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FAIROAKS MASTER COVENANTS

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Exhibit A Description of property presently subjected
to this Declaration

Exhibit B Description of property which may in the
Declarant's sole discretion be subjected to this
Declaration in the future

BOOK 698 PAGE 598

NORTH CAROLINA
ORANGE COUNTY

DECLARATION OF MASTER COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
FAIROAKS

THIS DECLARATION, made this 15 day of December, 1987,
by WESTMINSTER COMPANY, a North Carolina corporation with its
principal office and place of business in Wake County, North
Carolina, hereinafter referred to as the Declarant;

3101 N. Elm St., Suite 200, Greensboro, N. C. 27405

RECITALS:

Declarant is the owner of certain property in Chapel Hill
Township, County of Orange, State of North Carolina, which is
more particularly described in Exhibit "A" attached hereto.

Declarant does hereby subject the foregoing described
property subject to certain protective covenants, conditions,
restrictions, reservations, and charges as hereinafter set forth
and Declarant intends to create thereon and on the property
described in Exhibit "A" attached hereto a planned residential
community to be known as Fair Oaks with a variety of housing types
which may include attached and detached residences designed for
sale and possibly for rental.

Declarant desires to provide for the preservation and
maintenance of the open spaces or common areas and amenities and
for certain other responsibilities in connection with Fair Oaks
and to this end desires to subject the real property described
above together with such additions as may hereafter be made
thereto to the covenants, conditions, restrictions, easements,
charges, and liens hereinafter set forth, each and all of which
is and are for the benefit of the property comprising Fair Oaks
and each owner thereof.

Declarant has deemed it desirable for the foregoing purpose
to create an entity to which shall be delegated and assigned the
powers of owning, maintaining and administering the open spaces
and common areas and facilities in Fair Oaks, administering and
enforcing these covenants, conditions and restrictions,
collecting and disbursing the assessments and charges hereinafter
created, and promoting the recreation, health, safety, and
welfare of the residents of Fair Oaks and Declarant has
incorporated under the laws of the State of North Carolina
Fair Oaks Community Association as a non-profit corporation for
the purpose of exercising the foregoing functions, among others;

NOW, THEREFORE, Declarant hereby declares all of the
property described in Exhibit A to be held, sold, and conveyed
subject to the following covenants, conditions and restrictions,

all of which are for the purposes hereinabove set forth, and which shall run with the real property, shall be binding on all parties having or acquiring any right, title, or interest in the described property or any part thereof, and shall inure to the benefit of the Association and each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Community Association" shall mean and refer to Fair Oaks Community Association, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Fair Oaks" shall mean and refer to that certain real property subject to this Declaration and such additions thereto.

Section 3. "Common Area" shall mean and refer to all common areas and open spaces within Fair Oaks owned by the Community Association for the common use and enjoyment of all Members. The portion of the Common Area to be owned by the Community Association at the time of recordation of this Declaration of Covenants, Conditions and Restrictions is described as follows:

All of that property designated "Common Area and/or Open Space" as shown on the Plat entitled Fair Oaks, Section 1 " which appears of record in the Office of the Register of Deeds of Orange County, North Carolina, in Plat Book 47 at Page 156.

Section 4. Limited Common Area shall mean those areas not owned by the Community Association that serve only a designated portion of Dwelling Units and which may include, but specifically are not limited to, driveways and walkways serving Townhouse Sites, and Multi Unit Sites, and such other similar areas. Limited Common Areas shall be owned and maintained by associations of the owners of Dwelling Units served thereby and not by the Community Association.

Section 5. "Lot" shall mean any plot of land regardless of size upon which it is contemplated one Dwelling Unit will be constructed as shown on a recorded subdivision map of Fair Oaks which has been approved by Declarant and shall include the Dwelling Unit or Units constructed thereon.

Section 6. A "Multi Unit Site" shall mean a site or an area of Fair Oaks on which is intended to be developed more than one attached Dwelling Units, for rent and/or sale. Nothing herein shall prohibit the conversion of such units to townhouses, condominiums or duplexes.

Section 7. A "Townhouse Site" shall mean a site or an area of Fair Oaks on which are to be developed attached Dwelling Units

on Individual Lots designed for sale. Townhouse Sites shall be subdivided into Lots and common area, if appropriate, which, for the purpose of this Declaration, shall be referred to as "Limited Common Area".

Section 8. "Condominium Site" shall mean a site or an area of Fair Oaks which shall be subjected to a Declaration of Condominium pursuant to Chapter 47-C of the North Carolina General Statutes. Condominium Sites shall consist of Condominium Units and common areas and with limited common areas, both of which, for the purpose of this Declaration, shall be referred to as "Limited Common Area".

Section 9. "Dwelling Unit" shall mean a residence containing sleeping facilities for one or more persons and a kitchen. A Dwelling Unit may be attached to other Dwelling Units, and may include a Townhouse Unit, a Duplex Unit or a Condominium Unit or may be separated from other Dwelling Units and may be designed for sale or rental.

