

EST. 2026

HARRIS COVE

*Declaration of Covenants,
Conditions & Restrictions*

A Planned Community
Buncombe County, North Carolina

DECLARANT: BALD HEADED BUILDERS INC

DRAFT 4 — APRIL 2026

RECITALS

WHEREAS, Bald Headed Builders Inc, a North Carolina corporation, together with its successors and assigns (the "Declarant"), is the owner of certain real property located in Buncombe County, North Carolina, described in Exhibit A attached hereto (the "Property");

WHEREAS, Declarant desires to develop the Property as a planned residential community known as Harris Cove, consisting of eight (8) single-family residential lots (the "Lots") with private road, stormwater, gate, and lighting infrastructure;

WHEREAS, Declarant desires to impose certain covenants, conditions, restrictions, easements, and obligations upon the Property for the benefit of all present and future owners of the Lots, to preserve property values, protect infrastructure, and maintain the quality and character of Harris Cove;

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold, and conveyed subject to the following covenants, conditions, restrictions, easements, charges, and liens, which are intended to run with the land and to be binding upon all parties having any right, title, or interest in the Property, their heirs, successors, and assigns.

ARTICLE I DEFINITIONS

As used in this Declaration, the following terms shall have the meanings set forth below:

Section 1.1 - "Act"

The North Carolina Planned Community Act, N.C. Gen. Stat. Chapter 47F, as amended from time to time.

Section 1.2 - "ARC" or "Architectural Review Authority"

During the Declarant Control Period, the Declarant. After the Declarant Control Period, a three-member committee appointed by the Board of Directors pursuant to Article V.

Section 1.3 - "Association"

Harris Cove Homeowners Association, Inc., a North Carolina nonprofit corporation, and its successors and assigns.

Section 1.4 - "Board" or "Board of Directors"

The duly elected or appointed governing body of the Association.

Section 1.5 - "Common Areas"

All real property and improvements owned, operated, or maintained by the Association for the common use and benefit of the Members, including but not limited to Irvine Drive, the eastern StormTech stormwater system and surrounding open space, the gated entrance and associated structures, street lighting infrastructure, and the community mail kiosk area.

Section 1.6 - "Community"

The planned residential community known as Harris Cove, consisting of the Property and all improvements thereon.

Section 1.7 - "Construction Deposit"

The Five Thousand Dollar (\$5,000.00) deposit required of each Lot Owner prior to commencement of any land disturbance or construction activity, as more fully described in Article VI.

Section 1.8 - "Declarant"

Bald Headed Builders Inc, a North Carolina corporation, together with its owners, successors, subsidiaries, and any party to whom Declarant's rights are expressly assigned by recorded instrument.

Section 1.9 - "Declarant Control Period"

The period commencing upon the recording of this Declaration and terminating upon the earliest of: (a) the conveyance of seventy-five percent (75%) of the Lots to third-party purchasers; (b) seven (7) years from the date of recording of this Declaration; or (c) voluntary written termination by Declarant recorded in Buncombe County.

Section 1.10 - "Declaration"

This Declaration of Covenants, Conditions and Restrictions for Harris Cove, as it may be amended from time to time.

Section 1.11 - "Design Guidelines"

The architectural and landscaping standards adopted by the ARC from time to time, which are incorporated herein by reference.

Section 1.12 - "Lot"

Each of the eight (8) numbered parcels of land shown on the recorded subdivision plat of Harris Cove.

Section 1.13 - "Management Company"

The professional community management company retained by Declarant during the Declarant Control Period to administer the day-to-day affairs of the Association.

Section 1.14 - "Member"

Every record Owner of a Lot, as provided in Article II.

Section 1.15 - "Owner"

The record owner, whether one or more persons or entities, of the fee simple interest in any Lot. "Owner" does not include any person or entity holding a lien or deed of trust.

Section 1.16 - "Property"

The real property described in Exhibit A, submitted to this Declaration.

Section 1.17 - "Stormwater Systems"

The stormwater management facilities serving the Community, including the eastern StormTech chamber system located in common open space, the western StormTech chamber system located within an easement on Lot 2, associated drainage swales, storm piping, level spreaders, headwalls, riprap, and all related infrastructure.

Section 1.18 - "Working Capital Contribution"

The non-refundable Two Thousand Dollar (\$2,000.00) contribution required at the initial conveyance of each Lot from Declarant to a third-party purchaser, as more fully described in Article VIII.

ARTICLE II SUBMISSION TO THE NORTH CAROLINA PLANNED COMMUNITY ACT AND CREATION OF ASSOCIATION

Section 2.1 – Submission to the Act

Declarant hereby submits the Property to the provisions of the North Carolina Planned Community Act, Chapter 47F of the North Carolina General Statutes. The Property shall constitute a planned community and shall be owned, held, transferred, sold, conveyed, used, occupied, and improved subject to the covenants, conditions, restrictions, easements, charges, and liens set forth herein. The Community shall be governed by the Act and this Declaration, as each may be amended.

Section 2.2 – Formation of the Association

There is hereby created a North Carolina nonprofit corporation known as Harris Cove Homeowners Association, Inc. (the "Association"). The Association shall be organized and operated in accordance with its Articles of Incorporation, its Bylaws, this Declaration, and the Act. In the event of any conflict between the Act and this Declaration, the Act shall control except where the Act expressly permits modification by declaration.

Section 2.3 – Membership

Every record Owner of a Lot shall automatically be and remain a Member of the Association. Membership is appurtenant to and may not be separated from ownership of a Lot. Transfer of ownership of a Lot shall automatically transfer membership.

