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RESTRICTIVE AGREEMENT

THIS RESTRICTIVE AGREEMENT, made and entered into this the 29th day of February, 1996, by and between Robert C. Malt, hereinafter referred to as "Subdivider", and all future purchasers and owners of lots within the subdivision to be designated as Phase 1 of The Highlands of Beaverdam;

WITNESSETH:

WHEREAS, Subdivider is the owner of all that certain tract or parcel of land known as Phase 1 of The Highlands of Beaverdam ("Subdivision"), which is as shown on a plat duly recorded in the Office of the Register of Deeds for Buncombe County, North Carolina, in Plat Book 64 at page 130 ("Plat"); and

WHEREAS, Subdivider desires for the benefit of the Subdivision and for the benefit of the owners, at all times hereafter, of those sixteen numbered parcels of land shown on the Plat ("Lots") within the Subdivision that the Subdivision be developed and used exclusively as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and for the advantage which the Subdivider will receive from the sale of the lots in a restricted subdivision, the Subdivider covenants and agrees and hereby restricts the Subdivision as follows:

1. Residential Use. All Lots shall be known as and used as single family residential lots. No Lot shall be used for any type of business, except a home occupation which does not have customers, suppliers or clients coming to the Lot on a routine basis and which does not increase vehicular or pedestrian traffic in any appreciable amount, whether by volume or type. No structure shall be erected, altered, placed or permitted to remain on any Lot other than as provided for herein. Nothing contained herein shall prohibit or limit Subdivider's right to market the Subdivision in the manner deemed best by Subdivider, including, but not limited to, the use of model homes, sales offices and the erection of signs.

2. Division of a Lot. Except as may otherwise be provided herein, only one single family residence shall be built on any Lot. No building shall be erected upon a division of a Lot, except when such a division is appended to an adjoining Lot or to adjoining property of Subdivider which is then subject hereto, and then only in compliance with the remainder hereof and with all applicable zoning and land use regulations. Notwithstanding anything to the contrary elsewhere herein or otherwise shown on the Plat, Lots 5 and 6, Lots 9 and 14 and Lots 10 and 13 shall (each such pair) comprise one Lot for the purposes hereof (including Association assessments and votes) rather than two separate Lots. No separate conveyance of either of the platted Lots of such pairs or any part thereof shall hereafter occur, other than if appended to another Lot and the remainder is in compliance with all zoning and land use regulations.

3. Nuisances. No noxious or offensive activities shall be carried on upon any Lot, nor shall anything be done thereon which is likely to become an annoyance or nuisance to the neighborhood. No Lot shall be used in whole or in part for the storage of rubbish, trash, junk, unlicensed motor vehicles, or any other items, that will cause the Lot to appear in an unclean or unkempt condition. No substance, thing or material shall be kept upon any Lot which will emit foul or noxious odors discernable on any adjoining Lot or which will cause noise which will unreasonably disturb the peace of any occupant of another Lot. All outdoor lighting on a Lot shall be reasonably shielded so as not to disturb an adjoining Lot owner.

4. Temporary Structures. No structure of a temporary character, including trailers, mobile homes, tents or shacks shall be placed upon any Lot at any time; provided, however, that this shall not apply to shelters used by contractors during construction. Basements, garages and partially completed dwellings shall not at any time be used as residences, temporarily or permanently.

5. Size of Dwellings. For a one story dwelling, the above ground floor area of the structure, exclusive of open porches and garages, shall contain not less than 2,000 square feet of heated living space. Two-story dwellings shall contain a minimum of 1,800 square feet of heated living space on the main floor and not less than 2,500 square feet of heated living space on both floors, all exclusive of open porches and garages. For the purpose of this restriction, split-level and split-foyer homes shall be considered two-story dwellings.

6. Utility Easements. Utility and drainage easements affecting all Lots in the Subdivision are reserved as shown on the Plat and, regardless of whether shown on the Plat, shall be not less than ten (10) feet in width along all interior and rear Lot lines for installation and maintenance of utilities and drainage facilities. Notwithstanding the foregoing, if an interior lot line is altered prior to the installation of utility and/or drainage lines thereon, the easement shall thereafter run along only the location where the altered boundary line is located. Neither Subdivider nor any utility company using the easements shall be liable for any damage done by them or their assigns, agents, employees, etc. to the shrubbery, trees, flowers, or anything else placed within the easement.