Section 10. "Duplex Unit" shall refer to a residential building which shall contain two dwelling units, with each of such dwelling units being located on separate but adjoining Lots.

Section 11. "Member" shall mean and refer to every person or entity entitled to membership with voting rights in the Association as provided in this Declaration.

Section 12. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot, Condominium Unit or Multi Unit Site which is a part of Fair Oaks, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 13. "Declarant" shall mean and refer to Westminster Company as well as its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot, Townhouse Site, Condominium Site or Multi Unit Site from the Declarant for the purpose of development.

Section 14. "Board of Directors" or "Board" means those persons elected or appointed to act collectively as the directors of the Community Association.

Section 15. "VA" shall mean the Veterans Administration and "HUD" shall mean Department of Housing and Urban Development.

Section 16. "Bylaws" mean the bylaws of the Community Association as they now or hereafter exist.

ARTICLE II

COMMON AREA OWNERSHIP AND MAINTENANCE

Section 1. Owners' Easements of Enjoyment: Every Owner shall have a right of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, Dwelling Unit or Multi Unit Site.

Section 2. Delegation of Use: Any Owner may permit the members of his family, his tenants, contract purchasers who reside in Fair Oaks, and his "house" guests to enjoy the Common Areas, subject to the restrictions on enjoyment of said Owner contained herein.

Section 3. Rules and Regulations: The Community Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area. Such rules and regulations shall be maintained in a reasonably convenient place and made available for inspection during normal business hours.

Section 4. Regulation of Use of Common Areas: The Community Association shall have the power to limit the number of guests, to regulate hours of use and to curtail any use or uses of the Common Area it deems necessary for either the protection of the facilities or the best interests of Members.

Section 5. Common Area Facilities Admission Fees: The Community Association may charge reasonable admission and other fees for the use of any Common Area.

Section 6. Suspensions: The Community Association shall have the power to suspend the right to the use of any Common Area of a Class A Member or any person to whom that Member has delegated his right of enjoyment for any period during which any assessment against his Lot, Dwelling Unit or Multi Unit Site remains unpaid; and for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations; provided however that access to a public right-of-way shall not be impaired.

Section 7. Mortgaging Common Area: The Community Association shall have the power to borrow money for the purpose of improving the Common Area and facilities thereon and pursuant thereto to mortgage the Common Area, or any portion thereof; provided, however, the execution of such mortgage shall require consent and approval of 67% of the Lot Owners, excluding the Declarant; and further provided that any encumbrance of the Common Area shall be subject to the easements set forth in Article VII Section 1.

Section 8. Common Area Dedication or Transfer: The Community Association shall have the right to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided, however, that such transfer shall be subject to the easements set forth in Article VII Section 1. No such dedication or transfer shall be effectuated without the approval and consent of 67% of the lot owners, excluding the Declarant in the case of a transfer.

ARTICLE III

LAND USE

Section 1. Restrictions: The property described in Exhibit A shall be subject to the covenants, conditions and restrictions contained herein, and the property described in Exhibit B in whole or part and from time to time may in the sole discretion of the Declarant be subjected to the covenants, conditions and restrictions contained herein.

Section 2. Designated Residential Property Restrictions: All Lots, Duplex Units, Condominium Units, townhouse units, and Multi Unit Sites shall be used, improved and devoted exclusively to residential uses.

Section 3. Common Area Restriction: All Common Area, including any recreational facilities and amenities thereon, shall be used, improved and devoted exclusively to recreational purposes and for the welfare and benefit of the Owners and for the general benefit and enhancement of Fair Oaks.

Section 4. Common Area Construction or Alteration: No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Area except at the direction of and with the express written consent of the Board of Directors of the Community Association.

Section 5. Nuisance or Annoying Activity: No obnoxious or offensive activity shall be carried on, in or upon the Common Area.

Section 6. Parking and Antennas: The Community Association may regulate parking of all kinds on the Common Area. The Community Association also may regulate or prohibit the erection of antennas or satellite discs or similar apparatus on Dwelling Units, Lots or on any Multi Unit Site.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 1. Architectural Committee: An Architectural Committee consisting of three (3) persons shall be appointed by the Declarant. At such time as the Class B membership expires, the Architectural Committee shall be appointed by the Board of Directors of the Community Association.

Section 2. Plan or Design Approval: No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to, Dwelling Units, outbuildings, storage sheds, fences, walls, signs, antennas, satellite discs, clotheslines, mailboxes, post lamps and other structures, or excavation, or changes in grade shall be undertaken upon any Lot or Multi Unit Site, unless the plans and specifications therefore, showing the nature, kind, shape, height, materials, and location of the proposed improvements shall have been submitted in writing to the Architectural Committee and expressly approved in writing. No subsequent alteration or modification of any existing improvements or construction, erection or installation of additional improvements may be undertaken or allowed to remain without the review and express written approval of the Architectural Committee.

