

RULES AND REGULATIONS
OF
DEARON VILLAGE III CONDOMINIUM

(Initial Capitalized Terms are Defined in
Article 1 of the Declaration)

The following rules apply to all owners and occupants
of Units.

ARTICLE 1. USE OF UNITS AFFECTING THE COMMON ELEMENTS

Section 1.1. Occupancy Restrictions. Units are limited to occupancy by single families as defined in the Declaration.

Section 1.2. No Commercial Use. Except for those activities conducted as a part of the marketing and development program of the Declarant, no industry, business, trade or commercial activities, non-residential storage, or other non-residential use of a Unit, shall be conducted, maintained or permitted on any part of the Condominium, nor shall any signs, window displays, except for a nameplate not exceeding nine (9) square inches in area on the main door of each Unit, be maintained or permitted on any part of the Common Elements or any Unit, nor shall any Unit be used or rented for transient, hotel or motel purposes. "For Sale" signs not exceeding five (5) square feet in area may be posted at the entrance of the Unit for sale.

Section 1.3. Access by Executive Board. The Executive Board, the manager or its designated agent, may retain a passkey to all Units for use in emergency situations only. No Unit Owner shall alter any lock or install a new lock on any door of any Unit without immediately providing the Executive Board, the manager or its agent, with a key therefor. At the

Unit Owner's option, he or she may provide the key to be enclosed in a sealed envelope with instructions that it only be used in emergencies with a report to him or her as to each use and the reason therefor.

Section 1.4. Electrical Devices or Fixtures. No electrical device creating electrical overloading of standard circuits may be used without permission from the Executive Board. Misuse or abuse of appliances or fixtures within a Unit which affects other Units or the Common Elements is prohibited. Any damage resulting from such misuse shall be the responsibility of the Unit Owner from whose Unit it shall have been caused.

Section 1.5. Trash. No storage of trash will be permitted in or outside any Unit in such manner as to permit the spread of fire or encouragement of vermin.

Section 1.6. Displays Outside Units. Unit Owners shall not cause or permit anything other than curtains and conventional draperies, and holiday decorations to be hung, displayed or exposed at or on the outside of windows or outside of Units without the prior consent of the Executive Board or such committee established by the Executive Board having jurisdiction over such matters, if any.

Section 1.7. Painting Exteriors. Owners shall not paint, stain, or otherwise change the color of any exterior portion of any building without the prior consent of the Executive Board or such committee then established having jurisdiction over such matters, if any.

Section 1.8. Cleanliness. Each Unit Owner shall keep his or her Unit in a good state of preservation and cleanliness.

Section 1.9. Electrical Usage. Total electrical usage in any Unit shall not exceed the capacity of the circuits as labeled on the circuit breaker boxes.

ARTICLE 2. USE OF COMMON ELEMENTS

Section 2.1. Obstructions. There shall be no obstruction of the Common Elements, nor shall anything be stored outside of the Units without the prior consent of the Executive Board except as hereinafter expressly provided.

Section 2.2. Trash. No garbage cans or trash barrels shall be placed outside the Units. No accumulation of rubbish, debris or unsightly materials shall be permitted in the Common Elements, except in designated trash storage containers, nor shall any rugs or mops be shaken or hung from or on any of the windows, doors, balconies, patios or terraces.

Section 2.3. Storage. Storage of materials in Common Elements or other areas designated by the Executive Board shall be at the risk of the person storing the materials.

Section 2.4. Proper Use. Common Elements shall be used only for the purposes for which they are designed. No person shall commit waste on the Common Elements or interfere with their proper use by others, or commit any nuisance, vandalism, boisterous or improper behavior on the Common Elements which interferes with, or limits the enjoyment of the Common Elements by others.

Section 2.5. Trucks and Commercial Vehicles; Other Vehicles. Trucks having more than four tires and commercial vehicles are prohibited in the parking areas and driveways, except for temporary loading and unloading, or as may be

designated by the Executive Board. The parking of boats, trailers, motorcycles, motor homes, and off-road or unlicensed recreational vehicles is prohibited in the parking areas or driveways.

Section 2.6. Alterations, Additions or Improvements to Common Elements. No alterations, additions or Improvements may be made to the Common Elements, without the prior consent of the Executive Board or such committee established by the Executive Board having jurisdiction over such matters, if any. No clothes, sheets, blankets, laundry or any other kind of articles other than holiday decorations on doors only, shall be hung out of a building or exposed or placed on the outside walls, doors of a building or on trees, and no sign, awning, canopy, shutter or antenna shall be affixed to or placed upon the exterior walls or doors, roof or any part thereof or exposed on or at any window.

