the rules and regulations of "Blue Heron Association". Should any dwelling unit be destroyed partially or in full, the insurance proceeds shall first be paid to the lending institution, if any, then to "Blue Heron Association" to such an extent as is necessary to complete the replacement of the

dwelling unit, and then any funds remaining after the dwelling unit has been completely restored will be paid to the Owner. If any Owner refuses to maintain insurance for his dwelling unit, "Blue Heron Association" shall have the right to purchase insurance for said unit and to assess the Owner for the cost of the insurance in the same manner as annual or special assessments.

Section 6. Storage Buildings and Appurtenant Structures. No storage building or other above ground structure shall be commenced, erected or maintained on any lot subject to this Declaration nor shall any exterior addition to, change in, or alteration of any of said structures be made until complete final plans and specifications showing the nature, kind, shape, height, materials, basic exterior finishes and colors, location and floor plan thereof and showing front, side and rear elevations thereof have been submitted to and approved by the Architectural Control Committee of "Blue Heron Association", its agents, successors or assigns as to harmony of exterior design in general quality with the existing standards of the neighborhood and as to location in relation to surrounding structures and topography.

Section 7. Leases of Lots. Any Lease Agreement between an Owner and a Lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and By-Laws of "Blue heron Association" and the "Association" not inconsistent therewith, their successors and assigns, and that any failure by the Lessee to comply with the terms of such documents shall be a default under the terms of the lease. All leases of lots shall be in writing. Other than the foregoing there is no restriction on the right of any Owner to lease his lot.

Section 8. Phasing. There will be more than one phase developed for the project known as Blue Heron Courts, and as each phase is completed, and the appropriate plat recorded, it will become subject to these covenants, conditions and restrictions and any amendments thereto.

Section 8. By-Laws. Any Owner will become subject to the By-Laws of "Blue Heron Association" and of the "Association" not inconsistent therewith and any amendments thereto, upon the purchase of any property or lot in the project, and these By-Laws are subject to change by a two-thirds (2/3) vote of those having voting rights in said Associations.

ARTICLE III  
MEMBERSHIP AND VOTING RIGHTS

Section 1. A homeowners association has been established and its name is Deercroft Subdivision Homeowners and Recreation Association, Inc. An additional homeowners association is to be established and its name is Blue Heron Courts Homeowner's Association, Inc.

Section 2. Every owner of a lot within Blue Heron Courts which is subject to assessment, as well as those owners of lots within Deercroft Subdivision, shall be members of the "Association". Every owner of a lot within Blue Heron Courts which is subject to assessment shall also be members of "Blue Heron Association". Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment.

Section 3. Both the "Association" and "Blue Heron Association" shall have, according to the provisions of its By-Laws as same now exist and subject to subsequent amendment, one class of voting membership which shall consist of only owners of lots. Each owner of a lot shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of any obligation. The vote or votes for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot. It is mutually understood that "Declarant", its

successors or assigns, holds one membership in Blue Heron Association for each unimproved lot which it owns and which is shown and delineated on a duly recorded plat of Blue Heron Courts or any addition thereto, which memberships shall have full voting rights in "Blue Heron Association" but shall require no payment of dues or membership fees to either "Blue Heron Association" or the "Association".

ARTICLE IV  
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the Properties, hereby covenants, and each Owner of any lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the "Association" annual assessments or charges as same may be determined and established each year by Deercroft Subdivision Home-owners and Recreation Association, Inc. for homeowners within Deercroft Subdivision; and to pay to "Blue Heron Association" an annual assessment for exterior maintenance of each lot as set forth in Article VI hereof, such assessments to be established and collected as hereinafter provided. The annual and exterior maintenance assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due.

Section 2. Purpose of Assessments.

(a) The annual assessments levied by the Association shall be used exclusively for public capital improvements to or for the benefit for the Common Areas; and to promote the recreation, health, safety and welfare of the residents of the properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities (including any and all street and road rights of ways within Blue Heron Courts and



Deercroft Subdivision) devoted to this purpose or for the use and enjoyment of the common areas, including but not limited to the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision; the payment of taxes assessed against the common areas; the procurement and maintenance of insurance in accordance with the By-Laws and this Declaration; the employment of attorneys to represent the Association when necessary; and such other needs as may arise from time to time.