Section 3. Effect of Failure to Approve or Disapprove: In the event that the Architectural Committee fails to approve or disapprove any of the foregoing within thirty (30) days after plans and specifications therefore have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully satisfied; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Architectural Committee if they contain erroneous data or fail to present full and adequate information upon which the Architectural Committee can arrive at a decision.

Section 4. Right of Inspection: The Architectural Committee shall have the right, at its election, to enter upon any of the Lots or Multi Unit Sites, in Fair Oaks during preparation, construction, erection, or installation of any improvements to determine that such work is being performed in conformity with the approved plans and specifications.

Section 5. Exterior Maintenance: The exterior maintenance of Dwelling Units and other improvements constructed on Lots and Multi-use Sites shall be the duty and responsibility of the Owner of such Lot upon which the Dwelling Unit is constructed or the respective associations of owners of Multi-use Sites thereof (except where specifically provided otherwise herein) and shall not be the responsibility of the Community Association. If, however, in the opinion of the Community Association an Owner

shall fail to maintain the exterior of any Dwelling Unit in a manner which is reasonably neat, orderly and in a reasonable state of repair or if the responsible person or entity shall fail to keep Limited Common Areas, Lots, Dwelling Units, or Multi Unit Site in such a state so as not to be unsightly, the Community Association, at its discretion, and following ten (10) days written notice to the Owner or responsible person or entity, may enter upon and make or cause to be made maintenance work or repairs as may be deemed by the Community Association reasonably required. The Community Association, or its agents, shall have an easement for the purpose of accomplishing the foregoing. The costs incurred by the Community Association in rendering all such services shall be added to and become a part of the assessments to which such Lot, Dwelling Unit, or Multi Unit Site is subject, then the costs shall be apportioned among and become a lien on the Dwelling Unit, Multi Unit Sites or Lots served by such Limited Common Area.

Section 6. Original Improvements by Declarant: Nothing herein contained shall in any way prevent or interfere with the right of the Declarant to construct the original improvements desired by Declarant on any Lot, or Multi Unit Lots.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

Section 1. Members: The Declarant, for so long as it shall be an Owner, and every person or entity who is an Owner of a fee simple or undivided fee simple interest in any Lot, Condominium Unit, townhouse unit, Duplex Unit, or Multi Unit Site, including contract sellers, shall be a Member of the Community Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Ownership of such Lot, Duplex Unit, Condominium Unit, townhouse unit or Multi Unit Site shall be the sole qualification for membership, and no Owner shall have more than one membership, except as expressly provided hereinafter. Membership shall be appurtenant to and may not be separated from ownership of any Lot, Condominium Unit, Duplex Unit, townhouse unit or Multi Unit Site which is subject to assessment by the Community Association. The Community Association may promulgate reasonable rules relating to the proof of ownership of a Lot, Condominium Unit, Duplex Unit, townhouse unit or Multi Unit Site.

Section 2. Classes of Members and Voting Rights: The Community Association shall have two (2) classes of voting Members:

Class A. Class A Members shall be all those Owners with the exception of the Declarant. Class A Members shall be entitled to one (1) vote for EACH LOT, or Dwelling Unit in which they hold the required ownership interest. The Owner of a Multi Unit Site

shall be entitled to one (1) vote for each Dwelling Unit built or each lot into which the Multi Unit Site is subdivided, provided, however, that in no event shall the then Owner of a Multi Unit Site be entitled to more than twenty five percent (25.0%) of the total votes entitled to be cast by Members at any one time. When more than one person or entity holds such interest all such persons shall be Members. The vote for each such Lot, or Multi Unit Site shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot or Dwelling Unit in a Multi Unit Site and no fractional votes may be cast.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to seven (7) votes for each Lot, Dwelling Unit and lot or dwelling unit into which a Multi-Unit Site is divided and in which it holds the required ownership interest, provided that the Class B membership shall cease and be converted to Class A membership whereby the Declarant shall have one (1) vote for each Lot, said interest on the happening of either of the following events, whichever occurs first:

(a) Four months after 75% of the aggregate number of Lots and Dwelling Units subject to these restrictions as provided herein, have been sold, transferred or conveyed by the Declarant; or

(b) Five years following the First conveyance, sale or transfer by the Declarant of a Lot or Dwelling Unit.