Section 2.4 – Voting Rights

Each Lot shall be entitled to one (1) vote. When more than one person holds an ownership interest in a Lot, the vote for that Lot shall be exercised as provided in the Bylaws. In no event shall more than one vote be cast per Lot. The vote of a Lot Owner may be cast by written proxy.

Section 2.5 – Classes of Membership

During the Declarant Control Period, there shall be one class of membership — the Class A membership held by all Lot Owners including Declarant, as applicable. Upon termination of the Declarant Control Period, all membership shall be Class A.

ARTICLE III PROPERTY SUBJECT TO DECLARATION; COMMON AREAS

Section 3.1 – Property

The Property subject to this Declaration consists of approximately ten (10) acres located in Buncombe County, North Carolina, as more particularly described in Exhibit A and as shown on the recorded subdivision plat of Harris Cove (the "Plat"). The Community consists of eight (8) residential Lots and Common Areas as designated on the Plat or in this Declaration.

Section 3.2 – Common Areas

The Common Areas shall include all portions of the Property designated as common area on the Plat, any property conveyed to the Association, and all improvements thereon, including but not limited to:

- Private roadway known as Irvine Drive, within its 45-foot right-of-way;
- Open space areas, including the eastern StormTech stormwater area;
- Gated entrance structure, motor, access control system, and associated electrical systems;
- Five (5) street lights and associated Duke Energy service infrastructure;
- Community mail kiosk and surrounding area;
- Drainage swales, headwalls, riprap, and associated stormwater conveyance features.

The Association shall be responsible for the maintenance, repair, and replacement of the Common Areas. Each Owner has a non-exclusive easement over and through the Common Areas for access and enjoyment, subject to the provisions of this Declaration and any Rules adopted by the Association.

Section 3.3 – Irvine Drive

Irvine Drive is a private road and is not maintained by any governmental entity. The Association is solely responsible for maintenance, repair, and replacement of

Irvine Drive. No governmental authority has any obligation with respect to Irvine Drive. Each Owner has a perpetual, non-exclusive easement over Irvine Drive for ingress and egress to such Owner's Lot.

Section 3.4 – Stormwater Easement – Lot 2

A perpetual stormwater easement is recorded over the portion of Lot 2 containing the western StormTech system. Notwithstanding the location of this system on Lot 2, the Association bears sole maintenance responsibility as set forth in Article VII. The easement area shall be shown on the Plat and/or in a separate recorded easement instrument.

ARTICLE IV USE RESTRICTIONS

Section 4.1 – Single-Family Residential Use

Each Lot shall be used solely and exclusively for single-family residential purposes. No Lot shall be used for any commercial, industrial, manufacturing, or business purpose of any kind. Home offices that do not generate external traffic, signage, noise, or material disturbance to neighboring Lots are permitted. Any parking associated with home office use shall be limited to the Owner's driveway or enclosed garage. Parking on Irvine Drive for home office purposes is prohibited.

Section 4.2 – Minimum Dwelling Size

No dwelling shall be constructed on any Lot containing less than Two Thousand Four Hundred (2,400) square feet of enclosed, heated, and finished living area, exclusive of garages, covered porches, decks, and unfinished spaces.

Section 4.3 – Garage Requirement

Each dwelling shall include a minimum two (2) bay fully enclosed attached or detached garage. Carports do not satisfy this requirement.

Section 4.4 – Exterior Siding and Materials

Each dwelling shall incorporate a minimum of two (2) distinct exterior siding or cladding materials on the exterior facade. All transitions between siding materials shall occur only at interior corners of the structure. No material transition shall occur at an exterior corner or along an uninterrupted wall plane. Materials and transitions shall be submitted for and receive ARC approval.

Section 4.5 – Rental and Occupancy

Lots and dwellings may be leased or rented; however, all tenants and occupants are subject to this Declaration, the Bylaws, and any Rules adopted by the Association. No short-term rental arrangements of less than thirty (30) consecutive days are permitted. No Lot or dwelling may be used as a hotel, bed and breakfast, hostel, or transient accommodation. The Owner remains responsible for all violations committed by tenants.

Section 4.6 – Animals and Pets

Household pets may be kept on Lots in reasonable numbers. Livestock, farm animals, poultry, and commercial kennels are prohibited. Pets shall not be permitted to roam freely on Common Areas without proper restraint. Pet owners are responsible for removing waste from all Common Areas promptly.

Section 4.7 – Vehicles and Parking

Inoperative, unlicensed, or unregistered motor vehicles shall not be stored on any Lot or Common Area in a location visible from any other Lot or Irvine Drive. No commercial trucks, heavy equipment, or construction vehicles may be permanently stored on any Lot or Common Area, except during active construction. Recreational vehicles, trailers, campers, and boats must be stored in the garage or in a screened location not visible from Irvine Drive or adjacent Lots.

Section 4.8 – Signs

No sign of any kind shall be erected on any Lot except: (a) one (1) "For Sale" or "For Rent" sign not exceeding three (3) square feet; (b) one (1) name or address sign not exceeding one (1) square foot; and (c) signs required by law. No political, commercial, or advertising signs are permitted. Declarant may maintain sales and marketing signage during the Declarant Control Period.

Section 4.9 – Nuisance and Neighbor Relations

No activity shall be conducted on any Lot or Common Area that constitutes a nuisance, creates excessive noise, generates offensive odors, or unreasonably interferes with the quiet enjoyment of adjacent Lots.