7. Signs. Other than those erected by Subdivider, no sign of any kind shall be displayed to the public view on any Lot, except one sign of not more than four (4) square feet advertising the property for sale or rent, or signs used by a builder and/or lender to advertise the Lot during the construction and sales period. Nothing in this paragraph shall be construed to prevent Subdivider from erecting signs at any time, and from time to time.

8. Trash. No Lot shall be used or maintained as a dumping ground for rubbish, trash, garbage, junk or debris of any kind (collectively "waste"). All waste shall be kept in closed sanitary containers, which shall be kept in a clean and sanitary condition. The Lot owner shall keep all waste removed regularly from the Lot. All construction materials not used in the structure must be promptly and completely removed from the Lot.

9. Grass and Weeds. Each Lot owner shall keep grass and weeds reasonably trimmed on all vacant Lots in order to prevent an unsightly and unsanitary condition.

10. Approval of Plans. No structure of any kind shall be erected, placed, altered or allowed to remain on any Lot until the complete plans and specifications for same (the "Plans and Specs"), including a site plan and landscaping layout, have been approved in writing by an Architectural Committee (the "Committee") appointed for that purpose by the Subdivider (or its successor to which such power is given by Subdivider). The Plans and Spec must indicate the location and orientation of all improvements to be placed on the Lot. The Committee may require that the proposed location of the improvements be shown on the ground by the placement of stakes, prior to the Committee providing its approval. The Committee may, but need not, have more than one person on it, and Subdivider (or his designee) may be the entire Committee. All proposed plans and specifications must show the location of all structures to be placed, erected, or altered on the Lot, the materials to be used and such other matters as the Committee shall require. A full set of Plans and Specs must be provided to the Committee for it to keep on a permanent basis. Without limiting the items that require the Committee's approval, house numbers, entry signs, mail boxes and their posts, satellite dishes and outside antennae must be approved by the Committee prior to installation. All exposed foundations shall be veneered with masonry product (stucco), brick or stone. Chimneys shall be veneered with wood, brick or stone. No block or poured concrete foundations shall remain exposed. No above ground swimming pools shall be permitted. All roof materials must be approved by the Committee. The foregoing enumeration of specific items is intended to be informative and is not intended to be all-inclusive. All outbuildings must be approved by the Committee and no outbuilding will be considered for approval, unless the proposed fit, finish and specifications thereof are similar in quality to the main residence building (the "House"). Only an outbuilding of the foregoing type, which is to be occupied by the occupant of the House or by an occupant who is paying no remuneration therefor to anyone (e.g. a close relative of the House occupant) will be considered for approval. Should the Committee fail to respond within thirty days of its receipt of materials from one seeking approval of Plans and Specs, the proposed materials shall be deemed disapproved.

11. Fences and site lines. No fence, wall, hedge or shrub planting which obstructs street sight lines may be located on a Lot. No fence of a size or type unapproved by the Committee may be placed on a Lot. No Lot owner shall allow any tree or other vegetation to obstruct the street sight lines. Without limiting the absolute discretion of the Committee to approve or disapprove structures of any kind, no fence greater than six feet in height may be erected along any roadway and all fences visible from roadways must be ornamental in nature.

12. Native Growth. It shall be the obligation of the Lot owner to preserve, so far as it is practicable, the native appearance of each Lot; thus, no clear-cutting of a Lot shall be allowed. It is Subdivider's intention that, to the extent reasonably practical, other than the minimum area to be cleared to construct approved structures and driveways, all trees over eight inches in diameter at a point four feet above ground level shall remain uncut on all Lots, although reasonable topping and trimming to establish or preserve views will be permitted. Planting of vegetation and landscaping shall be done in a manner as to reasonably conform with the natural surroundings. All areas disturbed by construction shall be reseeded and restored not later than six months from House completion.

13. Tanks and Equipment. With the exception of water reservoir tanks approved by the Committee, all tanks shall be placed underground. All waste receptacles, sports equipment and play equipment shall be placed within the rear yard of the House and shall be reasonably concealed from the view of neighboring Lots, roads and streets.