Section 3. Right of Declarant to Representation on Board of Directors of the Community Association: Notwithstanding anything contained herein to the contrary, until five years following the First conveyance, sale or transfer by the Declarant of a Lot or Dwelling Unit, or until four months after Declarant shall have conveyed or leased seventy-five percent (75.0%) of the total of the Dwelling Units and Lots shown on the plan of Fair Oaks heretofore submitted to Orange County and submitted to VA or HUD and contained within the property described in Exhibit "B" attached hereto, whichever first occurs, Declarant (or its express assignee of the right granted in this SECTION) shall have the right to designate and select a two-thirds majority of the Board of Directors of the Community Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Board of Directors of the Community Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Community Association. Declarant shall have the right to remove any person or persons selected by it to act and serve on the Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of any Director or Directors so removed in accordance with the Articles of Incorporation and By-laws. Any Director designated and selected by Declarant need not be an Owner. Any representative of Declarant serving on the Board of

Directors of the Community Association shall not be required to disqualify himself from any vote upon any contract or matter between Declarant and the Community Association where Declarant may have a pecuniary or other interest. Similarly, Declarant, as a member of the Community Association, shall not be required to disqualify itself upon any vote upon or entrance into any contract or matter between Declarant and the Community Association where Declarant may have a pecuniary or other interest.

ARTICLE VI

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments: The Declarant, for each Lot, Dwelling Unit, and each Multi Unit Site owned by it, hereby covenants, and every other Owner of any Lot, Dwelling Unit, and any Multi Unit Site subject to the provisions of this Declaration, by acceptance of a deed therefor, whether or not expressed in any such deed or other covenant, is deemed to covenant and agrees to pay to the Community Association:

- (a) Annual assessments or charges as herein provided;
- (b) Special assessments for capital improvements, such assessments to be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments on a Lot, Dwelling Unit or Multi Unit Site together with interest thereon and costs of collection thereof including attorneys' fees, as hereinafter provided, 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 and costs, and reasonable attorney's fees (as provided in North Carolina General Statutes 6-21.2) incurred by the Community Association in collecting delinquent assessments shall also be the personal obligation of the person or entity who was the Owner of such Lot, Dwelling Unit, or Multi Unit Site at the time when the assessment became due.

Section 2. Purpose of Assessment:

- (a) The assessments levied by the Community Association shall be used exclusively for the purposes of the general enhancement and promotion of Fair Oaks, including without limitation the recreation, health, safety and welfare of the Owners in Fair Oaks, the enforcement of these covenants and the rules of the Community Association, and, in particular, the improvement and maintenance of the Common Areas and facilities thereon, including, without limitation, the maintenance of streets (whether dedicated or not) to

the extent not maintained of ponds and lakes and water and sewer mains on Common Areas, the maintenance of insurance, establishment and maintenance of a reserve fund as provided in Section II of this Article and for such other needs consistent with this Declaration as may arise.

- (b) All monies collected by the Community Association shall be treated as the separate property of the Community Association, and such monies may be applied by the Community Association to the payment of any expense of operation and managing the Properties, 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 Community Association. As monies for any assessment are paid to the Community Association by any Owner, the same may be commingled with monies paid to the Community Association by the other Owners. Although all funds and common surplus, including other assets of the Community Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the members of the Community Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the members of the Community Association, no member of the Community Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interests therein, except as an appurtenance to his Lot, Dwelling Unit or Multi-use Site. When an Owner shall cease to be a member of the Community Association by reason of his divestment of ownership of his Lot, Dwelling Unit or Multi-Unit Site by whatever means, the Community Association shall not be required to account to such Owner for any share of the fund or assets of the Community Association, or which may have been paid to the Community Association by such Owner, as all monies which any Owner has paid to the Community Association shall be and constitute an asset of the Community Association which may be used in the operation and management of the Properties.

Section 3. Annual Assessment: To and including December 31, 1988, the annual assessment shall be shared equally and shall not be in excess of \$120 Dollars for each Lot, Dwelling Unit, and for each Dwelling Unit on any Multi Unit Site, except as otherwise provided herein, the exact amount shall be determined from time to time by the Board of Directors in accordance with the following provisions:

- (a) From and after December 31, 1988, the annual assessment may be increased by the Board of Directors of the Community Association effective January 1 of each year, without the vote of the Members, by a percentage which

may not exceed the percentage increase reflected in the U.S. City Average, Consumer Price Index-United States (published by the U.S. Bureau of Labor Statistics, Washington, D.C.) or such index as may succeed the Consumer Price Index, for the twelve month period ending the immediately preceding July 1, or by ten percent (10%), whichever is greater.

- (b) After December 31, 1989, the annual assessment may be increased in excess of that provided in (a) above by the assent of two-thirds (2/3) of the votes of each class of the Members who are voting in person or by proxy at a meeting called for such purpose. For this purpose, the Class B Member shall be entitled only to one vote for each Lot, Dwelling Unit, or Multi Unit Site as to which it owns the required ownership interest. Written notice of the meeting shall be given to all Members not less than thirty (30) days in advance of the meeting. The provisions of this Sub-Section shall not apply to nor be a limitation upon any change in the annual assessment undertaken as an incident to a merger or consolidation in which the Community Association is authorized to participate under its Articles of Incorporation.