The Owners of Harris Cove are encouraged to treat their neighbors as they themselves wish to be treated. Good faith communication, cooperation, and mutual respect are essential to a healthy community. Owners are encouraged to attempt to resolve minor disputes directly and informally before seeking Association involvement. The provisions of Article XII govern formal dispute resolution.

Section 4.10 - Garbage and Refuse

No rubbish, refuse, garbage, or other waste material shall be accumulated, stored, or placed on any Lot in a manner visible from adjacent Lots or Irvine Drive except in approved receptacles on collection day. No burning of waste material is permitted.

Section 4.11 - Commencement and Completion of Construction

Construction of a dwelling on any Lot must commence within five (5) years of the date of conveyance of such Lot from Declarant. Once commenced, construction must be substantially completed, and a Certificate of Occupancy obtained, within two (2) years of the commencement date. The ARC may grant written extensions for demonstrated good cause, including force majeure events.

Failure to commence construction within five (5) years, or failure to complete construction within two (2) years of commencement, shall constitute a violation subject to fines and, at the Association's election, additional assessments pursuant to Article IX.

Section 4.12 - Well and Septic

Each Lot shall be served by an individual private well and septic system. There are no shared water or sewer utilities. Owners are responsible for maintaining their own well and septic systems in compliance with all applicable county, state, and federal requirements. The Association has no responsibility for individual wells or septic systems.

Section 4.13 - Landscaping

Each Lot shall be landscaped in accordance with an approved landscape plan as provided in Article V. Landscaping shall be maintained in a healthy, neat, and clean condition at all times. Failure to maintain landscaping to the standard of the approved plan shall constitute a violation subject to the enforcement provisions of Article IX.

All landscaping must be installed in accordance with the approved plan prior to final ARC inspection and release of the Construction Deposit.

ARTICLE V ARCHITECTURAL CONTROL

Section 5.1 - Purpose

The purpose of this Article is to preserve and enhance the natural character, architectural integrity, aesthetic harmony, and property values of Harris Cove. All improvements and exterior modifications to Lots are subject to prior review and approval as set forth herein.

Section 5.2 – Architectural Review Authority

During the Declarant Control Period, the Declarant shall serve as the sole ARC. Declarant may delegate administrative review functions to the Management Company; however, final approval authority remains with Declarant unless expressly assigned in writing.

Upon termination of the Declarant Control Period, the Board shall appoint an Architectural Review Committee consisting of not fewer than three (3) members, none of whom need be a resident of Harris Cove. The Management Company shall provide administrative support to the ARC.

Section 5.3 – Improvements Requiring Approval

No construction, alteration, addition, modification, or exterior improvement of any kind shall be commenced, erected, installed, or altered on any Lot without prior written approval of the ARC. Items requiring approval include, but are not limited to:

- Initial construction of any dwelling or accessory structure;
- Exterior paint color changes to any existing structure;
- Siding or cladding materials, modifications, or replacements;
- Roofing materials, style, and color;
- Driveway material, width, location, or configuration;
- Fencing (type, height, material, location);
- Retaining walls (design, material, height, location);
- Exterior lighting fixtures and placement;
- Landscaping plans and any significant tree removal;
- Decks, patios, porches, pergolas, or similar outdoor structures;
- Swimming pools, hot tubs, spas, or similar water features;
- Solar panels or other energy generation or collection equipment;
- Mailbox modifications;

- Any grading or re-grading that may affect drainage patterns;
- Any improvement or encroachment within or adjacent to a stormwater easement.

Section 5.4 – Submission Requirements

Applications for ARC approval shall be submitted in writing to the Management Company (or directly to Declarant during Declarant Control) and shall include:

- Site plan showing proposed location and dimensions of improvements;
- Architectural elevations and exterior material specifications;
- Color selections for all exterior surfaces;
- Landscape plan (required for initial construction);
- Driveway material, dimensions, and drainage details;
- Exterior lighting plan, fixture specifications, and placement;
- Any additional information reasonably requested.

The ARC shall have thirty (30) days after receipt of a complete submission to approve, conditionally approve, or deny the application. Failure to respond within thirty (30) days of receipt of a complete submission shall be deemed a denial. The ARC's decision shall be provided in writing.

Section 5.5 – Standards of Review

The ARC shall evaluate applications based upon:

- Architectural compatibility and harmony with existing and planned dwellings;
- Quality of proposed materials relative to the character of the Community;
- Compliance with all provisions of this Declaration and the Design Guidelines;
- Preservation and enhancement of property values;
- Protection of stormwater, drainage, and grading integrity;
- Compatibility with the gated, private character of Harris Cove.

The ARC may impose reasonable conditions on any approval. ARC decisions are final during the Declarant Control Period. After the Declarant Control Period, an Owner may appeal an ARC decision to the full Board of Directors.

Section 5.6 – No Waiver

Approval of any plans or improvements shall not constitute a waiver of the ARC's right to require compliance with this Declaration or the Design Guidelines for any future improvements or modifications.

Section 5.7 - Design Guidelines

The ARC may adopt, amend, and enforce Design Guidelines governing architectural and landscaping standards. The Design Guidelines are incorporated herein by reference. In the event of conflict between the Design Guidelines and this Declaration, this Declaration shall control.

ARTICLE VI CONSTRUCTION REQUIREMENTS AND DEPOSIT

Section 6.1 - Construction Deposit Required

Prior to commencement of any land disturbance, grading, clearing, or construction activity on a Lot, the Owner shall deposit Five Thousand Dollars (\$5,000.00) with the Association (the "Construction Deposit"). No site work or construction may begin until the Construction Deposit has been confirmed as received.