ARTICLE 3. ACTIONS OF OWNERS AND OCCUPANTS

Section 3.1. Annoyance or Nuisance. No noxious, offensive, dangerous or unsafe activity shall be carried on in any Unit, or the Common Elements, nor shall anything be done therein either willfully or negligently, which may be or become an annoyance or nuisance to the other Unit Owners or occupants. No Unit Owner or occupant shall make or permit any disturbing noises by himself or herself, his or her family, servants, employees, agents, visitors, and licensees, nor do or permit anything to be done by such persons that will interfere with the rights, comforts or convenience of other Unit Owners or occupants. No Unit Owner or occupant shall play or suffer to be played, any musical instrument or operate or suffer to be operated a phonograph, television set or radio at such high

volume or in such other manner that it shall cause unreasonable disturbances to other Unit Owners or occupants.

Section 3.2. Compliance With Law. No immoral, improper, offensive or unlawful use may be made of the Property and Unit Owners shall comply with and conform to all applicable laws and regulations of the United States and of the State of North Carolina, and all ordinances, rules and regulations of the City or Town of Pilot Mountain. The violating Unit Owner shall hold the Association and other Unit Owners harmless from all fines, penalties, costs and prosecutions for the violation thereof or non-compliance therewith.

Section 3.3. Pets. No animals, birds or reptiles of any kind shall be raised, bred, or kept on the Property or brought on the Common Elements, except for: no more than one (1) dog of gentle disposition; no more than two (2) cats, or other household pets, approved by the Executive Board as to compatibility with the Condominium. Pets may not be kept, bred or maintained for any commercial purposes. Any pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the Property upon three (3) days' written Notice and Hearing from the Executive Board. In no event shall any dog or other pet or animal be permitted in any portion of the Common Elements unless carried or on a leash or restricted by an underground fence. No dog, pet or other animal shall be kept in any patio or terrace. The owner shall hold the Association harmless from any claim resulting from any action of his or her pet. Seeing eye dogs and hearing ear dogs will be permitted for those persons holding certificates of necessity.

Section 3.4. Indemnification for Actions of Others. Unit Owners shall hold the Association and other Unit Owners and occupants harmless for the actions of their children, tenants, guests, pets, servants, employees, agents, invitees or licensees.

Section 3.5. Lint Filters on Dryers; Grease Screens on Stove Hoods. All dryers will have lint filters, which will remain installed and prevent lint from accumulating in the vent duct. All stove hoods will have grease screens, which will remain installed and prevent grease from accumulating in the vent duct. All such filters and screens will at all times be used and kept in clean, good order and repair by the Unit Owner.

ARTICLE 4. INSURANCE

Section 4.1. Increase in Rating. Nothing shall be done or kept which will increase the rate of insurance on any of the buildings, or contents thereof, without the prior consent of the Executive Board. No Unit Owner shall permit anything to be done or kept on the Property which shall result in the cancellation of insurance coverage on any of the buildings, or contents, thereof, or which will be a violation of any law.

Section 4.2. Rules of Insurance. Unit Owners and occupants shall comply with the rules and regulations contained in any fire and liability insurance policy on the Property.

Section 4.3. Reports of Damage. Damage by fire or accident affecting the Property, and persons injured by or responsible for any damage, fire or accident must be promptly reported to the manager or a Director by any person having knowledge thereof.

ARTICLE 5. RUBBISH REMOVAL

Section 5.1. Deposit of Rubbish. Trash container locations will be designated by the Executive Board or the manager. Pickup will be from those locations only. Occupants will be responsible for removal of trash from their Units to the

pickup locations. Trash is to be deposited within that location and the area is to be kept neat, clean and free of debris. Long-term storage of rubbish in the Units is forbidden.

ARTICLE 6. MOTOR VEHICLES

Section 6.1. Compliance With Law. All persons will comply with North Carolina laws, Department of Motor Vehicle regulations, and applicable ordinances on the roads, drives and Property.

Section 6.2. Limitations on Use. The use of Limited Common Element parking spaces is limited to use by the occupant of the Unit to which it is assigned as a Limited Common Element. Parking areas shall be used for no other purpose than to park motor vehicles, and loading or unloading.

ARTICLE 7. RIGHTS OF DECLARANT

The Declarant may make such use to the unsold Units and Common Elements as may facilitate completion and sale of the Condominium including, but not limited to, maintenance of a sales office, the showing of the Common Elements and unsold Units, the display of signs, the use of vehicles, and the storage of material. Interference with workmen or with buildings under construction is prohibited. Entrance into construction or Declarant's restricted areas will be only with representatives of the Declarant.

ARTICLE 8.

Section 8.1. Consent in Writing. Any consent or approval required by these Rules and Regulations must be

obtained in writing prior to undertaking the action to which it refers.

Section 8.2. Complaint. Any formal complaint regarding the management of the Property or regarding actions of other Unit Owners shall be made in writing to the Executive Board or an appropriate committee.

Certified to be the initial Rules and Regulations adopted by the Executive Board on its date of organization.

Secretary