Section 4. Special Assessment for Repairs: In the event any portion of any Common Area is damaged or destroyed by an Owner or any of his guests, tenants, licensees, agents, or family members, such Owner does hereby authorize the Community Association to repair such damaged area in a good and workmanlike manner. The amount necessary for such repairs, labor and material, shall become a special assessment upon the Lot, Dwelling Unit or Multi Unit Site of said Owner.

Section 5. Special Assessments for Capital Improvements: In addition to the annual assessments authorized above, the Community Association may levy one or more special assessments applicable to that year only for the purpose of defraying the costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of the Members (as defined and determined above in Section 3(b)) who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days in advance of the meeting.

Section 6. Uniform Rate of Assessment: Both annual and special assessments, (with the exception of the Special Assessment authorized by Article VI, Section 4 above) must be fixed at a uniform rate for all Lots, Dwelling Units, and Dwelling Units on Multi Unit Sites and shall be collected on a quarterly basis in advance.

Section 7. Date of Commencement of Annual Assessments: Due Dates: The Annual Assessments provided for herein shall commence as to all Lots, and Dwelling Units, on the first day of the month following the date on which such Lot, or Dwelling Unit has either been sold or rented by the Declarant as Landlord and, as to Multi Unit Sites, on the first day of the month following rental of a Dwelling Unit therein. Notwithstanding anything herein to the contrary, Declarant's assessments shall be 25% of the Annual Assessment on all other Lots, Dwelling Units or Multi Unit Sites. Board of Directors of the Community Association shall fix the amount of the annual assessment against each Lot, Dwelling Unit or Multi Unit Site at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto but failure to receive such notice shall in no way affect the obligation of each Owner therefor or the lien therefor as provided herein. The due dates and appropriate penalties for late payment shall be established by the Board of Directors. The Community Association, upon demand at any time, shall furnish a certificate in writing setting forth whether the assessments on a specified Lot, Dwelling Unit or Multi Unit Site have or have not been paid. A reasonable charge may be made by the Community Association for the issuance of these certificates. Such certificates shall be conclusive evidence of the status of the assessments due.

Section 8. Remedies for Non-Payment of Assessments: Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at a rate not to exceed 10%. The Community Association may bring an action at law against the Owner personally obligated to pay any assessments and interest or foreclose the lien created herein in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of Deeds of Trust. Costs and reasonable attorney's fees (as set forth in Article VI, Section 1 above), of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by the non-use of the Common Area or abandonment of his Lot, Dwelling Unit or Multi Unit Site.

In the event of such action at law and in the further event that such action results in a judgment being entered against the Owner and in favor of the Community Association, then, and in that event, the Community Association shall be further empowered to execute on that judgment in such manner and to the extent provided and permitted by the laws of the State of North Carolina.

Section 9. Subordination of the Lien to Mortgages and Ad Valorem Taxes: The lien of the assessments provided for herein on any Lot, Dwelling Unit or Multi Unit Site shall be subordinate

to the lien of any first mortgage, deed of trust or first purchase money deed of trust representing a first lien on said property and subordinate to ad valorem taxes. Sale or transfer of any Dwelling Unit or Site shall not affect the assessment lien; provided, however, that the sale or transfer of any Lot, Dwelling Unit or Multi Unit Site pursuant to a decree of foreclosure on a mortgage thereon or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer; provided, however, delinquent assessments extinguished pursuant to such extinguishment of a lien upon foreclosure or any proceeding in lieu of foreclosure, shall be reallocated and assessed to all the Lots, Dwelling Units and Multi-use Sites as a common expense. No sale or transfer shall relieve such Lot, Duplex Unit, Condominium unit, townhouse unit, or Multi Unit Site from liability or liens arising from assessment thereafter becoming due.

Section 10. Exempt Property: Any portion of Fair Oaks dedicated to, and accepted by, a local public authority shall be exempt from the assessments created herein; provided, however no land or improvements devoted to use as a dwelling shall be exempt from said assessments.

Section 11. Reserve Fund: The Community Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the common areas. Such fund shall be established and maintained from the annual assessments provided for herein.

Section 12. Working Capital: A working capital fund shall be established and maintained by the Community Association, such fund being equal to at least the equivalent of two month's assessments for each Lot and Dwelling Unit. Each Lot or Dwelling Unit's share of such fund shall be collected and placed into the Working Capital fund upon the closing of First conveyance from the Declarant of any Lot or Dwelling Unit. The fund shall be used to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or advisable. Amounts paid into such funds at closing as required herein, shall not be considered as advance payment of regular assessments. Class B members are excluded from this prepayment requirement.

ARTICLE VII

EASEMENTS

Section 1. Walks, Drives, Utilities, Etc.: Common Areas shall be subject to such easements for walkways, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, other utilities, ingress, egress and regress and otherwise as shall be established by the Declarant and the Community Association shall

have the power and authority to grant and establish further easements upon, over, under and across the Common Area.