(b) The exterior maintenance assessment levied by "Blue Heron Association" shall be used exclusively for the acquisition, improvement and maintenance of properties, surfaces and facilities (including an adequate reserve fund for contingencies and replacements) related to the purpose of exterior maintenance of the dwellings situated upon lots within Blue Heron Courts or any addition thereto, all as set forth in Article VI hereof; including but not limited to the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the property, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the By-Laws of the Association. As monies for any annual assessment are paid unto the Association by any Lot Owner, the same may be co-mingled with monies paid to the Association by the other Lot Owners within Blue Heron Courts and Deercroft Subdivision. As monies for any exterior maintenance assessment are paid unto "Blue Heron Association" by any Lot Owner, the same shall be maintained by said "Blue Heron Association" for exterior maintenance as set forth in Article III hereof. Although all funds and common surplus, including other assets of the "Association" and/or "Blue Heron Association", and any increments thereto or

profits derived therefrom shall be held for the benefit of the member of the "Association" and/or "Blue Heron Association", no member of the "Association" and/or "Blue Heron Association" shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When a Lot Owner shall cease to be a member of the "Association" and/or "Blue Heron Association" by reason of his divestment of ownership of his Lot, by whatever means, the "Association" and/or "Blue Heron Association" shall not be required to account to such owner for any share of the fund or assets of the "Association" and/or "Blue Heron Association" or which may have been paid to the "Association" and/or "Blue Heron Association" by such Owner, as all monies which any Owner has paid to the "Association" and/or "Blue Heron Association" shall be and constitute an asset of the "Association" and/or "Blue Heron Association" which may be used in the operation and management of the properties. Lot Owners will not receive any refund from the "Association" and/or "Blue Heron Association" of any assessment paid upon divestment of ownership.

Section 3. Maximum Annual Assessment.

(a) As more fully provided for in Article III of the By-Laws of Deercroft Subdivision Homeowners and Recreation Association, Inc., each owner of a lot is obligated to pay to the Association annual and special assessments, as hereinbefore set forth. The amount of the annual assessment for each member of the Association shall be established each year at the annual meeting of Deercroft Subdivision Homeowners and Recreation Association, Inc. by a vote of a majority of the members of the Association attending the annual meeting, either in person or by proxy, after recommendation of the Board of Directors. The amount of the annual assessment for each lot shall not exceed the maximum set forth in Section 3.2(b) of the By-Laws of Deercroft Subdivision Homeowners and Recreation Association, Inc.

(b) In addition to the annual and special assessments paid to Deercroft Subdivision Homeowners and Recreation Association, Inc., as herein stated, each owner of a lot is obligated to pay to "Blue Heron Association" annual and special assessments for exterior maintenance. Until January 1 of the year immediately following the conveyance of the first lot to an owner in Blue Heron Courts, the maximum annual exterior maintenance assessment shall be \$720 per lot, payable at the rate of \$60.00 per month.

1) From and after January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual exterior maintenance assessment may be increased each year not more than five (5%) percent above the maximum exterior maintenance assessment for the previous year without a vote of the membership.

2) From and after January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual exterior maintenance assessment may be increased above five (5%) percent by a vote of two-thirds (2/3) of the members owning lots in Blue Heron Courts who are voting in person or by proxy at a meeting duly called for this purpose.

3) The Board of Directors of "Blue Heron Association" may fix the annual exterior maintenance assessment at an amount not in excess of the maximum.

Section 4. Notice and Quorum for Action Authorized Under Section 3(b). Written notice of any meeting called for the purpose of taking any action authorized under Section 3(b) shall be sent to all members owning lots in Blue Heron Courts not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast two-thirds (2/3) of all the votes of the membership owning lots in Blue Heron Courts shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the

required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5. Uniform Rate of Assessment. Both annual and exterior maintenance assessments must be fixed at a uniform rate for all lots and may be collected on a basis as determined by the Board of Directors of the "Association" and/or "Blue heron Association."

Section 6. Date of Commencement of Annual Assessments: Due Dates. The annual and exterior maintenance assessments provided for herein shall commence as to all lots on the first day of the month following the conveyance of the lot. The first annual and exterior maintenance assessment shall be adjusted according to the number of months remaining in the calendar year. Written notice of the annual and exterior maintenance assessment shall be sent to every owner subject thereto. The due dates of each assessment shall be established by the Board of Directors of the "Association" and/or "Blue Heron Association". Each said Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an Officer of said Association setting forth whether the assessments on a specified lot have been paid. A properly executed certificate of said Association as to the status of assessments on a lot is binding upon said Association as of the date of this issuance.