Section 6.2 - Holding of Deposit

The Construction Deposit shall be held by the Association in a separate, interest-bearing savings or money market account, segregated from operating funds. All interest earned on the Construction Deposit shall belong to the Association and shall not be credited toward the Owner's deposit balance or refund.

Section 6.3 - Authorized Uses of Deposit

The Construction Deposit may be applied by the Association to cover actual costs of:

- Repair of damage to Irvine Drive, road shoulders, or drainage structures;
- Repair or replacement of damaged stormwater components or drainage swales;
- Repair of damage to the gate, access control system, or street lighting;
- Removal of construction debris from Common Areas;
- Correction of landscaping deficiencies relative to the approved plan;

- Remediation of any violation of this Declaration attributable to construction activities.

If damages caused by an Owner's construction activities exceed the Construction Deposit, the Owner shall remain personally liable for all excess costs, and such excess shall constitute an Individual Assessment subject to the lien provisions of Article VIII.

Section 6.4 – Refund of Deposit

The Construction Deposit, less any amounts properly deducted under Section 6.3, shall be refunded to the Owner upon satisfaction of all of the following conditions:

- A Certificate of Occupancy has been issued by the applicable governmental authority;
- All landscaping has been installed in conformance with the approved landscape plan, or has been completed to a standard exceeding the approved plan;
- The ARC has completed a final inspection of the Lot and issued written approval;
- All damage caused by construction activities has been repaired to the Association's satisfaction;
- No outstanding violations, unpaid fines, or unpaid assessments exist on the Lot.

The Association shall have thirty (30) days from satisfaction of the last condition to process and return the refund. Disputes regarding deposit deductions shall be resolved in accordance with Article XII.

Section 6.5 – Construction Standards

During construction, Owners and their contractors shall:

- Confine all construction activities, material storage, and equipment staging to the Lot being improved;
- Keep Irvine Drive and Common Areas clean and free of construction debris at all times;
- Protect road edges, drainage swales, and stormwater infrastructure from construction equipment;
- Limit construction access to designated entry points;

- Maintain a properly constructed stone construction entrance at the point of access to Irvine Drive, of sufficient size and depth to prevent mud, sediment, or debris from being tracked onto Irvine Drive or any Common Area;
- Comply with all applicable county noise ordinances and construction hour restrictions;
- Maintain erosion control measures as required by law and as directed by the ARC.

ARTICLE VII STORMWATER, PRIVATE ROAD, GATE, AND INFRASTRUCTURE

Section 7.1 – Stormwater Systems – Association Responsibility

The Stormwater Systems, as defined in Section 1.17, are essential infrastructure serving the entire Community. The Association shall be solely and exclusively responsible for the maintenance, inspection, repair, and replacement of all Stormwater Systems, regardless of the location of any component.

The cost of maintaining the Stormwater Systems shall constitute a Common Expense allocated equally among all Lots.

Section 7.2 – Western StormTech System and Easement on Lot 2

The western StormTech system is physically located within a recorded stormwater easement on Lot 2. Notwithstanding its location, sole maintenance responsibility for the western StormTech system rests with the Association.

The Owner of Lot 2 shall:

- Permit the Association, its agents, and contractors full access to the easement area upon reasonable notice (except in emergency situations where immediate access is required);
- Not alter, obstruct, modify, fill, grade, or construct any improvement within the easement area without prior written approval of the ARC;
- Not interfere in any way with the Association's maintenance of the western StormTech system.

The Association shall indemnify and hold harmless the Owner of Lot 2 from any third-party claims arising from the Association's maintenance or operation of the

western StormTech system, except to the extent any claim arises from the negligence, willful misconduct, or breach of this Declaration by the Owner of Lot 2.

Section 7.3 – Compliance with Governmental Requirements

The Association shall maintain the Stormwater Systems in compliance with:

- The recorded Operations and Maintenance Agreement executed with Buncombe County;
- All applicable county, state, and federal stormwater regulations;
- Any requirements imposed by the North Carolina Division of Energy, Mineral and Land Resources.

The Association shall have authority to enter any Lot, upon reasonable notice, to inspect and maintain Stormwater Systems and drainage infrastructure. In the event of emergency conditions threatening drainage integrity or regulatory compliance, the Association may enter without prior notice and charge the cost of emergency repairs to the responsible Owner as an Individual Assessment.

Section 7.4 – Private Road (Irvine Drive)

Irvine Drive, including its 45-foot right-of-way, drainage structures, culverts, and road surface, shall be maintained, repaired, and replaced by the Association as a Common Expense. No Owner shall:

- Damage road edges, shoulders, or drainage infrastructure;
- Park heavy equipment on road shoulders or adjacent drainage swales;
- Obstruct the road surface or drainage;
- Conduct any activity that may accelerate road deterioration.

Owners shall be personally liable for damage to Irvine Drive or its drainage infrastructure caused by their contractors, guests, or invitees. Such costs shall constitute an Individual Assessment.

Section 7.5 – Reserve for Road Maintenance

The Association shall establish and maintain a dedicated Road Reserve Fund. Contributions to the Road Reserve Fund shall be invested in FDIC-insured instruments as provided in Section 8.10. The Fund shall be used for resurfacing, structural repair, and eventual replacement of Irvine Drive.

Section 7.6 – Gated Entrance

The Community is served by a private gated entrance. The Association shall maintain, repair, and replace the gate structure, gate motor and mechanical systems, access control and intercom systems, and all associated electrical components. Gate maintenance costs shall constitute a Common Expense.