Section 2. Encroachments and Community Association Easement to Correct Drainage and Make Repairs: All Lots, Dwelling Units, or Multi Unit Sites and the Common Area shall be subject to easements for the encroachment of initial improvements constructed by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps and walls. If any encroachment shall occur subsequent to subjecting Fair Oaks to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be and remain a valid easement for such encroachment for the maintenance of the same. The Community Association hereby expressly reserves an easement and right on, over and under any property comprising Fair Oaks to maintain and to correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance and to make emergency repairs of any kind and to do other work necessary for the proper maintenance and operation of the project. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action reasonably necessary. After such action has been completed, the Declarant shall restore the affected property to its original condition to the extent practicable. Declarant shall give reasonable notice of intent to take such action to all affected Owners.

Section 3. Private Streets and Limited Common Areas: Private streets and Limited Common Areas may be created upon any Multi Unit Site, Condominium Site, Duplex Site, or Townhouse Site to serve the needs of the Dwelling Units therein. Such private streets and Limited Common Areas shall be maintained by the Owners therein or the respective associations of such Owners and the Community Association shall have no responsibility therefor.

Section 4. Easement to Orange County and City of Carrboro: An easement is hereby established for municipal, state or public utilities serving Fair Oaks, their agents and employees over all Common Areas hereby or hereafter established for setting, removing, and reading utility meters, maintaining and replacing utility or drainage connections, and acting with other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection.

ARTICLE VIII

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation by Members: Except as provided in Section 2 of this Article, additional lands may be added and annexed to Fair Oaks only if two-thirds (2/3) of each class of all

the votes entitled to be cast, in the aggregate, by Members are cast in favor of annexation. In such event the holder of Class B voting rights shall be entitled only to one vote for each Lot or Multi Unit Site owned. A meeting shall be duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days in advance of the meeting.

For the purpose of such meeting, the presence thereof of Members or authorizing proxies entitled to cast sixty (60%) percent of the votes, in the aggregate, of the Members, shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called within sixty (60) days thereafter, subject to the notice requirement set forth above, and the required quorum of such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting.

If a quorum is present and a majority of the votes are cast in favor of the annexation, but the majority is less than the two-thirds (2/3) majority of each class required for approval of the annexation, and it appears that the required two-thirds (2/3) of each class may be achieved if the Members not present or voting by proxy assent to the annexation, then and in that event, the Members not present or voting by proxy may assent to or dissent from the proposed annexation in writing within one hundred twenty (120) days following the date of the meeting at which the vote was taken. Each Member assenting or dissenting shall be deemed to have cast, respectively, all of the votes to which he is entitled under Article V, Section 3 of this Declaration either in favor of or against the annexation. If the number of votes cast at the meeting in favor of the annexation, together with the votes deemed to have been cast by the Members assenting to the annexation, shall constitute the requisite two-thirds (2/3) majority of each class of all votes entitled to be cast, the annexation shall stand approved.

Section 2. Annexation by Declarant: The Declarant may annex additional lands to Fairoaks in the following manner:

- (a) If, within fifteen (15) years of the date of incorporation of the Community Association, the Declarant should develop additional lands within the boundaries shown on the general plan of Fairoaks heretofore submitted to the town of Carrboro, VA or HUD and described in Exhibit "B" annexed hereto, such additional lands may be annexed to Fairoaks without the assent of the Members.
- (b) The Declarant may annex to Fairoaks the additional land described in Sub-Section (a) of this Section 2 by recording in the Orange County Registry a Declaration of Covenants, Conditions and Restrictions, duly executed by Declarant, describing the lands annexed and incorporating the provisions of this Declaration. The

additional land shall be deemed annexed to Fair Oaks on the date of recordation of the Declaration of Annexation, and no other action or consent shall be necessary.

- (c) Subsequent to recordation of such Declaration by the Declarant, the Declarant shall deliver to the Community Association one or more deeds conveying any property that is designated as Common Area within the lands annexed.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Enforcement: The Community 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. Failure by the Community 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.

Section 2. Inspection of Documents, Mortgages and Others: "Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences.

Any holder of any first lien on any Dwelling Unit, any insurer or guarantor of said first lien, and any Dwelling Unit Owner shall have upon request therefor the right to inspect any Declaration and Restrictive Covenants and any Bylaws or other Rules, as well as the books and records of the Community Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Community Association prepared by a certified public accountant designated by the Board of Directors of the Community Association, such financial statement or report to be furnished by April 15 of each calendar year.

Section 3. Right to Notice: Upon written request to the Community Association, identifying the name and address of the holder, insurer or guarantor and the unit number or address, any mortgage holder, insurer or guarantor shall be entitled to timely written notice of:

- (a) 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 the Community Association or of any proposed abandonment or termination of the Community Association

or the effectuation of any decision to terminate professional management of the Community Association and assume self management by the Community Association or any proposed action that requires the consent of 50% of the mortgage holders.