Section 7. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within sixty (60) days after the due date shall bear interest from the due date at the maximum legal rate of interest per annum. The "Association" and/or "Blue Heron Association" may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosures of deeds of trust, and interest, costs and reasonable attorney's fees for representation of the "Association" and/or "Blue Heron Association" in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the

assessments provided for herein by non-use of the Common Areas or abandonment of his lot nor shall damage to or destruction of any improvements on any lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

Section 8. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage, deed of trust, or 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 a tax sale foreclosure or any proceeding in lieu thereof, shall extinguish the lien of any such assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 9. Exempt Property. All properties dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization are exempt from assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 10. Owner's Obligation to Repair. Except for those portions which the "Association" and/or "Blue Heron Association" are required to maintain and repair hereunder, each Owner shall at the Owner's expense keep the interior of the improvements on his lot and its equipment and appurtenances in good order, condition and repair and in a clean and sanitary condition. In addition, the Owner shall be responsible for the maintenance, repair or replacement of any plumbing fixtures, water heaters, heating and air conditioning equipment, and lighting fixtures that may be in, or connected with such improvements, subject to the "Association" and/or "Blue Heron Association" reasonable right of entry upon any lot or improvement thereon to make emergency repairs or to do other work reasonably necessary for the proper maintenance and operation of the property.

ARTICLE V  
ARCHITECTURAL CONTROL

Section 1. The Architectural Control Committee. The Architectural Control Committee will be composed of three (3) persons; one representative designated and appointed by the Sinclair Corporation, one by Johnston Brothers, Inc., and one by the Deercroft Subdivision Homeowners and Recreation Association, Inc. In the appointment of the Deercroft Subdivision Homeowners and Recreation Association, Inc. representative, each owner of each lot shall be entitled to one (1) vote and a majority of property owners shall control it. Declarant shall not be entitled to a vote as a property owner. The Deercroft Subdivision Homeowners and Recreation Association, Inc. representative shall be appointed at a meeting of the property owners after at least a thirty (30) day notice of a meeting to appoint the Architectural Control Committee representative.

Section 2. Purpose. The Architectural Control Committee shall regulate the external design, appearance, use, location and maintenance of the Properties and of improvements thereon in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among structures and the natural vegetation and topography. To that end, no improvements, alterations, repairs, change of paint colors, plantings, excavations, changes in grade or other work which in any way alters the exterior of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by the Declarants to an Owner shall be made or done without the prior written approval of the Architectural Control Committee. No building, fence, wall, patio, courtyard, residence or other structure shall be commenced, erected, maintained or improved, altered, removed, made or done without the prior written approval of the Architectural Control Committee. Owners may plant grass, shrubs, and other vegetation within the boundaries of their Lot so long as it is in keeping with the overall appearance of the project. Should there be a complaint as to these matters, said complaint must be filed in writing with the Architectural Control Committee and said Committee will make a decision as to whether or not the landscaping or decorating done by the Owner is in keeping with the project and the Committee's decision shall be final.

Section 3. Procedure. Any Owner desiring to make any such improvement, alteration or change described herein above shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same, to the Architectural Control Committee which shall evaluate such plans and specifications pursuant to the purposes of the Article as hereinabove specified. In the event the Committee fails to approve, modify or disapprove in writing an application within thirty (30) days after plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

As a condition to the granting of approval of any request made under this Article, the Architectural Control Committee may require that the Owner requesting such change be liable for any cost of maintaining or repairing the approved project. If such condition is imposed, the Owner shall evidence his consent thereto by a written document in recordable form satisfactory to the Architectural Control Committee. Hereafter, the Owner, and any subsequent owner of the lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree that any cost of maintenance and repair of such improvement shall be a part of the annual assessment of charge set forth in Article IV, Section I, and subject to the lien rights described in Article IV.

ARTICLE VI  
EXTERIOR MAINTENANCE

The "Association" shall provide maintenance of the Common Areas, and the "Blue heron Association" shall provide exterior maintenance upon each lot which is subject to assessment hereunder. Said maintenance includes but is not limited to the following: paint, repair, replace and care for roof, gutters, downspouts, building surfaces, trees, shrubs, grass, walks and other exterior improvements. Such exterior maintenance shall not include the following: glass surfaces, window and door screens, storm doors and windows or any portion thereof, attic vent fans, subsurface leakage, underground repairs except as necessary for repair and maintenance to pipes and lines affecting other units, hardware on any exterior doors,

patios and courtyard furniture, and bicycle racks, or any items for which the owner is insured and a payment of loss is received. In order to enable "Blue Heron Association" to accomplish the foregoing there is hereby reserved to "Blue Heron Association" the right to unobstructed access on and upon each lot at all reasonable times to perform maintenance as provided in this Article.