All Owners and occupants use the gated entrance at their own risk. The Association shall not be liable for gate mechanical failure, access delays, security breaches, or property damage at the entrance, except in cases of gross negligence by the Association.

Section 7.7 – Street Lighting

The Community is served by five (5) street lights pursuant to a service agreement with Duke Energy Progress. The Association shall pay all costs associated with the street lighting service agreement, including monthly service charges. All costs shall constitute Common Expenses.

Upon the termination of the Declarant Control Period, Declarant shall assign the Duke Energy lighting agreement to the Association or shall cooperate in the substitution of the Association as the contracting party.

Section 7.8 – Mail Kiosk

The Association shall maintain the community mail kiosk area as a Common Element. Routine maintenance costs shall be funded through the annual operating budget.

Section 7.9 – Downspout and Drainage Discharge

All roof downspouts and drainage discharge points on every dwelling shall be directed away from the structure and toward the rear drainage swale serving the Lot. No downspout or surface drainage shall be directed toward Irvine Drive, toward adjacent Lots, or in any manner that concentrates stormwater flow onto neighboring property or Common Areas. Compliance with this requirement shall be verified as part of the ARC final inspection prior to release of the Construction Deposit.

Section 7.10 – Owner Responsibility for Damage

Any Owner who causes damage to Common Areas, Irvine Drive, Stormwater Systems, the gate, street lighting, or other infrastructure through the actions of the Owner, the Owner's household members, tenants, guests, or contractors shall be personally liable for all costs of repair and restoration. Such costs shall be levied as Individual Assessments.

ARTICLE VIII ASSESSMENTS AND DECLARANT FUNDING

Section 8.1 – Creation of Lien and Personal Obligation

Each Lot, by the acceptance of a deed thereto, is deemed to covenant and agree to pay to the Association all Annual Assessments, Special Assessments, Individual Assessments, Working Capital Contributions, and fines levied pursuant to this Declaration. All such sums shall constitute a continuing lien against the Lot and a personal obligation of the Owner. Liens created hereunder shall be enforceable in accordance with the Act.

Section 8.2 – Equal Assessments

Annual Assessments shall be allocated equally among all eight (8) Lots. Each Lot shall bear one equal undivided share (1/8) of all Common Expenses. No Lot shall bear a greater or lesser share of assessments based on lot size, location, or any other factor.

Section 8.3 – Working Capital Contribution

Upon the initial conveyance of each Lot from Declarant to a third-party purchaser, the purchaser shall pay a non-refundable Working Capital Contribution in the amount of Two Thousand Dollars (\$2,000.00) to the Association at closing. The Working Capital Contribution:

- Shall not be credited against any Annual Assessment;
- Shall not be refundable under any circumstances;
- Shall be deposited into the Association's reserve or operating account;
- Shall be used to fund startup reserves and initial operating expenses.

Section 8.4 – Declarant Funding During Declarant Control Period

During the Declarant Control Period, the following funding model shall apply:

- Owners of Lots conveyed to third-party purchasers shall pay full Annual Assessments commencing on the first day of the month following closing;
- Declarant shall not be obligated to pay per-Lot Annual Assessments on Lots retained by Declarant;

- Declarant hereby guarantees full funding of the Association's approved annual budget;
- To the extent that assessments collected from conveyed Lots are insufficient to fund the approved annual budget in full, Declarant shall fund the shortfall on a monthly basis;
- This guarantee shall continue until termination of the Declarant Control Period.

Upon termination of the Declarant Control Period, Declarant shall pay full Annual Assessments on each Lot owned by Declarant, on the same schedule and terms applicable to all other Owners.

Section 8.5 – Commencement of Assessments

Annual Assessments shall commence upon the conveyance of the first Lot to a third-party purchaser. The Board shall adopt an initial annual budget and establish the per-Lot Annual Assessment prior to such conveyance.

Section 8.6 – Annual Assessment Increase Authority

The Board of Directors may increase the Annual Assessment by up to ten percent (10%) per year over the prior year's assessment without a vote of the membership. Any increase exceeding ten percent (10%) in any year shall require approval of Members holding at least sixty-seven percent (67%) of the votes in the Association.

Section 8.7 – Annual Budget Process

The Board shall adopt an annual budget not less than thirty (30) days before the commencement of each fiscal year. The budget shall include projected Common Expenses, reserve contributions, and any other lawful expenditures. The budget shall be made available to all Members upon request.

Section 8.8 – Special Assessments

The Association may levy Special Assessments for capital improvements, emergency expenditures, or unanticipated costs upon approval of Members holding at least sixty-seven percent (67%) of the votes; provided, however, that in the event of emergency circumstances requiring immediate action to prevent damage to Common infrastructure or to comply with governmental requirements, the Board may levy a Special Assessment without membership approval not to exceed Two Thousand Five Hundred Dollars (\$2,500.00) per Lot.

Section 8.9 – Individual Assessments

The Association may levy Individual Assessments against a specific Lot and Owner for:

- Damage caused by the Owner, the Owner's tenants, guests, or contractors;
- Costs of enforcement attributable to violations on the Lot;
- Unpaid fines and accrued penalties;
- Costs of emergency work performed by Association on Lot;
- Unreturned Construction Deposit deductions;
- Any other cost properly chargeable to a specific Lot under this Declaration.

Section 8.10 – Reserve Funds and Investment Authority

The Association shall maintain dedicated reserve accounts for:

- Road maintenance and eventual resurfacing or replacement of Irvine Drive;
- Stormwater system maintenance and repair;
- Gate and access control system maintenance and replacement;
- Street lighting obligations;
- Other capital components as determined by the Board.