- (b) Any condemnation or casualty loss that affects either a material portion of the project or the Dwelling Unit securing its mortgage.
- (c) Any substantial damage to the Common Area.
- (d) Any 60-day delinquency in the payment of assessments or charges owed by the owner of any Dwelling Unit on which it holds the mortgage.
- (e) A lapse, cancellation or material modification of any insurance policy or Fidelity bond maintained by the Community Association.

Section 4. Term and Amendment by Owners: The covenants, conditions and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Community Association, or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. The Covenants, Conditions and Restrictions of this Declaration may be amended during the first thirty (30) year period or thereafter by an instrument signed by the Owners of not less than sixty-seven percent (67%) of the Lots, Duplex Units, Condominium Units, townhouse units, or Multi Unit Sites.

Section 5. Reserved:

Section 6. Certification and Recordation of Amendment: Any instrument amending this Declaration (other than an amendment by the Board of Directors to correct an error or inconsistency in drafting, typing, or reproduction) shall be delivered, following approval by the Owners (to the extent that Owner's approval is required by the provisions of this Declaration), to the Board of Directors. Thereupon, the Board of Directors shall, within thirty (30) days after delivery, do the following:

- (a) Reasonably assure itself that the amendment has been duly approved by the Owners as provided in Section 3 of this Article.
- (b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Community Association.

- (c) Within the thirty (30) day period aforesaid, cause the amendment to be recorded in the Orange County Registry.

Section 7. Effect and Validity of Amendments: All amendments shall be effective from the date of proper recordation in the Orange County Registry. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors and recorded as provided in this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment.

Section 8. Reserved:

Section 9. Protective Covenants for Lots, Duplex Units, Condominium Sites, Townhouse Sites and Multi-Unit Dwellings: Nothing herein shall affect the Declarant's right to establish, from time to time, appropriate specific additional covenants, for the development and use of Lots, Dwelling Units and Multi Unit Sites for attached or detached Dwelling Units.

Section 10. Conflicts: In the event of any irreconcilable conflict between this Declaration and the Bylaws of the Community Association, the provisions of this Declaration shall control. In the event of an irreconcilable conflict between this Declaration or the Bylaws of the Community Association and the Articles of Incorporation of the Community Association, the provisions of the Articles of Incorporation shall control.

Section 11. Severability: Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 12. Contracts: Notwithstanding anything to the contrary provided herein, in respect to any contracts or leases made or entered into by the Community Association prior to the passage of control pursuant to Article V all such contracts or leases shall include a provision stating that the Community Association shall not be bound either directly or indirectly to such contracts unless there is a right of termination of any such contract or lease without cause, which is exercisable without penalty any time after transfer of control upon not more than 90 days notice to the other party.

Section 13. Insurance: The Community Association shall establish and maintain in effect casualty and liability insurance and Fidelity bond coverage as specified in the FNMA Lending Guide, Chapter Three, Part 5, Insurance Requirements.

ARTICLE X

DISSOLUTION OR INSOLVENCY OF THE COMMUNITY ASSOCIATION

The Community Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of Members. Upon dissolution of the Community Association, other than incident to a merger or consolidation, the assets of the Community Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Community Association was created. In the event that such dedication is refused, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

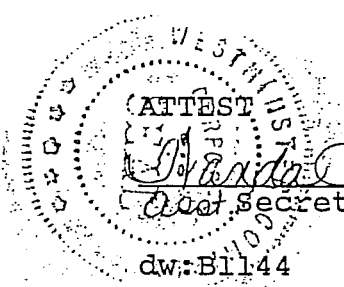
ARTICLE XI

VA AND HUD APPROVAL

As long as there is a Class B member, the following acts will require the prior approval of VA or HUD: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this instrument on this 15 day of December, 1987.

WESTMINSTER COMPANY

By: Michael P. Miller
President

Florida G. Earp
Secretary

dw:B1144

STATE OF NORTH CAROLINA
DURHAM
COUNTY OF ~~ORANGE~~

BOOK 698 PAGE 617

This is to certify that on the 15 day of December, 1987, before me personally came Michael V. McGee, Vice President, with whom I am personally acquainted, who, being by me duly sworn, says that he is the Vice President and Wanda L. Earp is the Assistant Secretary of WESTMINSTER COMPANY, the Declarant described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal, and the name of the corporation was subscribed thereto by the said Vice President and that the said Vice President and Assistant Secretary subscribed their names thereto, and said common seal was affixed all by order of the Board of Directors of said corporation and that the said instrument is the act and deed of said corporation.

WITNESS my hand and official seal this 15 day of December, 1987.

Sylvia L. Husketh (Fowler)
Notary Public

My Commission Expires:

2-16-89

dw:B1144

NORTH CAROLINA - ORANGE COUNTY

The foregoing certificate(s) of _____
Sylvia L. Husketh (Fowler)

A Notary (~~or Notary~~) Public of the designated Governmental units is (~~are~~) certified to be correct. Filed for registration this the 17th day of December 19 87, at 2:20 o'clock, P.M.
in Record Book 698 Page 594.