(As a matter of information to future members of "Blue Heron Association" the developers wish to make it known that it is a part of the original plan of development to construct a variety of dwellings with a variety of exteriors for the good of the entire subdivision. Some dwellings will require far more maintenance than others because of the types of exterior exposures. Nevertheless, in order to avoid monotony and in order to achieve a harmony of design and textures, all of those connected with the conception, design, construction and financing of this subdivision as originally planned, are in accord in their belief that all members of "Blue Heron Association" will be benefited by the variety of exteriors and, therefore, "Blue Heron Association" should provide exterior maintenance and make a uniform rate of charge without regard to the actual cost of maintenance of each dwelling.)

In the event that the need for maintenance or repair is caused through the willful or negligent act of the owner, his family or guests, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such lot is subject.

ARTICLE VII  
USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Areas. The Board of Directors of "Blue Heron Association" shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the yard space of each lot.



Section 2. Use of Properties. No portion of the properties (except for temporary office of the Declarant and/or model cluster homes used by Declarant) shall be used except for residential purposes and for purposes incidental or accessory thereto.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the properties, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina and the County of Scotland or its successors relating thereto; and (ii) such rules and regulations pertaining thereto as the Board of Directors of "Blue Heron Association" may adopt from time to time. Only one cat or dog shall be allowed per lot.

Section 5. Signs and Business Activity. No sign of any type may be placed upon the lot, or common areas, by any owner or agent thereof. No business activity of any kind whatsoever shall be conducted on any lot or any portion of said lot. However, this covenant shall not apply to the business activity signs, billboards, or signs pertaining to the construction and maintenance of buildings, if any, of Declarant during the construction and sale period; or signs of the "Association" and/or "Blue Heron Association" as are necessary for the health and well-being of the owners. An entrance-way sign will be allowed notwithstanding any other provision of this section.

Section 6. Dwelling Specifications. No dwelling shall be constructed or permitted to remain on any lot having an area of the main structure, exclusive of open porches and decks, of less than nine hundred (900) square feet.

ARTICLE VIII  
EASEMENTS

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Section 1. Utilities. There shall be a general easement for the installation and maintenance of all utilities and drainage facilities. These easements shall exist under and across the Common Areas at such places as they now actually occur and at such places as the "Association" and/or "Blue Heron Association" may from time to time have need for additional installations in order to better serve the Owners; and at such places as the Declarant may designate for the development of additional phases of the project. The installation of new utilities shall be in keeping with the overall design of the Project.

Certain pipes and lines may exist under various Lots, and the "Association" and/or "Blue Heron Association" shall have the right of egress and ingress over and under said Lots for the purpose of repairing and maintaining said lines and pipes. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of Scotland County (and any other person or firm providing services to the Properties under agreement with or at the direction of the "Association" and/or "Blue Heron Association") over all Common Areas as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage, or general easements previously granted by the Declarant or which hereinafter may be granted by the Declarant or the "Association" and/or "Blue Heron Association".

Section 2. Unintentional Encroachments. In the event that any improvements on a Lot shall encroach upon any Common Area or upon any other Lot for any reason not caused by the purposeful or negligent act of the Owner or agents of such Owner, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Area or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Area shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Area into any such Lot for so long as such encroachment

shall naturally exist. Any and all eaves and overhangs existing over the Common Area are specifically permitted.

ARTICLE IX  
RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

Section 1. Entities Constituting Institutional Lenders. So long as any institutional lender shall hold any first lien upon any lot, or shall be the owner of any lot, such institutional lenders shall have the following rights:

(a) To inspect the books, records, By-Laws, Declaration of Covenants, financial statements and other rules concerning "Blue Heron Association" during normal business hours.

(b) To be given notice by "Blue Heron Association" of the call of any meeting of the membership to be held for the purpose of considering any proposed amendment to this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or By-Laws of "Blue Heron Association" or of any proposed abandonment or termination of "Blue Heron Association" or the effectuation of any decision to terminate professional management of "Blue Heron Association" and assume self management by "Blue Heron Association".

(c) To receive notice of any condemnation of the Common Areas or any portion thereof.

(d) To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Area, other than those specific rights vested in "Blue Heron Association" under Article II hereof.

(e) Upon written request to "Blue Heron Association" identifying the name and address of the holder, insurer, or

guarantor and the unit number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

(1) Any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage or deed of trust.