Reserve funds shall be invested only in FDIC-insured savings accounts, money market accounts, certificates of deposit, or United States Treasury instruments. No speculative investments of any kind shall be permitted. The investment objective shall be safety of principal and liquidity, with interest as a secondary benefit. Interest earned shall belong to the Association.

Section 8.11 – Late Fees and Interest

Any assessment, fine, or other charge not paid within fifteen (15) days of its due date shall be subject to:

- A flat late fee of One Hundred Dollars (\$100.00); and
- Interest at the rate of eight percent (8%) per annum, accruing from the original due date until paid in full.

The Association shall be entitled to recover all reasonable costs of collection, including court costs and attorney's fees, as permitted by the Act.

Section 8.12 - Lien for Assessments

All assessments, fines, late fees, interest, and collection costs shall constitute a lien against the Lot upon recordation of a claim of lien in Buncombe County. The Association may enforce its lien rights by foreclosure as provided in the Act. The Association's lien shall be subordinate to any first deed of trust recorded prior to the claim of lien, as provided by the Act.

Section 8.13 - Suspension of Privileges

During any period in which an Owner is more than sixty (60) days delinquent in the payment of any assessment or fine, the Association may suspend the Owner's access to certain Common Area privileges (other than road access) as provided in the Bylaws. Road access shall not be suspended.

Section 8.14 - Estimated Annual Budget

The following represents the estimated initial annual budget for the Association based upon current infrastructure costs. Actual assessments will be established by the Board:

Line Item

Annual (\$)

Notes

Road Reserve (invested - CD/money market)

\$5,000

~18-yr resurfacing cycle

Stormwater Reserve

\$2,000

2 StormTech systems

Street Lights (Duke Energy Agreement)

\$2,428

\$202.30/mo fixed

Gate (maintenance + power)

\$2,000

Mechanical + electric

Insurance (D&O + General Liability)

\$800

Professional Management Company

\$4,800

During Declarant Control

Legal Reserve

\$1,000

Contingency

\$1,000

Open Space / Landscaping Maintenance

\$2,500

Common area mowing

TOTAL ESTIMATED ANNUAL BUDGET

\$21,528

÷ 8 lots

Per Lot Annual Assessment (estimated)

\$2,691

~\$224/mo

The above estimates are subject to annual review and adjustment by the Board. Amounts in reserve accounts shall be invested as provided in Section 8.10 to generate interest income and reduce long-term assessment obligations.

ARTICLE IX ENFORCEMENT AND FINES

Section 9.1 - Authority to Enforce

The Association shall have authority to enforce all provisions of this Declaration, the Bylaws, and any Design Guidelines or Rules adopted by the Board or ARC. Enforcement remedies shall include fines, suspension of privileges, Individual Assessments, injunctive relief, and any other remedy available at law or in equity. All remedies are cumulative and not exclusive.

Section 9.2 - Notice and Opportunity to Cure

Prior to imposition of a fine (except as provided in Section 9.5 for emergency violations), the Association shall:

- Provide written notice to the Owner describing the violation with reasonable specificity;
- Identify the applicable provision of this Declaration or Design Guidelines;
- State the fine that will be imposed if the violation is not cured;
- Provide the Owner fifteen (15) days from the date of notice to cure the violation.

If the violation is not cured within the stated cure period, fines shall begin accruing automatically without further notice, as provided in Section 9.4. A violation that is cured and then repeated within twelve (12) months may be treated as a continuing violation at the Association's election.

Section 9.3 - Right to Hearing

In accordance with N.C. Gen. Stat. § 47F-3-107.1, an Owner may request a hearing before the Board within ten (10) days of receiving notice of a violation. A timely hearing request shall suspend the accrual of fines pending the Board's decision. The Board shall conduct the hearing within thirty (30) days of a timely request and shall provide a written decision. If no hearing is requested within the stated period, fines shall accrue automatically as provided herein.

Fines shall be assessed according to the following category-based schedule. Initial fines are imposed upon expiration of the cure period. Daily fines accrue automatically each day the violation continues unresolved.

Category

Examples

Initial Fine

Daily Accrual

A - Administrative

Failure to submit ARC application; minor rule violations

\$250

\$50/day

B - Construction

Unauthorized clearing; road damage; working outside approved hours

\$500

\$100/day

C - Stormwater/Easement

Altering swales; blocking drainage; easement encroachment

\$1,000

\$200/day

D - Architectural

Unapproved materials; improper siding transition; unapproved paint

\$1,000

\$150/day

E - Infrastructure Damage

Gate, road, stormwater, or lighting damage

Cost of repair + \$500 admin fee

\$150/day if unrepaired

Fines are in addition to, and not in lieu of, the Association's right to seek injunctive relief, recover repair costs, or pursue any other remedy.

Section 9.5 – Emergency Violations

If a violation presents an immediate risk to public safety, stormwater regulatory compliance, or infrastructure integrity, the Association may enter the Lot without prior notice, take corrective action, and charge all costs to the Owner as an Individual Assessment. No prior notice or cure period is required in emergency circumstances.

Section 9.6 – Automatic Lien Conversion

All unpaid fines, repair costs, attorney's fees, and collection costs that remain unpaid for more than thirty (30) days following demand shall automatically constitute Individual Assessments and shall become a lien against the Lot upon recordation of a claim of lien. The Association may enforce such lien as provided in Article VIII.