14. Livestock. No cows, pigs, goats, chickens, sheep, horses, llamas or other livestock or wild animals of any type may be kept on any Lot. No commercial animal breeding or raising of any type shall be permitted on the Lot. Only animals which are generally recognized as house or yard pets, not to exceed a total of three (exclusive of fish, gerbils or other like pets kept indoors at all times), may be kept on a Lot. All pets must be kept under the control of their owner and kept in such a manner so as not to become a nuisance or an annoyance to other residents within the Subdivision. Specific regulations, which shall bind the Lots and their owners, may be promulgated by the Association (defined below) for the control of pets within the Subdivision. The regulations may include a limitation and/or prohibition of breeds of pets and weights of pets, so as to avoid nuisances.

15. Motorcycles, etc. Motorcycles, minibikes, dune buggies, motorized bikes or similar recreational vehicles may only be operated within the bounds of the Subdivision while riding for transportation purposes to and from a residence therein and the public road (outside the Subdivision), and may not be ridden within the bounds of the Subdivision for any other purpose.

16. Driveways and Parking Areas. All driveways and parking areas must be paved with hard surface material approved in advance by the Committee and must be completed no later than sixty days after occupancy of the House.

17. Parking. No parking or storage of boats, trailers, recreational vehicles or unlicensed, uninspected or non-operable vehicles shall be allowed on any Lot, other than inside an approved structure. Except for emergency repairs, no person shall repair, restore or store any vehicle, boat, trailer or recreational vehicle upon any portion of the Subdivision, except inside an approved structure. The Association shall have the right and authority to formulate rules governing the size and weight of vehicles which may be parked or stored within the Subdivision. No vehicles shall be parked on the streets or roadways in general use within the Subdivision, other than on a temporary basis, such a party's parking overflow.

18. Motor Vehicles. All motor vehicles shall be maintained in proper operating condition so as not to be a nuisance by noise, exhaust emissions or otherwise. No motor vehicles shall be driven anywhere within the Subdivision, except on driveways and roads shown on the Plat.

19. Outside Antennae. No outside radio or television reception equipment, antennae or satellite dishes shall be erected or placed on any Lot, other than as approved by the Committee.

20. Contract with Carolina Power and Light Company. The Subdivider reserves the right to subject the real property in this Subdivision to a contract with Carolina Power and Light Company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power and Light Company by each residential customer (the owner of each Lot).

21. Construction. Once begun, construction of any structure on a Lot must be completed promptly and in all events within one (1) year of the commencement thereof.

22. Streets. While the only non-State roadways shown on the Plat are, with respect to the Lots in Phase 1 of the Subdivision, private driveways (collectively, the "Driveways") providing access to Lots 4, 8 and 16; subsequent phases (if any) of Subdivision property may contain non-State roadways intended to serve more than two Lots. Driveways shall be maintained in good condition and repair by the Lot-owners using the same, on a pro-rata basis. If the Driveway which presently serves Lot 16 is extended in the manner provided for on the Plat, the maintenance obligation shall be adjusted accordingly. Any streets, roadways or Driveways shown on the Plat or shown on a later filed plat of other property which subjected to these covenants hereafter, may, but need not, be constructed by Subdivider according to standards set by the N.C. Department of Transportation for subdivision streets. Subdivider may, at any time without the joinder of any other Lot owner, dedicate the streets and roadways shown on the Plat or later plats of Subdivider's property to State control and maintenance. Until said Department assumes maintenance thereof, the obligation of maintenance hereafter shall be borne in the manner set forth below.

23. Homeowners Association. There is created hereby the Highlands of Beaverdam Homeowners Association (the "Association"), an unincorporated Association (which maybe incorporated hereafter) created for the following purposes: (1) to provide for maintenance of all generally used (non-Driveway) streets and roadways located within the Subdivision, prior to their acceptance for maintenance by the State authority, (2) to maintain any entrance sign(s) and landscaping surrounding said sign(s) and all other street signs located within the Subdivision, (3) to provide for the enforcement of these restrictions, and (4) to provide for any other matters which relate to the general welfare of the Lot owners within the Subdivision.