Return: _____

Betty June Hayes, Register of Deeds
By: Deloid B. Brewster
Assistant/Deputy
Register of Deeds

EXHIBIT A

BOOK 698 PAGE 618

Beginning at a point in the center line of Old N.C. 86 (SR. 1009) said point being north 32 deg. 50 min. 30 sec. west 298.51 feet from the intersection of the center line of Old N.C. 86 (SR 1009) and the center line of James Street (Extended); running thence north 37 deg. 20 min. 4 sec. east 1088.98 feet to an iron; running thence east 998.91 feet to a point; running thence south 3 deg. 48 min. 5 sec. east 150.98 feet to a point; running thence south 2 deg. 51 min. 45 sec. west 100.12 feet to a point; running thence south 26 deg. 33 min. 54 sec. west 156.52 feet to a point; running thence south 66 deg. 30 min. 5 sec. west 125.40 feet to a point; running thence south 26 deg. 33 min. 54 sec. east 11.18 feet to a point; running thence south 77 deg. 16 min. 32 sec. west 158.90 feet to a point; running thence due south 50 feet to a point; running thence south 23 deg. 56 min. 11 sec. east 82.41 feet to a point; running thence south 6 deg. 40 min. 7 sec. east 62.16 feet to a point; running thence south 17 deg. 39 min. 00 sec. east at 113.27 feet to a point; running thence north 74 deg. 3 min. 17 sec. east at 36.40 feet to a point; running thence south 12 deg. 00 min. 38 sec. east at 175.68 feet to a point; running thence north 87 deg. 11 min. 30 sec. west at 1193.67 feet to a point; running thence south 37 deg. 44 min. 33 sec. west at 242.34 feet to a point in the center of Old N.C. 86; running thence along route of said center line north 33 deg. 50 min. 30 sec. west 249.51 feet to a point; the point and place of beginning and being a tract of 25.55 acres said tract being Tract A shown on the plat of the property of Mrs. J. E. Tripp as surveyed by Freehold Land Surveys, Inc. dated May 21, 1985 and recorded in Plat Book 41 at page 151, Orange County Registry, to which reference is hereby made for a more particular description.

EXHIBIT B

BEGINNING at a point on the common property line between the property of the University of North Carolina and formerly Mrs. J. E. Tripp, now Marvin E. Walker and wife, Rebecca H. Walker, said beginning point being the following courses and distances from the intersection of the center line of Old N.C. 86 (~~SR 1009~~) and the center line of James Street (extended): North 32 degrees 50 minutes 30 seconds West 249.51 feet to a point in the center of Old N.C. 86; thence North 37 degrees 20 minutes 4 seconds East 1,088.98 feet to an iron; thence East 998.91 feet to a point, the point and place of BEGINNING, running thence from said beginning point south 3 degrees 48 minutes 5 seconds East 150.83 feet to a point; running thence South 2 degrees 51 minutes 45 seconds West 100.12 feet to a point; running thence South 26 degrees 33 minutes 54 seconds West 156.52 feet to a point; running thence South 66 degrees 30 minutes 5 seconds West 125.40 feet to a point; running thence South 26 degrees 33 minutes 54 seconds East 11.18 feet to a point; running thence South 77 degrees 16 minutes 32 seconds West 158.90 feet to a point; running thence South 50 feet to a point; running thence South 23 degrees 56 minutes 11 seconds East 82.41 feet to a point; running thence South 6 degrees 40 minutes 7 seconds East 62.16 feet to a point; running thence South 17 degrees 39 minutes 00 seconds East 113.27 feet to a point; running thence North 74 degrees 3 minutes 17 seconds East 36.40 feet to a point; running thence South 12 degrees 00 minutes 38 seconds East 175.68 feet to a point; running thence South 87 degrees 50 minutes 36 seconds East 110.57 feet to an iron; running thence South 89 degrees 40 minutes 29 seconds East 521.63 feet to an iron; running thence South 89 degrees 45 minutes 36 seconds East 175.09 feet to an iron; running thence North 1 degree 25 minutes 56 seconds East 496.38 feet to an iron; running thence South 89 degrees 47 minutes 36 seconds East 323 feet to a point; running thence North 44 degrees 50 minutes 49 seconds East 176.89 feet to a point; running thence North 2 degrees 22 minutes 29 seconds West 330 feet to a point; running thence due East 1,070.24 feet to a point at the point and place of BEGINNING and being all of that property shown as Tract B consisting of 21.44 acres, more or less, as shown on the plat of the property of Mrs. J. E. Tripp as surveyed by Freehold Land Surveys, Inc. dated May 21, 1985 and recorded in Plat Book 41 at page 151, Orange County Registry, to which reference is hereby made for a more particular description.