Section 9.7 – No Selective Enforcement

The Association shall apply the enforcement provisions of this Declaration uniformly and consistently among all Lots. Nothing herein shall be construed to require the Association to take enforcement action against every violation, but the Association shall not enforce provisions in a discriminatory or selective manner.

Section 9.8 – Attorney's Fees in Enforcement

In any action to enforce this Declaration, the Association shall be entitled to recover its reasonable attorney's fees and costs from an Owner found to be in violation, as permitted by law.

ARTICLE X MANAGEMENT COMPANY

Section 10.1 – Professional Management During Declarant Control Period

During the Declarant Control Period, Declarant shall retain a professional community management company to administer the day-to-day affairs of the Association (the "Management Company"). The Management Company shall be selected and contracted directly by Declarant. The Management Company's administrative duties shall include:

- Collection of Annual Assessments, Working Capital Contributions, and other charges;

- Preparation of financial reports and maintenance of Association records;
- Coordination of vendors for Common Area maintenance;
- Administration of ARC submissions and communications;
- Issuance of violation notices and administration of fines;
- Oversight of Construction Deposit accounts;
- Coordination of stormwater inspection schedules;
- Assistance with enforcement procedures.

Section 10.2 – Authority of Management Company

The Management Company shall act as the administrative agent of Declarant and the Association during the Declarant Control Period. Final decision-making authority shall remain with Declarant unless expressly delegated in writing. The Management Company shall have no independent authority to impose fines, place liens, or execute contracts on behalf of the Association without Board authorization.

Section 10.3 – Transition Upon Termination of Declarant Control

Upon termination of the Declarant Control Period:

- Declarant may assign the existing management agreement to the Association;
- The Association may elect to retain, replace, or terminate the Management Company by a vote of Members holding at least sixty-seven percent (67%) of the votes;
- There shall be no automatic renewal obligation imposed upon the Association after termination of Declarant Control.

The Management Company shall cooperate in the transition of records, accounts, and documents to the Association.

ARTICLE XI DECLARANT RIGHTS

Section 11.1 – Declarant Control Period

The Declarant Control Period shall commence upon recording of this Declaration and shall terminate upon the earliest of:

- The conveyance of seventy-five percent (75%) of the Lots to third-party purchasers;
- Seven (7) years from the date of recording of this Declaration; or
- Voluntary written termination by Declarant by recorded instrument.

Section 11.2 – Board Appointment During Declarant Control

During the Declarant Control Period, Declarant shall have the exclusive right to appoint and remove all members of the Board of Directors without a vote of the Members. This right is reserved to Declarant as permitted under the Act.

Section 11.3 – Architectural Control

During the Declarant Control Period, Declarant shall serve as the sole ARC and shall have final authority over all architectural decisions. Declarant may delegate administrative review functions to the Management Company.

Section 11.4 – Unilateral Amendment Authority

During the Declarant Control Period, Declarant may unilaterally amend this Declaration without the consent of the Association, the Board, or the Members. This authority is granted to allow flexibility during the development period; provided, however, that no unilateral amendment shall:

- Eliminate or materially diminish the equal assessment structure applicable to conveyed Lots;
- Eliminate or materially diminish access rights of existing Owners to Common Areas or Irvine Drive;
- Increase any Owner's monetary obligations beyond those set forth at the time of conveyance without such Owner's written consent;
- Materially impair the vested property rights of any Owner whose Lot has been conveyed.

All amendments during Declarant Control shall be recorded in Buncombe County Register of Deeds.

Section 11.5 – Development Activities

During the Declarant Control Period, Declarant reserves the right to:

- Maintain and operate sales offices, model homes, and marketing signage within the Community;

- Conduct construction and development activities on unsold Lots;
- Access Common Areas for development purposes;
- Store materials and equipment necessary for development in designated areas;
- Grant easements for utilities, access, or infrastructure;
- Install and maintain improvements to unsold Lots.

Such activities shall be conducted in a reasonable manner and shall not unreasonably interfere with existing Owners' use and enjoyment of their Lots.

Section 11.6 - Annexation of Additional Property

Declarant reserves the right, but not the obligation, to annex additional real property contiguous to or in proximity to the Community by recorded instrument, subject to applicable governmental approvals. During the Declarant Control Period, such annexation shall not require consent of the Members. Any annexed property shall become subject to this Declaration as amended.

Section 11.7 - Assignment of Declarant Rights

Declarant may assign any or all Declarant rights under this Declaration to any successor by recorded instrument. Upon assignment, the assignee shall assume the rights and obligations of Declarant as specified in the instrument of assignment.

Section 11.8 - Transition of Control

No later than sixty (60) days after termination of the Declarant Control Period, Declarant shall:

- Call a meeting of the Members for the purpose of electing a Board of Directors;
- Deliver to the Association all Association records, financial accounts, contracts, and documents;
- Assign all Association contracts, permits, and agreements then held by Declarant;
- Transfer any Association funds held by Declarant.

ARTICLE XII DISPUTE RESOLUTION

Section 12.1 – Statement of Community Values

The Owners of Harris Cove acknowledge that the quality of community life depends upon mutual respect, consideration, and good faith cooperation. Harris Cove is a small, private community of eight (8) Lots in which relationships among neighbors directly affect the quality and value of every property.

Owners are encouraged to treat their neighbors with the same respect and consideration they expect for themselves. When disputes arise, Owners are encouraged to communicate directly and resolve matters informally, in good faith, before seeking formal action. This Declaration is intended to protect property values and community harmony — not to create an adversarial environment.