The Association shall have the right to levy annual assessments for the purpose of carrying out its purposes herein referred to, which assessments shall be the personal obligation of the Lot owner and which shall be a lien on a Lot from and after the filing of same with the Buncombe County Clerk of the Superior Court. The assessments shall be established to include all sums required by the Association in furtherance hereof, including but not limited to, those for administration of the Subdivision; the operation, maintenance, repair and replacement of the streets, roadways and signs; the landscaping referred to herein; and any other expenses required to maintain the Subdivision as set forth herein or as may hereafter be agreed upon as common expenses by the Association. Assessments shall be levied and collected on a per Lot basis. Notwithstanding the foregoing, if all the generally used (non-Driveway) streets or roadways in a Subdivision Phase have been accepted for maintenance by the State, then the Owners of the Lots in such Phase shall not be assessed for road maintenance costs. Thus, the Association may assess the Lots in different Phases of the Subdivision different amounts. While only Phase I (which contains only State maintained generally used streets and roadways) is presently of record and subject hereto, other Phases which Subdivider may subject hereto in accordance with the provisions hereof, will contain streets and roadways of general use which are not State maintained; and the Lot owners in such Phase shall be assessed for, and shall pay the road maintenance cost. Every Lot owner shall be a member of the Association and shall be entitled to vote (only one vote per Lot). Matters shall be determined by the majority vote of Lot owners. A more formal manner of management may be established at any time by said majority vote. Notice of assessments shall be mailed by first class mail to each Lot owner. Any assessment not paid within thirty days after the due date shall bear interest from the due date at the rate of sixteen percent per annum. The Association may bring an action at law against the Lot owner personally to pay the same and may foreclose its lien (in the manner provided by statute) against the Lot upon which the delinquent assessment has been levied. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of facilities or abandonment of the Lot.

The lien of the assessments provided for herein shall be subordinate to the lien of any deed of trust in favor of an institutional (Bank, Savings Bank, Credit Union and the like) lender. Except as set forth below, the sale or transfer of a Lot shall not affect the assessment lien. The sale or transfer of any Lot pursuant to an institutional deed of trust foreclosure or any public sale in lieu thereof shall extinguish the lien (but not the former Lot owner's liability therefor) of such assessments, as to payments which became due prior to such sale or transfer. No sale or transfer of any kind shall relieve the Lot owner from liability for all assessments thereafter becoming due. Nothing herein shall prevent, and any mortgagee may, at its option, pay any delinquent obligations of the Lot owner.

24. Enforcement. The within covenants are to run with the land and shall be binding on all Lots and Lot owners and all persons claiming under them until the 1st day of January, 2020, at which time these covenants shall be automatically extended for successive periods of ten years unless terminated or modified, in whole or in part, by vote of those persons then owning a majority of the Lots. Enforcement shall be by proceeding at law or in equity commenced by any Lot owner and/or the Association against any person or persons. If any Lot is owned by more than one person, the owners thereof must be in agreement in order to cast the Lot's one vote. In the event of any action commenced due to a claimed breach hereof, the prevailing party shall have its reasonable legal fees reimbursed by the losing party.

While only the Lots shown on the Plat are subjected hereto, Subdivider may, but need not, subject other property hereto without the joinder of any other person. Upon such subjection, the property affected shall become part of the defined "Subdivision", in the same manner as if included herein at present.

25. Severability. Invalidation of any of these covenants by judgment or court order shall not affect any of the other provisions which shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused the due execution of the foregoing.

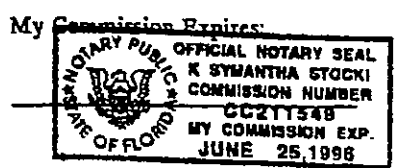
Robert C. Malt (seal)
ROBERT C. MALT

STATE OF Florida
COUNTY OF Palm Beach

I, K. Symantha Stocki a Notary Public for the County and State aforesaid, certify that Robert C. Malt personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official seal, this 29th day of February, 1996.

K. Symantha Stocki
NOTARY PUBLIC



State of North Carolina, County of Buncombe
Each of the foregoing certificates, namely of K. Symantha Stocki