(2) Any sixty (60) day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage or deed of trust.

(3) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by "Blue Heron Association".

(4) Any proposed action that requires the consent of a specified percentage of mortgage or deed of trust holders.

Section 3. Requirements of Institutional Lender. Whenever any institutional lender desires to avail itself of the provisions of this Article, it shall first furnish written notice thereof to "Blue Heron Association" by CERTIFIED MAIL at the address shown in the Articles of Incorporation identifying the lot or lots upon which any such institutional lender holds any first lien or identifying any lot or lots owned by such institutional lender and such notice shall designate the place to which notices, reports or information are to be given by "Blue Heron Association" to each institutional lender.

ARTICLE X  
GENERAL PROVISIONS

Section 1. Enforcement. The "Association" and/or "Blue heron Association", or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions

of this Declaration, the Articles of Incorporation or the By-Laws of the "Association" and/or "Blue Heron Association". Failure by the "Association" and/or "Blue heron Association" or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The "Association" and/or "Blue heron Association" shall have the right to request that law enforcement, public safety and animal control officers come on the properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

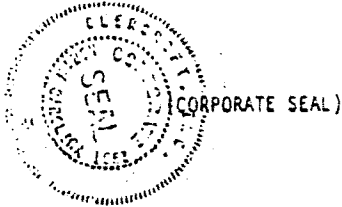
Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date of this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five (75%) of the Lot Owners. Any amendment must be recorded in the Scotland County Registry.

Section 4. Declarant's Right to Amend Declaration With Approval of Veterans Administration or Department of Housing and Urban Development or Other Governmental Agency. In the event that the Declarant shall seek to obtain approval for this declaration and the plan of development of the properties in order that the lots and improvements constructed thereon will be eligible for loans approved or guaranteed by the Veterans Administration (herein called "VA") or the Department of Housing and Urban Development (herein called "HUD"), or the Federal Home Loan Mortgage Corporation (herein called "Freddie Mac"), or the Federal National Mortgage Association (herein called "Fannie Mae"), or other governmental agencies, it is likely that such agency or agencies will require changes in this Declaration in order to make the lots and improvements thereon eligible for such loans. In such event, the Declarant, without the consent or the approval of any other owner, shall

have the right to amend this Declaration, and the amendment shall become effective upon recordation of the amendment, along with attached evidence of approval by the appropriate governmental agency, in the Scotland County Registry. A letter from an official of the VA, HUD, Freddie Mac, Fannie Mae, or other appropriate governmental agency, requesting or suggesting an amendment, shall be sufficient evidence of the approval of VA, HUD, Freddie Mac, Fannie Mae and/or such other governmental agency.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 29th day of May, 1986.



DEERCROFT, INC.

By: Harlee A. Johnston  
HARLEE A. JOHNSTON, President

ATTEST:

Edward H. Johnston  
EDWARD H. JOHNSTON, Secretary

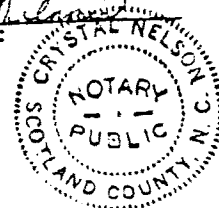
STATE OF NORTH CAROLINA  
COUNTY OF SCOTLAND

I, Crystal Nelson (McInnis), a Notary Public of the State and County aforesaid, do hereby certify that Edward H. Johnston personally appeared before me this day and acknowledged that he is the Secretary of DEERCROFT, INC., a corporation, and the foregoing Deed, by authority duly given and as the act of the corporation, was signed in its name by its President, Harlee A. Johnston, sealed with its corporate seal, and attested by Edward H. Johnston as its Secretary.

WITNESS my hand and Notarial Seal this the 29th day of May, 1986.

My Commission Expires:  
July 25, 1989

Crystal Nelson (McInnis)  
Notary Public



97-44  
JUNE 44

STATE OF NORTH CAROLINA  
COUNTY OF SCOTLAND

The foregoing certificate of Crystal Nelson (McInnis),  
a Notary Public in and for the aforesaid State and County, is certified  
to be correct. This instrument was presented for registration and  
recorded in this Office at Book 9-2, Page 23.

This the 29th day of May, 1906,  
at 3:44 o'clock, P.M.

*Jane P. Callahan*  
Jane P. Callahan, REGISTER OF DEEDS  
SCOTLAND COUNTY  
NORTH CAROLINA

BOOK \_\_\_\_\_  
MAY 29 3 44 PM '06  
JANE P. CALLAHAN  
REG. ST. CLERK  
SCOTLAND COUNTY, N. C.