Section 12.2 – Mandatory Pre-Litigation Requirement

Prior to commencing any lawsuit or legal action arising from or relating to this Declaration, the Bylaws, Rules, architectural decisions, assessments, fines, or any other matter involving Harris Cove, the parties in dispute shall:

- Engage in a good faith attempt to communicate and resolve the matter directly; and if unsuccessful,
- Participate in mediation as provided in Section 12.3.

This requirement applies to disputes between Owners, between an Owner and the Association, and between the Association and Declarant after the Declarant Control Period. This requirement is a condition precedent to filing litigation.

Section 12.3 – Mandatory Mediation

If a dispute is not resolved through direct communication within thirty (30) days of the aggrieved party's written notice to the other party, either party may demand mediation. The parties shall select a mutually acceptable certified mediator located in Buncombe County, North Carolina. If the parties cannot agree on a mediator within fifteen (15) days, a mediator shall be selected by the Superior Court of Buncombe County upon motion by either party.

Costs of mediation shall be shared equally by the parties, unless otherwise agreed. Participation in mediation is mandatory and a condition precedent to initiating litigation. Mediation shall be completed prior to filing suit, except as provided in Section 12.4.

Section 12.4 - Exceptions to Pre-Litigation Requirement

The mediation requirement shall not apply to:

- Assessment collection actions by the Association;
- Lien foreclosure proceedings;
- Applications for emergency injunctive relief necessary to prevent irreparable harm;
- Enforcement of stormwater violations or safety hazards requiring immediate action.

Section 12.5 - Attorney's Fees in Litigation

In any litigation arising from this Declaration, the prevailing party shall be entitled to recover reasonable attorney's fees and costs as permitted by applicable law.

ARTICLE XIII AMENDMENT

Section 13.1 - Amendment During Declarant Control Period

During the Declarant Control Period, this Declaration may be amended by Declarant as provided in Article XI, Section 11.4, without the consent of the Association or Members, subject to the limitations therein.

Section 13.2 - Amendment After Declarant Control Period

After termination of the Declarant Control Period, this Declaration may be amended only upon the approval of Members holding at least sixty-seven percent (67%) of the votes in the Association. All amendments shall be recorded in the Buncombe County Register of Deeds and shall reference this Declaration by book and page. Amendments become effective upon recording.

Section 13.3 - Mortgagee Protection

No amendment shall materially and adversely impair the rights of any holder of a first deed of trust on a Lot without such holder's prior written consent, to the extent such consent is required by applicable law or by the terms of the deed of trust.

Section 13.4 - Severability

If any provision of this Declaration is held invalid, illegal, or unenforceable, the remaining provisions shall continue in full force and effect. A court holding any provision unenforceable shall, if possible, reform such provision to the minimum extent necessary to make it enforceable.

ARTICLE XIV GENERAL PROVISIONS

Section 14.1 - Duration

This Declaration shall run with the land and shall be binding upon all Owners, their heirs, successors, and assigns in perpetuity, unless terminated in accordance with the Act.

Section 14.2 - Governing Law

This Declaration shall be governed by and construed in accordance with the laws of the State of North Carolina, including the North Carolina Planned Community Act, Chapter 47F of the North Carolina General Statutes.

Section 14.3 - Interpretation

This Declaration shall be liberally construed to effectuate the intent of Declarant to create a high-quality, cohesive residential community that protects and enhances property values. In the event of any ambiguity, interpretations that preserve the character and integrity of Harris Cove shall be preferred.

Section 14.4 - Notices

All notices required under this Declaration shall be in writing and shall be delivered personally, by first-class mail, or by email to the Owner at the Lot address or such other address as the Owner has provided to the Association in writing. Notice by first-class mail shall be deemed received three (3) days after mailing.

Section 14.5 - Captions

Article and section headings are for convenience only and shall not affect the interpretation of this Declaration.

Section 14.6 - Entire Agreement

This Declaration, together with the Bylaws, Design Guidelines, and any Rules duly adopted by the Board, constitutes the entire governing framework for Harris Cove. In the event of conflict among these documents, this Declaration shall control, followed by the Bylaws, the Design Guidelines, and then the Rules.

EXECUTION

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first written above.

DECLARANT:

BALD HEADED BUILDERS INC,
a North Carolina corporation

By: _____

Name: _____

Title: _____

Date: _____

STATE OF NORTH CAROLINA

COUNTY OF BUNCOMBE

I, _____, a Notary Public for the State and County aforesaid, certify that _____ personally appeared before me this day and acknowledged that he/she is _____ of Bald Headed Builders Inc, 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 _____.

Witness my hand and official stamp or seal, this ____ day of _____, 20__.

Notary Public: _____

My Commission Expires: _____

EXHIBIT A LEGAL DESCRIPTION OF PROPERTY

[INSERT FULL LEGAL DESCRIPTION OF THE HARRIS COVE PROPERTY FROM RECORDED PLAT — To be completed by Declarant's attorney prior to recording.]

Parcel Identification Number(s): _____

Category

Examples

Initial Fine

Daily Accrual

A - Administrative

Failure to submit ARC application; minor rule violations

\$250

\$50/day

B - Construction

Unauthorized clearing; road damage; working outside approved hours

\$500

\$100/day

C - Stormwater/Easement

Altering swales; blocking drainage; easement encroachment

\$1,000

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D - Architectural

Unapproved materials; improper siding transition; unapproved paint

\$1,000

\$150/day

E - Infrastructure Damage

Gate, road, stormwater, or lighting damage

Cost of repair + \$500 admin fee

\$150/day if unrepaired

All fines accrue automatically upon expiration of the cure period. Owners retain the right to request a hearing as provided in Section 9.3.